

INVESTING IN QUALITY GROWTH AND DELIVERING SUSTAINABLE RETURNS

Delivering against our strategy

- Results in line with expectations with additional investment programme on track
- Investments are strengthening share trends in many priority markets, supporting quality growth
- Strong results from Growth and Specialist Brands, which now generate 60.4% of tobacco net revenue
- Excellent progress with cost optimisation and reducing business complexity
- Focus on capital discipline delivering 99.6% cash conversion and 10% dividend growth

Alison Cooper, Chief Executive, commented

"We're delivering encouraging improvements in share trends in many of our priority markets after significantly stepping up investment behind our strategy and quality growth. The volume and share gains we achieved with our Growth Brands in the period were particularly pleasing. Our performance is underpinned by the rollout of our Market Repeatable Model, which provides an effective and consistent approach for delivering sustainable quality growth in markets. We are deploying this model in e-vapour and believe it can also be successfully applied to drive growth in other consumer adjacencies. As expected, first half revenue and profit were impacted by the considerable increase in investment. In a challenging industry environment, we are delivering against our strategy and remain on track to meet full year earnings expectations at constant currency. Cash conversion remains strong and we are delivering another dividend increase of 10%."

Headline Financials

Overview – Adjusted Basis		Half Year Result		Change	
		2017	2016	Actual	Constant Currency ¹
Total tobacco volume	bn SE	126.3	133.9	-5.7%	
Growth Brand volume	bn SE	73.0	70.7	+3.2%	
Tobacco net revenue	£m	3,716	3,399	+9.3%	-5.5%
Tobacco adjusted operating profit	£m	1,667	1,577	+5.7%	-8.1%
Logistics adjusted operating profit	£m	82	68	+20.6%	+4.4%
Total adjusted operating profit	£m	1,740	1,637	+6.3%	-7.6%
Adjusted earnings per share	pence	121.9	113.0	+7.9%	-5.9%
Dividend per share	pence	51.7	47.0	+10.0%	
Adjusted net debt	£m	(13,927)	(13,710)		

Overview – Reported Basis		Half Year Result		Change	
		2017	2016	Actual	
Revenue	£m	14,298	12,806	+11.7%	
Operating profit	£m	902	1,002	-10.0%	
Basic earnings per share	pence	70.7	30.4	+132.6%	

See page 4 for basis of preparation and page 13 for the reconciliation between reported and adjusted measures.

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

Delivering Against Strategic Priorities

We are investing more behind the right brands and the right markets to deliver further quality growth and ongoing returns. Our Market Repeatable Model provides a clear framework for our investment and is supporting Growth Brand performance and improved market share trends in priority markets.

Strengthening our Portfolio

- Growth Brand volumes up 3.2% with a 60 bps increase in market share
- Growth and Specialist Brands up 200bps to 60.4% of reported tobacco net revenue
- Brand migrations and SKU rationalisation realising simplification benefits
- Building blu through investment in brand building and technology development

Developing our Footprint

- Investment is delivering improved share trends in priority markets; Growth Brand share gains in all divisions
- In USA: Winston and Kool share increased; mass market cigars performing well
- Growth Markets: increased share in Italy, Japan and Saudi Arabia; and improving trend in Russia
- Returns Markets: gaining share with Growth Brands in UK and Australia; other priority markets stabilising
- Market Repeatable Model informing investment choices and supporting effective market execution

Cost Optimisation

- Cost optimisation expected to deliver £130m of savings in FY17, ahead of the £90m announced in November
- Continued focus on reducing business complexity driving effectiveness and efficiency
- Savings supporting investment programme

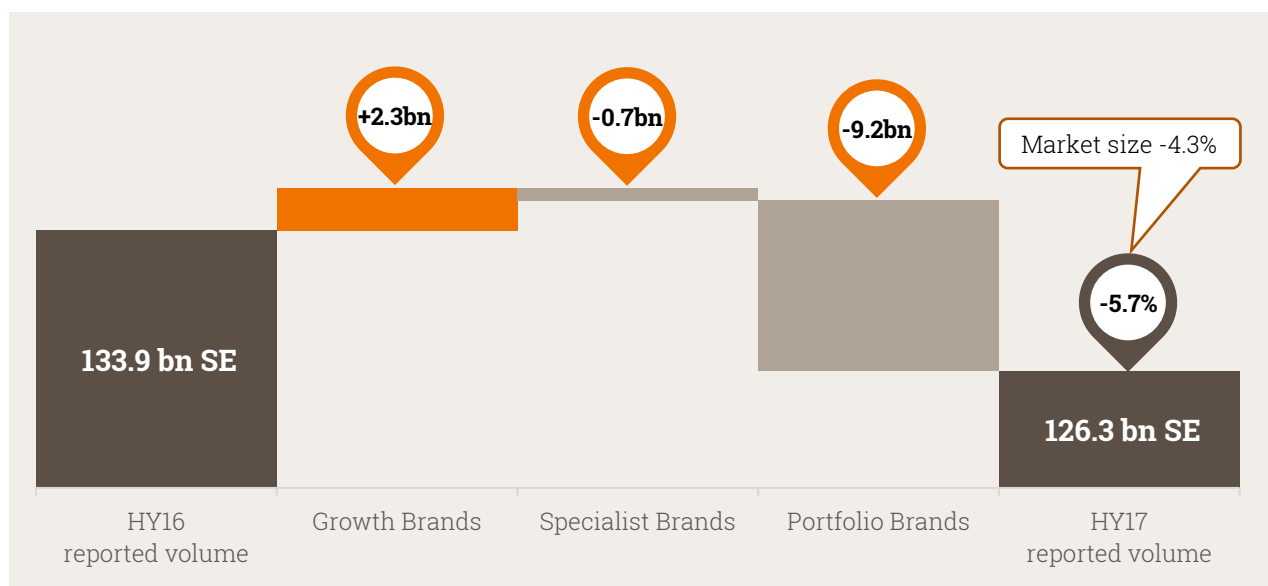
Capital Discipline

- Cash conversion of 99.6%
- Net debt reduction of £1.2bn before adverse FX of £1.4bn: adjusted net debt of £13.9bn
- Interim dividend of 51.7p; up 10%

Highlights show movements based on adjusted numbers at constant currency

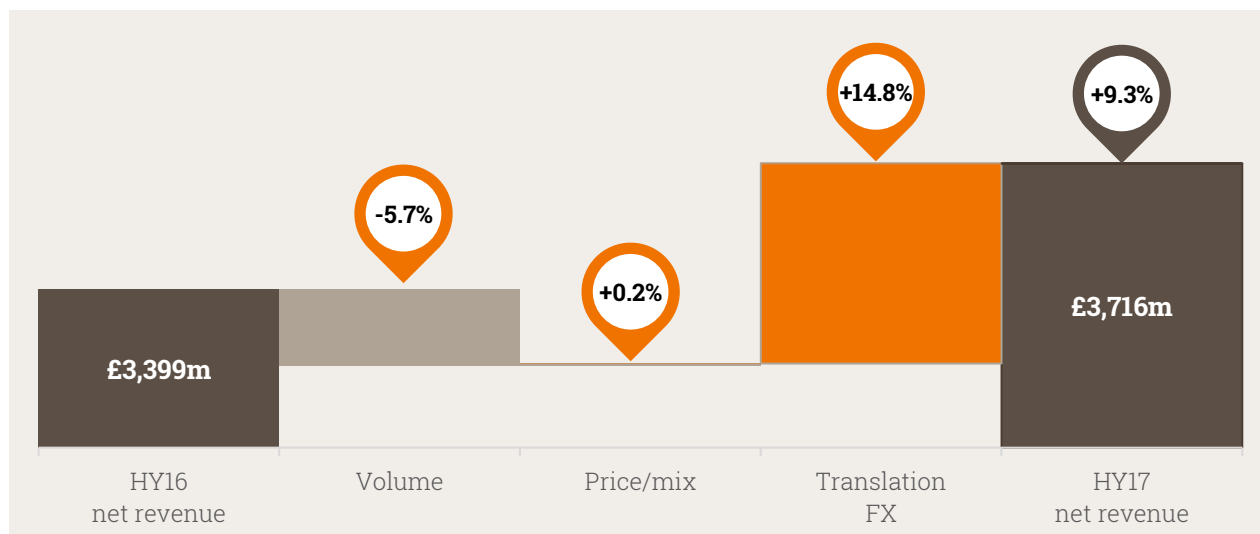
Portfolio Strengthened through Growth Brand Performance

- Reported volume 126.3bn SE; down 5.7% driven primarily by increased industry volume declines
- Industry volumes down 4.3% year to date, following a strong comparator period last year and affected by increased excise and regulatory changes
- Growth Brands gaining volume (up 3.2%) and share (up 60 basis points) reflecting improved quality of growth
- Rest of portfolio share down 90 basis points as our portfolio transformation focuses on Growth Brands
- Specialist Brands volume driven by migration of Route 66 to Growth Brands and market size declines
- Portfolio Brands volume affected by multiple migrations to Growth Brands, delistings and market size



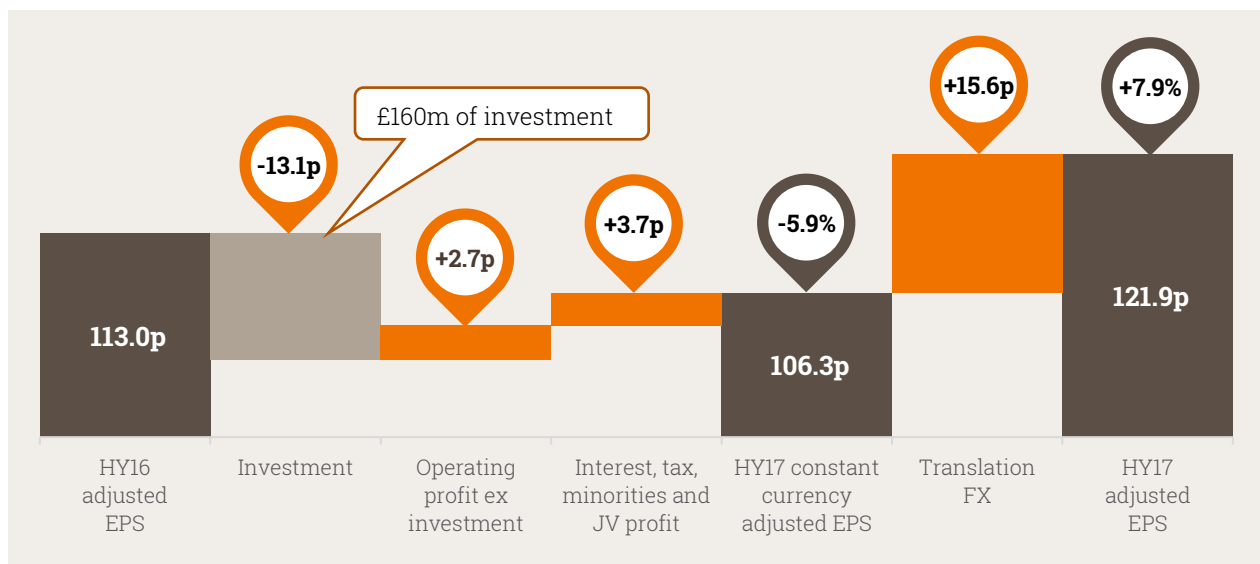
Net Revenue Growth of 9.3% at Actual Exchange Rates

- Net revenue of £3.7bn; up 9.3% at actual exchange rates; down 5.5% on a constant currency basis
- Flat price/mix reflects increased price investment, the phasing of price increases and the impact of termination of PMI contracts in the UK and Morocco
- 14.8% benefit from foreign exchange on translation



Adjusted Earnings per Share up 7.9% at Actual Exchange Rates

- Adjusted EPS of 121.9p
- Constant currency adjusted EPS down 5.9% reflecting impact of increased investment of £160m
- Translation FX benefit of 15.6p with 7.8p from US dollar; 3.9p Euro, 2.3p Australian dollar and 1.6p of other currencies
- Reported EPS up 132.6% to 70.7p driven primarily by the impact of foreign exchange on the fair value of derivatives



OTHER INFORMATION

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Webcast and Conference Call

Imperial Brands PLC will be hosting a live webcast for investors and investment analysts with senior management following the publication of our Interim Results on 3 May 2017. The webcast will be hosted by Alison Cooper, Chief Executive, and available on www.imperialbrandspc.com from 9.00am (GMT). An archive of the webcast and the presentation script and slides will also be available.

The webcast can also be accessed on a listen only basis using the following telephone details:

United Kingdom: +44(0)20 3427 191

USA: +1646 254 3388

Confirmation code: 3011623

A media conference call will be hosted at 7.30am, at which there will be the opportunity for questions.

Dial-in Number: +44 (0)330 336 9412

Participant code: 2618718

A replay of this call will be available for one week. To listen, please dial:

Replay Number: +44 (0)207 984 7568

Access Code: 2618718

Basis of Presentation

- To aid understanding of our results, we use 'adjusted' (non-GAAP) measures in accordance with our usual practice. Reconciliations between adjusted and reported (GAAP) measures are also included in the relevant notes. Further definitions of adjusted measures are provided in the 2016 Annual Report and Accounts.
- 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.
- Market share is presented as a 12 month average (MAT). Aggregate market share is a weighted average across markets within our footprint.

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.

CHIEF EXECUTIVE'S STATEMENT

We made a promising start to the year as we continued to focus on delivering against our strategic priorities. This year we are investing an additional £300m in Growth and Specialist Brands in priority markets to deliver improved revenue growth and early results are encouraging, with improved share trends in many of these markets.

Our increased investments support our strategy to generate quality growth and sustainable shareholder returns and they are focused on areas where we have a proven track record of generating quality revenue growth and are funded by further savings from our cost programme. Investments are aligned with the rollout of our Market Repeatable Model, which provides an effective and consistent approach for winning across our geographic footprint. Our investments are supporting share growth in our Growth Brands in many of our priority markets or improved share trends in others.

We remain focused on our four strategic priorities: strengthening our portfolio, developing our footprint, cost optimisation and capital discipline. Our footprint exposure has supported positive currency translation with growth in net revenue, adjusted operating profit and earnings per share at actual exchange rates. The additional investment has impacted our first half actual and constant currency revenue and profitability in line with our expectations and we expect a stronger second half performance as the investments gain further traction. Our investment plans are on track with £160m spent against the £300m we announced last year.

Cash conversion remained strong at almost 100% and we increased the interim dividend by 10% for the ninth consecutive year.

Winning in Market – Market Repeatable Model

Our Market Repeatable Model was developed as part of the review we undertook last year and builds on the success of our sales growth drivers. It is based on insights from across the business, including analysis of markets where we have generated significant quality growth.

The model provides a simple and consistent operating framework that is now being deployed throughout our footprint. The six elements of the model ensure that everywhere we operate we have: a simple market-focused portfolio, sustained brand investments, a consistent price strategy, a focus on maximising the availability of our core range, tailored customer solutions and honest and accurate learning mechanisms.

The Market Repeatable Model has become an integral component of our strategy and strengthens our ability to maximise the performance of our brands and markets.

Strengthening our Portfolio

We delivered excellent results from our Growth Brands, which outperformed the market with strong growth in volumes and share.

Growth Brands continue to benefit from brand migrations and we have also begun a more radical portfolio simplification exercise to further reduce complexity and improve the on-shelf availability of our brands. This has now been implemented in several markets including Russia, France, Germany, Italy, Spain and Australia, and will be rolled out across other geographies.

We have increased investment in our Growth Brands, focusing support behind markets and activities with the best growth potential. This includes a broad range of initiatives such as consumer activations, new product offerings to meet changing consumer needs, as well as brand equity building campaigns for JPS, West, Winston, Davidoff and Gauloises Blondes.

Our Specialist Brands performance included strong revenue contributions from our Premium Cigar portfolio, Skruf in Norway and Sweden, Backwoods in the USA and Rizla.

Together, Growth and Specialist Brands accounted for 60.4% of the Group's tobacco net revenue.

Investing in Consumer Adjacencies

We continue to develop our presence in consumer adjacencies through our subsidiary, Fontem Ventures. Fontem's current priority is to capitalise on the rapid growing e-vapour sector by building sales of blu and licensing a range of patented technologies, as well as exploring other consumer adjacencies such as caffeine energy products. E-vapour is the largest part of the fast-growing next generation product category, offering the broadest consumer choice with its range of devices, flavours and nicotine strengths and providing the biggest growth opportunity.

Our Market Repeatable Model provides a framework to drive growth in e-vapour and can be applied across other consumer adjacencies. We have a market-focused portfolio centred on blu, a high quality e-vapour brand with a consistent premium pricing strategy. We continue to invest in building brand equity and improving technologies. We have further developed our next generation product to provide an improved consumer experience and we are undertaking consumer trials as a prelude to a launch during 2017. We are also enhancing our distribution in our four priority markets of the USA, UK, France and Italy as we evaluate opportunities to expand into new markets. During the period Fontem further enhanced revenues by licensing its first generation technology to a number of other e-vapour companies.

Developing our Footprint

In Growth Markets, we further improved our quality of growth and achieved continued market share gains in Saudi Arabia, Italy and Japan, while improving our share trajectory in markets such as Russia. Our Premium Cigars business also made a strong contribution. We enhanced our presence in China, the world's largest tobacco market, through a joint venture with China Tobacco.

Our US business, ITG Brands, continues to perform well as we invest behind our two focus premium brands, Winston and Kool, which delivered further market share improvements, helping to offset Portfolio Brand declines. We have also achieved a significant improvement in the performance of our mass market cigar business.

In Returns Markets, we also enhanced our quality of growth as we focused on Growth Brand share and our investments delivered increasing year to date share in markets such as the UK, Australia and Algeria and improving share trends in markets including Germany and Spain.

Cost Optimisation and Capital Discipline

We have two cost optimisation programmes underway, which will each deliver £300m of cost efficiencies and improved ways of working. The first programme is on track to deliver £300m by FY18. We announced a second phase last year which is scheduled to deliver another £300m by FY20. We have delivered £60m of savings in the first half and we now expect to deliver £130m of savings this year ahead of the £90m announced last November.

Our commitment to capital discipline underpins our focus on cash generation and the effective management of our working capital. Cash conversion remained strong at 99.6% and we generated £1.2bn of free cash flow after dividend payments.

We are now in our ninth consecutive year of dividend growth of 10% or more and we remain committed to continuing to grow the dividend by at least 10% a year over the medium term.

Good Results from Logista

Our European distribution business Logista had a great start to the year with growth in revenue and operating profit. This has been driven by the development of its non-tobacco businesses, particularly convenience products, pharmaceutical, wholesale and transport, more than offsetting the impact of lower tobacco volumes. The results also benefited from the sale of an investment in an Italian business that provides transactional services at point of sale. Logista profitability continues to benefit from improved cost management across its operations, with efficiency gains in its distribution network and warehousing.

Outlook

In November 2016, we announced a significant additional investment commitment in the current year to enhance our market position and drive further quality growth. These investments have already yielded improved trends in the first half and we expect these positive trends to continue, resulting in a stronger second half despite a further deterioration in industry volumes, combined with competitive pricing in a number of geographies.

Through a combination of our additional investment initiatives and an ongoing focus on cost optimisation, we expect constant currency earnings to be in line with expectations. Foreign exchange translation is expected to benefit earnings by around 9% based on current rates.

Our focus on capital discipline and cash flow management remains a core element of our strategy. Strong cash-flows will continue to be used for returns to shareholders, investing behind our business and paying down debt.

The positive progress we are making in driving our strategic agenda underpins our commitment to continue to generate value for our shareholders in 2017 and beyond.

Alison Cooper

Chief Executive

OPERATING REVIEW

We are focused on delivering quality growth with the right brands in the right markets. This is being reinforced this year by increased investment aligned to our Market Repeatable Model to drive improved revenue growth over the medium term. Initial results are encouraging, with either higher market share or improved share trends in a number of Growth and Returns Markets supported by stronger Growth Brand performances.

Brand Performances

We achieved another strong performance with our Growth and Specialist Brands. These are the most important assets in our portfolio and together they now account for 60.4% of our tobacco net revenue, up 200 basis points on last half year. We have substantially increased our investment behind these brands in the first half, improving their growth momentum and supporting the success of our migration and SKU simplification programmes.

Total Group tobacco volumes were 126.3bn stick equivalents (2016: 133.9bn), with volumes down by 5.7% mainly reflecting industry volume declines. Against this backdrop our Growth Brands increased volume and market share by 60 basis points as we continue to migrate consumers from local, low priority brands. As a result our Portfolio Brands lost 90 basis points of share as we simplify and focus on our strongest brand equities. Our priority is to continue to reshape the portfolio and improve our quality of growth.

Growth Brands

		Half Year Result		Change	Constant Currency
		2017	2016	Actual	
Market share	%	8.0	7.4	+60 bps	
Net revenue	£m	1,682	1,486	+13.2%	-2.5%
Percentage of Group volumes	%	57.8	52.8	+500 bps	
Percentage of tobacco net revenue	%	45.3	43.7	+160 bps	

Our Growth Brands are Davidoff, Gauloises Blondes, JPS, West, Fine, News, Winston, Bastos, Lambert & Butler and Parker & Simpson. These are quality brands with broad consumer appeal that are generating an increasing amount of our volume and revenue.

Growth Brands outperformed the market in the period, with volumes growing 3.2% supported by migrations. Net revenue grew 13.2% on a reported basis, although fell 2.5% at constant currency reflecting targeted price investment. Growth brand investment was also prioritised behind brand equity building campaigns, additional consumer activations and new formats to meet changing consumer demands.

Growth Brands now account for 57.8% of total Group tobacco volumes, an increase of 500 basis points, and 45.3% of overall tobacco net revenue, an increase of 160 basis points benefiting from migrations as well as organic growth.

Brand Chassis	Highlights
JPF <i>(JPS, Parker & Simpson and Fine)</i>	Volume and share growth in the chassis was driven by JPS and Parker & Simpson. Players in the UK and Parker & Simpson Queen Size and Crushball variants in Russia have continued to perform well. Investments in JPS in Italy have increased share especially in soft pack variants. The migration of Route 66 to Parker & Simpson has also helped volumes.
West <i>(West, L&B, News and Bastos)</i>	West has grown volumes and share driven by Saudi Arabia and Japan, and by the migration of Stolichnye in Ukraine. L&B Blue has performed well with share gains in recent months helped by key account investment. News is making good progress in France as the special edition News & Co helped drive positive share momentum.
Winston	Winston made further share gains supported by increased investment through our retailer programmes coupled with a new pack design, digital marketing initiatives and improved point of sale.
Davidoff	Revenue growth in the period was driven by Saudi Arabia with the benefit of our new Fresh Box pack and increased consumer contact points. In Greece, increased consumer activations have continued to support increases in market share.
Gauloises	Gauloises gained share in Algeria to consolidate its market leadership, supported by the success of Gauloises L'autre. We increased investment in Germany behind the successful 'Vive le Moment' campaign to address recent share declines.

Specialist Brands

		Half Year Result		Change	
		2017	2016	Actual	Constant Currency
Net revenue	£m	561	499	+12.3%	-2.0%
Percentage of tobacco net revenue	%	15.1	14.7	+40 bps	

Specialist Brands appeal to specific consumer groups and include: blu (e-vapour), Style, Gitanes, Kool (cigarettes), Golden Virginia, Drum, Route 66 (fine cut tobacco), Cohiba, Montecristo, Romeo Y Julieta (premium cigars), Backwoods (cigars), Skruf (snus) and Rizla (papers). Our specialist brand Style is being migrated to Jadé as part of our new Chinese joint venture. Jadé will eventually replace Style as one of our Specialist Brands as we build scale behind Jadé for further development outside of China.

We continued to make good progress with our Specialist Brands, driven by revenue growth in Backwoods, Skruf in Scandinavia, Premium Cigars and Rizla papers. Specialist Brands now represent a greater proportion of the business at 15.1% of net revenue, up 40 basis points on last half year.

Portfolio Brands

The rest of the portfolio is comprised of Portfolio Brands. Some of these are strong local brands that support our volume and revenue development, while others are delisted or migrated into Growth Brands as part of our portfolio simplification initiatives to improve the quality of growth and drive efficiencies.

Portfolio Brand volumes and net revenue fell 17.6% and 10% respectively, primarily reflecting the effect of further migrations into Growth Brands and delistings. We achieved price mix gains of 22.4%, as we further optimised the profitability of the brands.

Market Performances

Growth Markets

		Half Year Result		Change	
		2017	2016	Actual	Constant Currency
Net revenue	£m	859	707	+21.5%	+1.7%
Adjusted operating profit	£m	211	192	+9.9%	-8.9%
Growth Brand % of net revenue	%	47.6	45.1	+250 bps	
Growth Brand volume	bn SE	22.3	21.3	+4.7%	
Growth Brand market share	%	3.9	3.4	+50 bps	

Targeted investment in Growth Brands and the implementation of our Market Repeatable Model has enabled us to build positive momentum and deliver improved share trends in our priority markets.

We have strengthened the quality of growth through further migrations and more focused investment in our Growth Brands. Growth Brand volumes grew 4.7% and we increased Growth Brand revenues as a proportion of the total by 250 basis points. Growth Brand share gained 50 basis points.

Net revenue and adjusted operating profit grew strongly at actual rates, driven by the benefit of currency translation. At constant currency, net revenue grew 1.7% supported by strong increases in Saudi Arabia, Italy, and Norway, and despite increased investment in price and mix in Russia.

Our investments have driven continued improved share performances in Saudi Arabia, Italy and Japan, offset by declines in Cambodia, Macedonia and Slovenia. The increased investment impacted adjusted operating profit, which fell 8.9% at constant currency materially driven by the investments in Russia.

In January, we announced a new joint venture with a subsidiary of China Tobacco which will develop growth opportunities in China and international markets. The partnership will promote Davidoff and West in China and Horizon and Jadé in other markets outside China.

Country	Performance
Russia	We increased investment in simplifying the portfolio, maintaining a consistent price strategy and in key account activities, which have begun to deliver an improved share trend in a highly competitive market. Parker & Simpson gained share with the successful launch of a Queen Size format while Maxim benefited from a new Superkings variant.
Saudi Arabia	Share and revenue increased as we invested in consumer activations to support West, which achieved strong growth, especially in Lights and Ultra Lights. Davidoff share is stable in a declining premium segment, supported by the launches of Fresh Box and Absolute.
Italy	JPS performed well in the period, benefiting from additional brand investment and increased distribution, while Davidoff grew as we expanded its distribution.
Greece	We delivered strong share growth in Davidoff as we continue to invest in consumer activations.
Sweden and Norway	Continued success with Skruf has resulted in share, revenue and profit gains as we benefit from positive pricing in a growing market.
Japan	We continue to deliver share and revenue growth in Japan with West performing strongly, as we extend our retailer coverage.
Taiwan	Davidoff market share remains stable despite a declining high price segment and Parker & Simpson is growing share supported by the migration of Boss.

USA Market

		Half Year Result		Change	
		2017	2016	Actual	Constant Currency
Net revenue	£m	785	711	+10.4%	-6.8%
Adjusted operating profit	£m	457	384	+19.0%	0.0%
Asset Brand % of net revenue	%	43.1	42.8	+30 bps	
Asset Brand volume	bn SE	5.2	5.3	-0.3%	
Growth Brand market share	%	2.4	2.3	+10 bps	

Our priority in the USA is to grow our focus brands, Winston and Kool, as we reshape the portfolio behind our strongest equities. We have invested in improved distribution through our retailer agreements, new packaging, new formats and digital marketing to build brand awareness.

Net revenue was up 10.4% at actual rates but fell 6.8% at constant currency as a result of our investments and volume declines. Industry volumes declined 2.5% year to date following a strong comparator last year. The percentage of tobacco net revenue generated by our Asset Brands increased 30 basis points to 43.1%, as we stepped up our price support for Winston expanding price repositioning into more territories across the USA. We continue to invest in our successful US retail programme which is now in 169,000 stores nationwide. As a result, Growth Brand market share gained 10 basis points. Our Specialist Brand, Kool also grew share in the fast growing menthol segment as we invested to build brand awareness.

Our mass market cigar business which includes the Dutch Masters and Backwoods brands has continued to perform strongly with growth in volumes, revenue and profit. We restructured the business last year and changed our route to market which, coupled with new consumer activation and engagement programmes, have delivered quality share growth.

Adjusted operating profit grew 19.0% at actual rates and was flat at constant currency, despite significant uplift in our brand investments, which have been supported by the realisation of further cost efficiencies and the benefit of a one-off pension curtailment gain following the closure of the US defined benefit pension plan.

Returns Markets

		Half Year Result		Change	
		2017	2016	Actual	Constant Currency
Net revenue	£m	2,072	1,981	+4.6%	-7.7%
Net revenue per '000 SE	£	25.74	23.03	+11.8%	-1.3%
Adjusted operating profit	£m	999	1,001	-0.2%	-11.0%
Growth Brand % of net revenue	%	54.6	52.2	+240 bps	
Growth Brand market share	%	15.9	15.1	+80 bps	

Investments in key Returns Markets are delivering early improvements in share trends and we continue to enhance our quality of growth through our footprint choices and by driving a greater proportion of revenue from Growth and Specialist Brands.

Net revenue and adjusted operating profit were down at constant currency reflecting the higher investments and the termination of PMI contracts in the UK and Morocco, although positive currency translation supported gains at actual exchange rates.

The increased investment in conjunction with our Market Repeatable Model has delivered improved share trends in many of our priority markets. We achieved share gains in the UK, Australia, Algeria and Portugal and delivered some improvements in recent share trajectories in Spain and Germany as our investments start to gain traction. We faced some share pressure in Azerbaijan, Belgium, Poland and Ivory Coast.

Growth Brands generated 54.6% of tobacco net revenue, an increase of 240 basis points. Growth Brand volumes increased 2.7% while industry volumes declined 4.1% year to date, following a strong comparator period last year and reflecting the impact of excise and regulatory increases. Growth Brand share gained 80 basis points supported by migrations and strong brand performances including Players in the UK and JPS in Australia.

Returns Markets North

		Half Year Result		Change	
		2017	2016	Actual	Constant Currency
Net revenue	£m	1,301	1,246	+4.4%	-6.5%
Net revenue per '000 SE	£	30.67	27.33	+12.2%	+0.5%
Adjusted operating profit	£m	671	676	-0.7%	-9.9%
Growth Brand % of net revenue	%	57.9	55.1	+280 bps	
Growth Brand market share	%	15.7	14.9	+80 bps	

Country	Performance
UK	We grew share year to date as our increased investment gained traction although this affected revenue and profit. Our fine cut tobacco share increased, led by good growth from Gold Leaf and Players. In cigarette we grew share strongly with Players.
Germany	Our investment is supporting share gains in fine cut tobacco in West and Fairwind and an improving performance from JPS cigarettes. We are investing in brand equity building and consumer activations behind Gauloises. Overall share declined but with an improving recent trend.
Benelux	While JPS has gained market share, overall market size and our share declined following market excise increases.
Australia	We delivered another excellent performance focused on JPS and resulting in further gains in market share, revenue and profit.
Ukraine	Our market share has largely recovered following our decision not to participate in the price war last year although market size has declined sharply as prices recovered.

Returns Markets South

		Half Year Result		Change	
		2017	2016	Actual	Constant Currency
Net revenue	£m	771	735	+4.9%	-9.7%
Net revenue per '000 SE	£	20.25	18.18	+11.4%	-4.1%
Adjusted operating profit	£m	328	325	+0.9%	-13.2%
Growth Brand % of net revenue	%	49.0	47.4	+160 bps	
Growth Brand market share	%	16.3	15.5	+80 bps	

Country	Performance
Spain	Increased investment is supporting an improvement in market share trend with West performing particularly well.
France	News has continued to gain share with increased investment. Industry volumes declined with the impact of additional taxes and other regulatory changes while pricing remains highly competitive.
Algeria	We have continued to grow share with the success of Gauloises, the market-leading brand.
Morocco	Our value brand Fox has driven overall year to date share gains. Revenue and profit was affected by the conclusion of the PMI agreement.

FINANCIAL REVIEW

We have continued to build the financial strength of the business through a relentless focus on our strategic priorities. Our cost optimisation programme and our strong capital discipline are providing the resources to invest in growth initiatives, generate returns for shareholders and pay down debt. We are increasing our investment by £300m this year to drive further growth in the right brands and right markets.

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

Investing for Growth

The simplification of our brand portfolio combined with our drive to reduce complexity across the business is supporting our cost optimisation and capital discipline programmes. As we cut the number of brands and SKUs, we are able to align our manufacturing and supply chain to deliver operating efficiencies and optimise our working capital needs. At the same time, we are adopting new ways of working and embracing lean principles to reduce overheads and improve our effectiveness.

This is delivering tangible savings that we are investing in driving top-line growth. We have established a track record of increasing operating profit margins and adjusted earnings per share in each of the past three years. Our capital discipline has driven high cash conversion which underpins our commitment to grow dividends, repay debt and invest in the business.

Group Results – Constant Currency Analysis

£ million (unless otherwise indicated)	Six months ended 31 March 2016	Foreign Exchange	Constant currency movement	Six months ended 31 March 2017	Change	Constant currency change
Tobacco Net Revenue						
Growth Markets	707	140	12	859	+21.5%	+1.7%
USA Market	711	122	(48)	785	+10.4%	-6.8%
Returns Markets North	1,246	136	(81)	1,301	+4.4%	-6.5%
Returns Markets South	735	107	(71)	771	+4.9%	-9.7%
Total Group	3,399	505	(188)	3,716	+9.3%	-5.5%
Tobacco Adjusted Operating Profit						
Growth Markets	192	36	(17)	211	+9.9%	-8.9%
USA Market	384	73	0	457	+19.0%	0.0%
Returns Markets North	676	62	(67)	671	-0.7%	-9.9%
Returns Markets South	325	46	(43)	328	+0.9%	-13.2%
Total Group	1,577	217	(127)	1,667	+5.7%	-8.1%
Logistics						
Logistics distribution fees	371	61	10	442	+19.1%	+2.7%
Logistics adjusted operating profit	68	11	3	82	+20.6%	+4.4%
Group Adjusted Results						
Adjusted operating profit	1,637	227	(124)	1,740	+6.3%	-7.6%
Adjusted net finance costs	(266)	(40)	34	(272)	+1.9%	-12.8%
Adjusted EPS (pence)	113.0	15.6	(6.7)	121.9	+7.9%	-5.9%

* For further details please see Page 4 and our September 2016 Annual Report and Accounts

Group Earnings Performance

£ million unless otherwise indicated	Adjusted		Reported	
	HY 2017	HY 2016	HY 2017	HY 2016
Operating profit				
Tobacco	1,667	1,577	872	979
Logistics	82	68	39	31
Eliminations	(9)	(8)	(9)	(8)
Group operating profit	1,740	1,637	902	1,002
Net finance costs	(272)	(266)	(115)	(562)
Share of profit of investments accounted for using the equity method	17	12	17	12
Profit before tax	1,485	1,383	804	452
Tax	(298)	(277)	(114)	(142)
Profit for the period	1,187	1,106	690	310
Earnings per ordinary share (pence)	121.9	113.0	70.7	30.4

Reconciliation of Adjusted Performance Measures

£ million unless otherwise indicated	Operating profit		Net finance costs		Earnings per share (pence)	
	HY 2017	HY 2016	HY 2017	HY 2016	HY 2017	HY 2016
Reported	902	1,002	(115)	(562)	70.7	30.4
Amortisation of acquired intangibles	554	473	-	-	41.3	40.5
Fair value (gains)/losses on derivative financial instruments	-	-	(169)	287	(13.8)	25.7
Post-employment benefits net financing costs	-	-	12	9	0.9	0.6
Restructuring costs	284	162	-	-	20.5	12.5
Tax on unrecognised losses	-	-	-	-	3.2	4.1
Items above attributable to non-controlling interests	-	-	-	-	(0.9)	(0.8)
Adjusted	1,740	1,637	(272)	(266)	121.9	113.0

Footprint Supporting Positive Financial Results

Our footprint bias to developed markets has driven the positive currency translation in the half year. Tobacco net revenue was up by 9.3% at actual rates. The proportion of Group net revenue from our Growth and Specialist Brands increased to now represent 60.4%, improving the quality of our revenue. Tobacco adjusted operating profit increased 5.7% to £1.67bn at actual exchange rates.

We signalled our plans for increased investment this year to drive revenue growth over the medium term. This increased investment has been prioritised behind our Growth and Specialist Brands and in priority markets that offer the best opportunities for quality growth. Our investment in additional advertising and promotion, overheads such as larger sales teams, and targeted price investment has affected our actual and constant currency results in line with our year end guidance. Tobacco net revenue fell 5.5% reflecting volumes down 5.7% and price/mix up 0.2% at constant currency. Volumes have been affected primarily by a decline in market size following a strong performance last year and increases in excise and regulation. Price/mix reflects our increased investment in our price strategies in our Growth Brands in priority markets. Adjusted tobacco operating profit fell 8.1% on a constant currency basis as a result of the increased investment.

Logista again delivered an encouraging performance in a challenging environment with adjusted operating profit of £82m compared with £68m in 2016, partly as a result of foreign exchange movements; on a constant currency basis adjusted operating profit grew 4.4%. The improvement was driven by the development of its non-tobacco business, particularly pharmaceutical, wholesale and transport, as well as the benefit of continued cost controls, and benefiting from the sale of an investment.

Adjusted net finance costs were higher at £272m (2016: £266m) reflecting the weakening of Sterling against the US dollar and the euro, partially offset by a lower all in cost of debt after refinancing at lower rates.

Reported net finance costs were £115m (2016: £562m), incorporating the impact of the net fair value and exchange gains on financial instruments of £169m (2016: losses of £287m) and post-employment benefits net financing costs of £12m (2016: costs of £9m).

After tax at an effective adjusted rate of 20.0% (2016: 20.0%), adjusted earnings per share grew by 7.9% to 121.9 pence. The effective reported tax rate is 14.2% (2016: 31.4%).

The tax rate is sensitive to the geographic mix of profits, reflecting a combination of higher rates in certain markets, such as the USA, and lower rates in other markets, such as the UK. The rate is also sensitive to future legislative changes affecting international businesses, such as changes arising from the OECD's (Organisation for Economic Co-operation and Development) Base Erosion Profit Shifting (BEPS) work.

Reported earnings per share were 70.7 pence (2016: 30.4 pence) reflecting non-cash amortisation of £554m (2016: £473m) and restructuring costs of £284m (2016: £162m), as well as the effects of fair value and exchange gains in finance costs mentioned above. The difference between reported (70.7 pence) and adjusted earnings per share (121.9 pence) is materially due to the same three items.

The weakening of sterling versus the US dollar and euro positively impacted reported and adjusted measures. On a constant currency basis, adjusted earnings per share fell 5.9% principally due to the investment programme we have undertaken.

The restructuring charge for the period of £284m (2016: £162m) relates mainly to our two cost optimisation programmes (£275m) announced in 2013 and 2016. The balance of £9m covers all other restructuring activities across the Group.

Cost Optimisation

Our simplification agenda and the implementation of new ways of working is core to our third strategic priority of cost optimisation. There are two phases underway. The first phase of our cost optimisation programme is on track to deliver savings of £300m per annum from September 2018, with a cash implementation cost of around £600m.

We have identified further opportunities to extend this programme and announced a second phase of cost optimisation that is expected to drive a further £300m of annual savings from September 2020, at a cash cost in the region of £750m.

We delivered £60m of savings in the first half and we now expect to deliver a total of £130m of savings this year, ahead of the £90m announced last November.

Capital Discipline

Our continued focus on capital discipline is driving free cash flow that has enabled a further £1.2bn of debt reduction at constant currency over the last 12 months.

The increase in adjusted net debt over the last 12 months of £0.2bn represents a £1.2bn debt reduction from our continued focus on capital discipline before taking into account a £1.4bn adverse impact of foreign exchange and fair value of derivatives. Reported net debt over the last 12 months also increased by £0.2bn.

Free cash flow generation through the period allowed us to repay \$0.9bn and €350m of bank facilities, meaning we have now fully repaid the acquisition facilities through which we funded our 2015 USA acquisition.

Our all-in cost of debt reduced 20 basis points to 3.9% (2016: 4.1%) as older debt matured and was replaced with cheaper financing. Our interest cover was 7.3 times (2016: 6.3 times). We remain fully compliant with all our banking covenants and remain committed to retaining our investment grade ratings.

All of our capital allocation decisions are subject to relevant commercial analysis and hurdle rates to ensure they deliver appropriate levels of return, and potential acquisitions are judged on strict financial and commercial criteria including the ability to enhance the Group's return on invested capital (ROIC). Typically, we seek an overall internal rate of return in excess of 13% across the investments we make in our existing business. This disciplined approach is supporting our investment choices and underpins returns for shareholders.

Dividends

We have declared an interim dividend of 51.7 pence per share, an increase of 10%. This dividend will be paid as two payments of 25.85 pence per share on 30 June 2017 and 29 September 2017, with an ex-dividend date of 18 May and 17 August respectively.

The third interim and final dividends will be announced with our full year results in November 2017 and paid in December 2017 and March 2018 respectively, subject to AGM approval. We expect to deliver another year of 10% dividend growth, in line with our commitment to growing shareholder returns.

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, and having assessed the principal risks facing the Group, the Board is of the opinion that the Group as a whole and Imperial Brands PLC have adequate resources to meet operational needs for a period of at least 12 months from the date of this report and conclude that it is appropriate to prepare the financial statements on a going concern basis.

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 26 to 32 of our 2016 Annual Report and Accounts and cover the following areas:

- reduction in the size of the legitimate tobacco market;
- optimising market share;
- access to funding;
- cost optimisation and strategic changes initiatives; and
- compliance with legal and regulatory requirements.

The Group's Risk Management approach enables ongoing identification and assessment of risks and development of related mitigations. For example, in the period we have considered risks relating to the wider potential impacts arising from the result of the United Kingdom European Union membership referendum and any associated regulatory, tax or foreign exchange risks. In this context, 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 2016 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 Brands PLC website: www.imperialbrandspc.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
Chief Executive

Oliver Tant
Chief Financial Officer

SUMMARY OF KEY FOOTPRINT FINANCIALS & METRICS

FOOTPRINT		Half Year Result		Change	
		2017	2016	Actual	Constant Currency
Volume					
Growth Markets	bn SE	34.5	35.6	-3.1%	
US Market	bn SE	11.3	12.3	-8.3%	
Returns Markets North	bn SE	42.4	45.6	-7.0%	
Returns Markets South	bn SE	38.1	40.4	-5.8%	
Returns Markets Total	bn SE	80.5	86.0	-6.4%	
Total Group	bn SE	126.3	133.9	-5.7%	
Tobacco Net Revenue					
Growth Markets	£m	859	707	+21.5%	+1.7%
US Market	£m	785	711	+10.4%	-6.8%
Returns Markets North	£m	1,301	1,246	+4.4%	-6.5%
Returns Markets South	£m	771	735	+4.9%	-9.7%
Returns Markets Total	£m	2,072	1,981	+4.6%	-7.7%
Total Group	£m	3,716	3,399	+9.3%	-5.5%
Net Revenue per '000 SE					
Growth Markets	£	24.89	19.84	+25.4%	+5.0%
US Market	£	69.74	57.89	+20.5%	+1.7%
Returns Markets North	£	30.67	27.33	+12.2%	+0.5%
Returns Markets South	£	20.25	18.18	+11.4%	-4.1%
Returns Markets Total	£	25.74	23.03	+11.8%	-1.3%
Total Group	£	29.43	25.38	+16.0%	+0.2%
Price/Mix					
Growth Markets	%			+24.6%	+4.8%
US Market	%			+18.7%	+1.5%
Returns Markets North	%			+11.4%	+0.5%
Returns Markets South	%			+10.7%	-3.9%
Returns Markets Total	%			+11.0%	-1.3%
Total Group	%			+15.0%	+0.2%
Adjusted Tobacco Operating Profit					
Growth Markets	£m	211	192	+9.9%	-8.9%
US Market	£m	457	384	+19.0%	0.0%
Returns Markets North	£m	671	676	-0.7%	-9.9%
Returns Markets South	£m	328	325	+0.9%	-13.2%
Returns Markets Total	£m	999	1,001	-0.2%	-11.0%
Total Group	£m	1,667	1,577	+5.7%	-8.1%
Logistics					
Logistics Distribution Fees	£m	442	371	+19.1%	+2.7%
Logistics Operating Profit	£m	82	68	+20.6%	+4.4%
Logistics Operating Margin	%	18.6	18.3	+30 bps	+30 bps

SUMMARY OF KEY PORTFOLIO FINANCIALS & METRICS

PORTFOLIO		Half Year Result		Change	Constant Currency
		2017	2016	Actual	
Growth Brand Volume					
Growth Markets	bn SE	22.3	21.3	+4.7%	
US Market	bn SE	2.9	2.9	+0.4%	
Returns Markets North	bn SE	27.1	25.5	+6.2%	
Returns Markets South	bn SE	20.6	21.0	-1.6%	
Returns Markets Total	bn SE	47.7	46.5	+2.7%	
Total Group	bn SE	73.0	70.7	+3.2%	
Growth Brands as % of Volume					
Growth Markets	%	64.6	59.7	+490 bps	
US Market	%	26.1	23.8	+230 bps	
Returns Markets North	%	63.9	56.0	+790 bps	
Returns Markets South	%	54.2	51.8	+240 bps	
Returns Markets Total	%	59.3	54.0	+530 bps	
Total Group	%	57.8	52.8	+500 bps	
Growth Brand Market Share					
Growth Markets	%	3.9	3.4	+50 bps	
US Market	%	2.4	2.3	+10 bps	
Returns Markets North	%	15.7	14.9	+80 bps	
Returns Markets South	%	16.3	15.5	+80 bps	
Returns Markets Total	%	15.9	15.1	+80 bps	
Total Group	%	8.0	7.4	+60 bps	
Growth Brand Tobacco Net Revenue					
Growth Markets	£m	409	319	+28.2%	+6.9%
US Market	£m	142	133	+7.3%	-9.7%
Returns Markets North	£m	753	686	+9.7%	-3.3%
Returns Markets South	£m	378	348	+8.5%	-6.5%
Returns Markets Total	£m	1,131	1,034	+9.3%	-4.4%
Total Group	£m	1,682	1,486	+13.2%	-2.5%
Growth Brands as % of Tobacco Net Revenue					
Growth Markets	%	47.6	45.1	+250 bps	
US Market	%	18.1	18.6	-50 bps	
Returns Markets North	%	57.9	55.1	+280 bps	
Returns Markets South	%	49.0	47.4	+160 bps	
Returns Markets Total	%	54.6	52.2	+240 bps	
Total Group	%	45.3	43.7	+160 bps	
Specialist Brand Net Revenue					
Total Group	£m	561	499	+12.3%	-2.0%
Specialist Brands as % of Tobacco Net Revenue					
Total Group	%	15.1	14.7	+40 bps	
Growth & Specialist Brands as a percentage of Group Net Revenue					
		60.4	58.4	+200 bps	

INDEPENDENT REVIEW REPORT TO IMPERIAL BRANDS PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Imperial Brands PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of Imperial Brands PLC for the 6 month period ended 31 March 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 31 March 2017;
- the Consolidated Income Statement and 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 interim financial statements.

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

As disclosed in note 1 to the interim financial statements, 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.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Interim Results, including the interim financial statements, are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results 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 Guidance and Transparency Rules sourcebook of the United Kingdom's 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.

What a review of 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 Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol
3 May 2017

- a) The maintenance and integrity of the Imperial Brands 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 interim 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.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The figures and financial information for 6 months ended 31 March 2017 do not constitute the statutory financial statements for that year. Those financial statements have not yet been delivered to the Registrar, nor have the Auditors yet reported on them. The financial statements have been prepared in accordance with our accounting policies published in our financial statements available on our website www.imperialbrandsplc.com.

CONSOLIDATED INCOME STATEMENT

£ million unless otherwise indicated	Note	Unaudited 6 months ended 31 March 2017	Unaudited 6 months ended 31 March 2016	Audited Year ended 30 September 2016
Revenue	3	14,298	12,806	27,634
Duty and similar items		(7,035)	(6,244)	(13,535)
Other cost of sales		(4,173)	(3,730)	(8,143)
Cost of sales		(11,208)	(9,974)	(21,678)
Gross profit		3,090	2,832	5,956
Distribution, advertising and selling costs		(1,210)	(1,007)	(2,070)
Amortisation of acquired intangibles		(554)	(473)	(1,005)
Restructuring costs	4	(284)	(162)	(307)
Other expenses		(140)	(188)	(345)
Administrative and other expenses		(978)	(823)	(1,657)
Operating profit	3	902	1,002	2,229
Investment income		730	290	634
Finance costs		(845)	(852)	(1,984)
Net finance costs	5	(115)	(562)	(1,350)
Share of profit of investments accounted for using the equity method		17	12	28
Profit before tax		804	452	907
Tax	6	(114)	(142)	(238)
Profit for the period		690	310	669
Attributable to:				
Owners of the parent		675	290	631
Non-controlling interests		15	20	38
Earnings per ordinary share (pence)				
- Basic	8	70.7	30.4	66.1
- Diluted	8	70.6	30.4	66.0

CONSOLIDATED STATEMENT ON COMPREHENSIVE INCOME

£ million	Unaudited		Audited
	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Profit for the period	690	310	669
Other comprehensive income			
Exchange movements	137	282	1,260
Items that may be reclassified to profit and loss	137	282	1,260
Net actuarial gains/(losses) on retirement benefits	155	(79)	(604)
Deferred tax relating to net actuarial gains/(losses) on retirement benefits	(32)	25	115
Items that will not be reclassified to profit and loss	123	(54)	(489)
Other comprehensive income for the period, net of tax	260	228	771
Total comprehensive income for the period	950	538	1,440
Attributable to:			
Owners of the parent	939	490	1,336
Non-controlling interests	11	48	104
Total comprehensive income for the period	950	538	1,440

RECONCILIATION FROM OPERATING PROFIT TO ADJUSTED OPERATING PROFIT

£ million	Notes	Unaudited		Audited
		6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Operating profit		902	1,002	2,229
Amortisation of acquired intangibles		554	473	1,005
Restructuring costs	4	284	162	307
Adjusted operating profit		1,740	1,637	3,541

RECONCILIATION FROM NET FINANCE COSTS TO ADJUSTED NET FINANCE COSTS

£ million	Notes	Unaudited		Audited
		6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Net finance costs		(115)	(562)	(1,350)
Net fair value and exchange (gains)/losses on financial instruments	5	(169)	287	807
Post-employment benefits net financing cost	5	12	9	19
Adjusted net finance costs	5	(272)	(266)	(524)

CONSOLIDATED BALANCE SHEET

£ million	Notes	Unaudited	Unaudited	Audited
		31 March 2017	31 March 2016	30 September 2016
Non-current assets				
Intangible assets	9	20,390	19,415	20,704
Property, plant and equipment		1,955	1,794	1,959
Investments accounted for using the equity method		793	651	744
Retirement benefit assets		11	59	5
Trade and other receivables		94	93	89
Derivative financial instruments	11	703	905	1,063
Deferred tax assets		557	566	631
		24,503	23,483	25,195
Current assets				
Inventories		3,824	3,951	3,498
Trade and other receivables		2,745	2,524	2,671
Current tax assets		46	123	45
Cash and cash equivalents	10	653	561	1,274
Derivative financial instruments	11	35	40	46
		7,303	7,199	7,534
Total assets		31,806	30,682	32,729
Current liabilities				
Borrowings	10	(2,760)	(2,591)	(1,544)
Derivative financial instruments	11	(59)	(103)	(118)
Trade and other payables		(7,563)	(7,003)	(7,991)
Current tax liabilities		(169)	(247)	(284)
Provisions	4	(206)	(185)	(188)
		(10,757)	(10,129)	(10,125)
Non-current liabilities				
Borrowings	10	(11,694)	(11,717)	(12,394)
Derivative financial instruments	11	(1,070)	(1,124)	(1,646)
Trade and other payables		(20)	(13)	(17)
Deferred tax liabilities		(946)	(1,123)	(1,034)
Retirement benefit liabilities		(1,271)	(1,040)	(1,484)
Provisions	4	(402)	(264)	(287)
		(15,403)	(15,281)	(16,862)
Total liabilities		(26,160)	(25,410)	(26,987)
Net assets		5,646	5,272	5,742
Equity				
Share capital		104	104	104
Share premium and capital redemption		5,836	5,836	5,836
Retained earnings		(1,745)	(1,014)	(1,525)
Exchange translation reserve		1,037	(44)	896
Equity attributable to owners of the parent		5,232	4,882	5,311
Non-controlling interests		414	390	431
Total equity		5,646	5,272	5,742

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

£ million	Share capital	Share premium and capital redemption	Retained earnings	Exchange translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 October 2016	104	5,836	(1,525)	896	5,311	431	5,742
Profit for the period	-	-	675	-	675	15	690
Other comprehensive income	-	-	123	141	264	(4)	260
Total comprehensive income	-	-	798	141	939	11	950
Transactions with owners							
Cash from employees on maturity/exercise of share schemes	-	-	6	-	6	-	6
Purchase of shares by Employee Share Ownership Trusts	-	-	(1)	-	(1)	-	(1)
Costs of employees' services compensated by share schemes	-	-	11	-	11	-	11
Dividends paid	-	-	(1,034)	-	(1,034)	(28)	(1,062)
At 31 March 2017	104	5,836	(1,745)	1,037	5,232	414	5,646
At 1 October 2015	104	5,836	(315)	(298)	5,327	369	5,696
Profit for the period	-	-	290	-	290	20	310
Other comprehensive income	-	-	(54)	254	200	28	228
Total comprehensive income	-	-	236	254	490	48	538
Transactions with owners							
Cash from employees on maturity/exercise of share schemes	-	-	1	-	1	-	1
Purchase of shares by Employee Share Ownership Trusts	-	-	(12)	-	(12)	-	(12)
Costs of employees' services compensated by share schemes	-	-	12	-	12	-	12
Dividends paid	-	-	(936)	-	(936)	(27)	(963)
At 31 March 2016	104	5,836	(1,014)	(44)	4,882	390	5,272

CONSOLIDATED CASH FLOW STATEMENT

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Cash flows from operating activities			
Operating profit	902	1,002	2,229
Dividends received from investments accounted for under the equity method	9	13	19
Depreciation, amortisation and impairment	656	612	1,244
Loss on disposal of property, plant and equipment and software	-	1	6
Loss on disposal of businesses	-	1	-
Post-employment benefits	(90)	(55)	(111)
Costs of employees' services compensated by share schemes	11	14	29
Movement in provisions	134	(5)	4
Operating cash flows before movement in working capital	1,622	1,583	3,420
Increase in inventories	(293)	(889)	(149)
(Increase)/decrease in trade and other receivables	(59)	76	171
(Decrease)/increase in trade and other payables	(433)	(209)	116
Movement in working capital	(785)	(1,022)	138
Tax paid	(274)	(251)	(401)
Net cash flows generated from operating activities	563	310	3,157
Cash flows from investing activities			
Interest received	4	4	7
Loan to joint ventures	(10)	-	(9)
Purchase of property, plant and equipment	(77)	(62)	(164)
Proceeds from sale of property, plant and equipment	13	20	42
Purchase of intangible assets - software	(21)	(18)	(51)
Purchase of intangibles assets - intellectual property rights	(1)	(7)	(14)
Internally generated intellectual property rights	(4)	(7)	(2)
Net cash used in investing activities	(96)	(70)	(191)
Cash flows from financing activities			
Interest paid	(336)	(368)	(547)
Cash from employees on maturity/exercise of share schemes	6	1	9
Purchase of shares by Employee Share Ownership Trusts	(1)	(6)	(7)
Increase in borrowings	2,995	1,815	897
Repayment of borrowings	(2,612)	(2,212)	(2,637)
Cash flows relating to derivative financial instruments	(75)	(56)	(209)
Dividends paid to non-controlling interests	(28)	(27)	(42)
Dividends paid to owners of the parent	(1,034)	(936)	(1,386)
Net cash used in financing activities	(1,085)	(1,789)	(3,922)
Net decrease in cash and cash equivalents	(618)	(1,549)	(956)
Cash and cash equivalents at the start of period	1,274	2,042	2,042
Effect of foreign exchange rates on cash and cash equivalents	(3)	68	188
Cash and cash equivalents at the end of period	653	561	1,274

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial information comprises the unaudited results for the six months ended 31 March 2017 and 31 March 2016, together with the audited results for the year ended 30 September 2016.

The information shown for the year ended 30 September 2016 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 2016 were approved by the Board of Directors on 8 November 2016 and filed with the Registrar of Companies.

This condensed set of financial statements for the six months ended 31 March 2017 has been prepared in accordance with the Disclosure Guidance 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 2017 should be read in conjunction with the annual financial statements for the year ended 30 September 2016 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 2016, which are available on our website www.imperialbrandspc.com.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

There have been no new standards or amendments which became effective for the current reporting period, that have had a material effect on the Group.

Certain changes to IFRS will be applicable to the consolidated financial statements in future years. IFRS 15 Revenue from Contracts with Customers which is effective for the Group for its 2019 financial statements will result in some items currently classified as costs being netted against revenue. It is not expected to have material effect on the Group's net asset or results. Management has yet to fully assess the impact of IFRS 9 Financial Instruments which is also effective for the Group for its 2019 financial statements. Our initial assessment of IFRS 16 Leases, effective for the Group for its 2020 financial statements, is that it will not have a material effect on the Group's net assets or results. There are no other standards or interpretations that are 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 assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are discussed in the financial statements for the year ended 30 September 2016, with the exception of the impairment analysis disclosed in note 9.

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.

3. SEGMENT INFORMATION

TOBACCO

	Unaudited	Unaudited	Audited
£ million unless otherwise indicated	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Revenue	10,783	9,762	20,890
Net revenue	3,716	3,399	7,167
Operating profit	872	979	2,126
Adjusted operating profit	1,667	1,577	3,360
Adjusted operating margin %	44.9	46.4	46.9

LOGISTICS

	Unaudited	Unaudited	Audited
£ million unless otherwise indicated	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Revenue	3,912	3,408	7,505
Distribution fees	442	371	809
Operating profit	39	31	98
Adjusted operating profit	82	68	176
Adjusted operating margin %	18.6	18.3	21.8

REVENUE

	Unaudited		Unaudited		Audited	
£ million	6 months ended 31 March 2017		6 months ended 31 March 2016		Year ended 30 September 2016	
	Total revenue	External revenue	Total revenue	External revenue	Total Revenue	External revenue
Tobacco						
Growth Markets	1,694	1,663	1,382	1,361	3,137	3,085
USA	1,513	1,513	1,424	1,424	2,942	2,942
Returns Markets North	6,396	6,382	5,851	5,837	12,537	12,504
Returns Markets South	1,180	828	1,105	776	2,274	1,598
Total Tobacco	10,783	10,386	9,762	9,398	20,890	20,129
Logistics	3,912	3,912	3,408	3,408	7,505	7,505
Eliminations	(397)	-	(364)	-	(761)	-
Total Group	14,298	14,298	12,806	12,806	27,634	27,634

TOBACCO NET REVENUE

	Unaudited	Unaudited	Audited
£ million	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Growth Markets	859	707	1,568
USA	785	711	1,477
Returns Markets North	1,301	1,246	2,645
Returns Markets South	771	735	1,477
Total Tobacco	3,716	3,399	7,167

Tobacco net revenue excludes revenue from the sale of peripheral products of £32 million (6 months 2016: £119 million).

ADJUSTED OPERATING PROFIT AND RECONCILIATION TO PROFIT BEFORE TAX

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Tobacco			
Growth Markets	211	192	443
USA	457	384	823
Returns Markets North	671	676	1,439
Returns Markets South	328	325	655
Total Tobacco	1,667	1,577	3,360
Logistics	82	68	176
Eliminations	(9)	(8)	5
Adjusted operating profit	1,740	1,637	3,541
Amortisation of acquired intangibles - Tobacco	(511)	(436)	(927)
Amortisation of acquired intangibles - Logistics	(43)	(37)	(78)
Restructuring costs - Tobacco	(284)	(162)	(307)
Operating profit	902	1,002	2,229
Net finance costs	(115)	(562)	(1,350)
Share of profit of investments accounted for using the equity method	17	12	28
Profit before tax	804	452	907

4. RESTRUCTURING COSTS AND PROVISIONS

RESTRUCTURING COSTS

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Employment related	198	80	144
Asset impairments	64	49	51
Other charges	22	33	112
	284	162	307

The charge for the period of £284 million (6 months 2016: £162 million) relates mainly to our two cost optimisation programmes (£275 million) announced in 2013 and 2016. The balance of £9 million covers all other restructuring activities across the Group.

In the 6 months to 31 March 2017 the cash cost of the programmes was £107 million (6 months 2016: £30 million) bringing the cumulative cash costs of Phase I to £460 million and Phase II to £67 million. The cost optimisation programmes Phase I and Phase II are expected to have a cash implementation cost in the region of £600 million and £750 million, respectively. Phase I is expected to generate savings of £300 million by 2018 and Phase II to deliver a further £300 million of savings by 2020.

PROVISIONS

£ million	Unaudited		
	6 months ended 31 March 2017		
	Restructuring	Other	Total
At 1 October 2016	304	171	475
Additional provisions charged to the consolidated income statement	220	16	236
Amounts used	(71)	(9)	(80)
Unused amounts reversed	(2)	(20)	(22)
Exchange movements	(1)	-	(1)
At 31 March 2017	450	158	608

Analysed as:

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Current	206	185	188
Non-current	402	264	287
	608	449	475

5. NET FINANCE COSTS AND RECONCILIATION TO ADJUSTED NET FINANCE COSTS

RECONCILIATION FROM REPORTED NET FINANCE COSTS TO ADJUSTED NET FINANCE COSTS

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Reported net finance costs	115	562	1,350
Fair value gains on derivative financial instruments	670	216	484
Fair value losses on derivative financial instruments	(503)	(429)	(825)
Exchange gains/(losses) on financing activities	2	(74)	(466)
Net fair value and exchange gains/(losses) on financial instruments	169	(287)	(807)
Interest income on net defined benefit assets	54	71	143
Interest cost on net defined benefit liabilities	(66)	(80)	(162)
Post-employment benefits net financing cost	(12)	(9)	(19)
Adjusted net finance costs	272	266	524
Comprising:			
Interest on bank deposits	(4)	(3)	(7)
Interest on bank loans and other loans	276	269	531
Adjusted net finance costs	272	266	524

6. TAXATION

RECONCILIATION FROM REPORTED TAX TO ADJUSTED TAX

Reported tax for the six months ended 31 March 2017 has been calculated on the basis of an estimated effective rate for the year ended 30 September 2017. The table below shows the taxation impact of the adjustments made to reported profit before tax in order to arrive at the adjusted measure of earnings disclosed in note 8.

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Reported tax	114	142	238
Deferred tax on amortisation of acquired intangibles	160	86	261
Tax on net fair value and exchange movements on financial instruments	(36)	42	80
Tax on post-employment benefits net financing cost	3	3	7
Tax on restructuring costs	88	43	79
Tax on unrecognised losses	(31)	(39)	(56)
Adjusted tax charge	298	277	609

UNCERTAIN TAX POSITIONS

On 29 March 2017 the UK notified the European Council in accordance with Article 50(2) of the Treaty on European Union of the UK's intention to withdraw from the European Union. As an international business the Group is monitoring developments but does not currently consider any provision is required.

In November 2015 the Group received a challenge from the French tax authorities that could lead to additional tax liabilities of up to £246 million (31 March 2016: £253 million). The challenge concerns the valuation placed on the shares of Altadis Distribution France (now known as Logista France) following an intra group transfer of the shares in October 2012 and the tax consequences flowing from a potentially higher value that is argued for by the tax authorities. Based on professional advice, an amount of £41 million (31 March 2016: £41 million) is included in the provision for uncertain tax positions.

7. DIVIDENDS

DISTRIBUTIONS TO ORDINARY EQUITY HOLDERS

£ million	Unaudited	Audited	Audited
	2017	2016	2015
Paid interim of nil pence per share (2016: 101.1 pence, 2015: 91.9 pence)			
- Paid June 2015	-	-	204
- Paid September 2015	-	-	204
- Paid December 2015	-	-	468
- Paid June 2016	-	225	-
- Paid September 2016	-	225	-
- Paid December 2016	-	517	-
Interim dividend paid	-	967	876
Proposed interim of 51.7 pence per share (2016: nil, 2015: nil)			
- To be paid June 2017	247	-	-
- To be paid September 2017	247	-	-
Interim dividend proposed	494	-	-
Paid final of nil pence per share (2016: 54.1 pence, 2015: 49.1 pence)			
- Paid March 2016	-	-	468
- Paid March 2017	-	517	-
Final dividend	-	517	468
Total ordinary share dividends of 51.7 pence per share (2016: 155.2 pence, 2015: 141.0 pence)	494	1,484	1,344

The declared interim dividend for 2017 amounts to a total dividend of £494 million based on the number of shares ranking for dividend at 31 March 2017. This will be paid in two stages, one in June 2017 and one in September 2017.

The dividend paid during the half year to 31 March 2017 is £1,034 million (2016: £936 million).

8. EARNINGS PER SHARE

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Earnings: basic and diluted – attributable to owners of the Parent Company	675	290	631
Millions of shares			
Weighted average number of shares:			
Shares for basic earnings per share	954.3	953.7	954.0
Potentially dilutive share options	2.2	1.8	2.7
Shares for diluted earnings per share	956.5	955.5	956.7
Pence			
Basic earnings per share	70.7	30.4	66.1
Diluted earnings per share	70.6	30.4	66.0

RECONCILIATION FROM REPORTED TO ADJUSTED EARNINGS AND EARNINGS PER SHARE

£ million unless otherwise indicated	Unaudited		Unaudited		Audited	
	6 months ended 31 March 2017		6 months ended 31 March 2016		Year ended 30 September 2016	
	Earnings per share (pence)	Earnings net of tax	Earnings per share (pence)	Earnings net of tax	Earnings per share (pence)	Earnings net of tax
Reported basic	70.7	675	30.4	290	66.1	631
Amortisation of acquired intangibles	41.3	394	40.5	387	78.0	744
Net fair value and exchange gains on financial instruments	(13.8)	(133)	25.7	245	76.2	727
Post-employment benefits net financing cost	0.9	9	0.6	6	1.3	12
Restructuring costs	20.5	196	12.5	119	23.9	228
Taxation on unrecognised losses	3.2	31	4.1	39	5.9	56
Adjustments attributable to non-controlling interests	(0.9)	(9)	(0.8)	(8)	(1.8)	(17)
Adjusted	121.9	1,163	113.0	1,078	249.6	2,381
Adjusted diluted	121.6	1,163	112.8	1,078	248.9	2,381

9. INTANGIBLE ASSETS

At the 2016 year end the impairment test for the Drive Growth CGU grouping that includes our markets in Russia, Italy and Japan indicated headroom of £210 million and that an impairment would result in the event of relatively small changes in an individual assumption or assumptions.

During the period a strategic investment programme was initiated in the Russia CGU, in order to grow our business footprint. This investment included initiatives to build long-term improvement in our market share and support a consistent pricing strategy. The actions involved in this programme reflect our confidence in the ongoing opportunity for growth offered by the Russian market despite it being a very competitive market. The consequence of these actions is expected to reduce net cash flows in both the current and subsequent period, but deliver significantly higher growth and profitability in future years. We have consequently tested the goodwill and intangible assets for impairment.

The assumptions used in our impairment testing remain consistent with the assessment conducted at 30 September 2016 with the exception of the initial cash flow growth rate for the Russia CGU, which has increased from 5% to 34%. The increase in the Russia CGU cash flow growth rate is primarily explained by the short term impact of our investment strategy in the Russian market preceding a return to historical levels of profitability as revenues steadily grow.

Our impairment test for this CGU grouping indicated headroom had reduced to £203 million. A reduction in the initial growth rate for these markets of 6% or a 1.75% increase in the discount rate would cause the carrying value to fall below the recoverable amount. The assessment confirms that there are sufficient future cash flows to support the current carrying values. 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 2017 balance sheet is appropriate, but remains highly sensitive to adverse movements in any individual assumption or assumptions.

10. NET DEBT

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

£ million	Unaudited				Total
	Cash and cash equivalents	Current borrowings	Non-current borrowings	Derivative financial instruments	
At 1 October 2016	1,274	(1,544)	(12,394)	(655)	(13,319)
Reallocation of current borrowings from non-current borrowings	-	(966)	966	-	-
Cash flow	(618)	(248)	(134)	74	(926)
Accretion of interest	-	24	46	(1)	69
Change in fair values	-	-	-	191	191
Exchange movements	(3)	(26)	(178)	-	(207)
As at 31 March 2017	653	(2,760)	(11,694)	(391)	(14,192)

ADJUSTED NET DEBT

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

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Reported net debt	(14,192)	(14,029)	(13,319)
Accrued interest	152	151	221
Fair value of derivatives providing commercial hedges	113	168	216
Adjusted net debt	(13,927)	(13,710)	(12,882)

The fair value of bonds is estimated to be £13,621 million (2016 6 months: £12,338 million) and has been determined by reference to market prices at the balance sheet date. The carrying value of bonds is £12,456 million (2016 6 months: £11,134 million). The fair value of all other borrowings is considered to be equal to their carrying amount.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments are held at fair value, are as follows.

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2017	6 months ended 31 March 2016	Year ended 30 September 2016
Assets			
Interest rate swaps	732	885	1,095
Forward foreign currency contracts	4	6	9
Cross-currency swaps	2	54	5
Total carrying value of derivative financial assets	738	945	1,109
Liabilities			
Interest rate swaps	(846)	(1,088)	(1,339)
Forward foreign currency contracts	(18)	(11)	(11)
Cross-currency swaps	(331)	(174)	(548)
Carrying value of derivative financial liabilities before collateral	(1,195)	(1,273)	(1,898)
Collateral ¹	66	46	134
Total carrying value of derivative financial liabilities	(1,129)	(1,227)	(1,764)
Total carrying value of derivative financial instruments	(391)	(282)	(655)
Analysed as:			
Interest rate swaps	(114)	(203)	(244)
Forward foreign currency contracts	(14)	(5)	(2)
Cross-currency swaps	(329)	(120)	(543)
Collateral ¹	66	46	134
Total carrying value of derivative financial instruments	(391)	(282)	(655)

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

Fair values are determined based on observable market data such as yield curves and foreign exchange rates to calculate the present value of future cash flows associated with each derivative at the balance sheet date, and are consistent with those applied during the year ended 30 September 2016.