IMPERIAL BRANDS PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

5 NOVEMBER 2019

RESILIENCE IN TOBACCO AND ADDITIVE REVENUE GROWTH FROM NGP

"2019 has been a challenging year with results below our expectations due to tough trading in Next Generation Products (NGP). We are implementing actions to drive a stronger performance in the coming year.

"Our resilient tobacco value creation model continues to produce high margin sales growth and is well-placed to deliver sustained profitable growth in the years ahead.

"Although we grew NGP revenues by around 50 per cent, this was below the level we expected to deliver. Our delivery was also impacted by an increasingly competitive environment and regulatory uncertainty in the USA. Growth in Europe was also slower, despite achieving leading retail shares in several markets. We have taken the learnings from this year to reset our NGP investment plans for 2020, prioritising the markets and categories with the highest potential for sustainable, profitable growth. We will scale up investment as the visibility on returns and regulatory uncertainties improves.

"Our priority going forward is to optimise the profit and cash generation from our tobacco assets, while improving growth in NGP with greater discipline and a more tightly focused business model that will create long-term value for shareholders."

Alison Cooper
Chief Executive

Financial Overview

Overview – Adjusted Basis		**Full Year Result**		**Change**	
		2019	2018	Actual	Constant Currency[1]
Total tobacco volume	bn SE	**244.2**	255.5	-4.4%	-4.4%
Tobacco net revenue[2]	£m	**7,713**	7,510	+2.7%	+1.1%
NGP net revenue[2]	£m	**285**	187	+52.4%	+48.1%
Tobacco & NGP net revenue[2]	£m	**7,998**	7,697	+3.9%	+2.2%
Asset Brand net revenue[2]	£m	**5,269**	4,977	+5.9%	+4.4%
Tobacco & NGP adjusted operating profit	£m	**3,531**	3,557	-0.7%	-2.8%
Distribution adjusted operating profit	£m	**232**	212	+9.4%	+9.9%
Total adjusted operating profit	£m	**3,749**	3,766	-0.5%	-2.4%
Adjusted earnings per share	pence	**273.3**	272.2	+0.4%	-1.6%
Adjusted net debt	£m	**(11,376)**	(11,474)		

Overview – Reported Basis		**Full Year Result**		**Change**
		2019	2018	Actual
Revenue[2]	£m	**31,594**	30,066	+5.1%
Operating profit	£m	**2,197**	2,407	-8.7%
Basic earnings per share	pence	**106.0**	143.6	-26.2%
Dividend per share	pence	**206.6**	187.8	+10.0%
Reported net debt	£m	**(11,970)**	(11,899)	

See page [3] for basis of preparation and page [13] for the reconciliation between reported and adjusted measures.
[1] Constant currency removes effect of exchange rate movements on the translation of the results of our overseas operations.
[2] 2018 revenue restated following adoption of IFRS 15.

Results Overview

- Net revenue up +2.2% driven by growth in tobacco and NGP
- Adjusted EPS down -1.6% with the following changes since the pre-close trading update: crystallisation of NGP supply contract termination costs and lower than expected 'other income' partially offset by a lower adjusted tax rate
- Resilient tobacco value creation model with growth in revenue, profit and cash
- Good tobacco growth from Americas and Europe more than offsetting Africa, Asia & Australasia (AAA) challenges
- NGP revenues of £285m up +48% with growth in Europe, the US and Japan
- Quality growth from Asset Brands with net revenue up +4.4%; +140bps to 66.1% of Group net revenue
- Adjusted operating profit reflects higher net NGP investment/costs (£112m) and reduction in other income (£70m)
- Reported operating profit down 8.7% with a goodwill impairment and associated costs of disposal of the Premium Cigar Division (£525m); provisions for Russian excise tax liabilities (£139m), a fair value adjustment of acquisition consideration for Von Erl (£129m), partly offset by reduced restructuring costs (£144m) and prior year impact of distributor administration (£110m)
- Premium Cigar impairment will be partly offset on completion by £300m-£400m of FX gains from reserves
- Commitment to evolve non-GAAP financial disclosure with changes to adjusted performance measures in FY20

Operational Overview

Tobacco revenue and margin supported by strong price/mix

- Tobacco delivering good net revenue and adjusted operating profit growth driven by Europe and Americas
- Tobacco price mix +5.5%; more than offsetting volumes declines of -4.4%
- Strong US financial performance supported by market share growth in cigarettes and cigars
- European results reflect a balance between financial delivery and a focus on quality share growth
- Tougher trading conditions in Russia, Middle East and Australia impacted AAA results
- Tobacco profit up +1.8%; margins improved by 60bps

NGP below expectations, but providing additive growth opportunities

- NGP revenue up +48% in a fast-evolving vapour category, albeit lower than our expectations
- US results affected by regulatory uncertainty and increased consumer churn with greater competitor discounting
- Good progress in AAA, while Europe growth slowed in H2 following market roll-out in H1 and category slowdown
- Leading retail market positions for blu established in markets including Germany, Spain, Italy and Japan
- Profit impacted by increased NGP investment; inventory provisions and termination of a supply contract (£54m)
- Learnings from 2019 informing a revised investment model focused on sustainable, profitable growth
- Reduction in FY20 investment, given the uncertainties; regulatory framework needs to enforce product standards
- Pulze, our heated tobacco offer, rolling out nationally in Japan; with more market launches planned in FY20
- Successful market pilots of oral nicotine add to our NGP category offering through FY20

Cost and capital discipline

- Divestment programme focused on sale of premium cigars
- Cost optimisation savings of £55m delivered; £60m to be delivered in FY20 to conclude the £300m programme
- Cash conversion of 95%
- Adjusted and reported net debt reduced by £0.3bn pre-FX & derivative fair values due to working capital timing
- Annual dividend of 206.58p up +10%; revised capital allocation and shareholder distribution policy in place

Outlook

Outlook

Tobacco will continue to be resilient, delivering modest revenue growth, high margins and strong cash flows, while our NGP business provides opportunities for additional revenue growth, with its strong growth prospects contributing to margins and cash returns over the medium term.

We remain focused on managing the operational and regulatory challenges associated with a rapidly evolving NGP category, including active regulatory engagement for higher product and marketing standards for vapour.

Given the increased uncertainties in NGP, we have reduced and reprioritised our NGP investment behind the markets and categories with the best prospects for sustainable and scalable growth and will focus on delivering a stronger performance in the coming year.

We have taken a more cautious approach to our outlook for 2020, with low single digit revenue and earnings per share growth expected, excluding any impact from the divestment programme. Performance is expected to be weighted to the second half as the benefit of our NGP reset takes effect through the year.

Our revised capital allocation policy supports a progressive dividend, which will grow annually taking into account underlying business performance.

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Webcast

Imperial Brands PLC will be hosting a live webcast for investors and investment analysts with senior management following the publication of our Preliminary Results on 5 November 2019. The webcast will be hosted by Alison Cooper, Chief Executive, and available on www.imperialbrandsplc.com from 9.00am (GMT). An archive of the webcast and the presentation script and slides will also be available.
The webcast audio can also be accessed on a listen only basis using the following telephone details. Please join the event conference 5-10 minutes prior to the start time. You will be asked to provide the conference ID number below.
United Kingdom: 44 (0) 20 7192 8000 or 0800 376 7922
USA: +1 631 510 7495 or +1 866 966 1396
Conference ID No: 4470517

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 2019 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. These are calculated by translating current year results at prior year exchange rates.
- Market share is presented as a 12-month average (MAT), unless otherwise stated. Aggregate market share is a weighted average across markets within our footprint.
- 2018 and 2019 revenue reflects new geographic segmentation and restatement following adoption of IFRS 15.

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 have remained focused on driving the performance of our tobacco business, while expanding our Next Generation Products (NGP) operations. We achieved success in a number of areas, including further revenue and profit growth in tobacco and year-on-year NGP net revenue growth.

However, our overall Group results have fallen short of our expectations, impacted by two main factors: a challenging vapour market, particularly in the USA, and lower than anticipated profit delivery in our Africa, Asia and Australasia (AAA) division.

We are taking action to drive a better performance in 2020, which will strengthen our ability to create long-term value for our stakeholders.

Resilient Tobacco Results

We have a robust tobacco value creation model with a long track record of financial delivery, with pricing more than offsetting cigarette volume declines to deliver growing revenues. We expect this to continue in the years ahead and remain focused on maximising opportunities for our Asset Brands in our priority markets.

Our Market Repeatable Model provides a structured framework for driving quality tobacco growth and is consistently applied across our footprint.

The resilience of our tobacco business was demonstrated with the good performances we delivered in Europe and the Americas, which more than offset tough trading conditions in the AAA division.

We achieved share growth in six of our 10 priority markets, including in the USA where our focused portfolio strategy delivered gains in cigarette and mass market cigars and strong financial results.

In our Europe division we continue to balance market share progression with financial delivery, generating good financial contributions from a number of our priority markets including Germany, the UK and Italy.

Our share performance was good in the AAA division, with gains in our priority markets of Australia, Japan and Russia, although our revenue and profit were lower.

Asset Brands accounted for 66.1 per cent of our tobacco & NGP net revenue, up 140 basis points on last year.

Next Generation Products

Our focus on transitioning adult smokers to potentially less harmful alternatives to cigarettes is aligned to our purpose: to create something better for the world's smokers.

We want to see more smokers choosing products with lower health risks and encourage them to make that change by providing a portfolio of high-quality vapour, heated tobacco and oral nicotine products, all underpinned by leading-edge science.

Overall net revenue of our NGP business grew by 48 per cent this year, led by the growth of our vapour brand blu in Europe, where we have established leading retail positions, and Japan. We also made good progress with the roll-out of other NGPs, including a successful city pilot of our heated tobacco product Pulze in Japan and the launch of oral nicotine products in several European markets.

However, we did not make as much progress with blu in the USA and Europe as we anticipated. Our own performance fell below expectations and was also impacted by deteriorating trading conditions, increasing competitor activity and the slower than anticipated growth of the vapour category.

The situation was compounded in the USA, where an increasingly volatile regulatory environment coincided with a significant step-up in our retail engagement programmes, brand investment and consumer promotions. Although this activity delivered share gains, overall blu growth was below the level we had planned for.

The volatility in the USA and the broader learnings we have gained have led to a reprioritisation of our investment plans. In 2020, we are instilling a sharper focus on the category and market combinations that offer the greatest opportunities for sustainable, profitable growth. We have clear plans to deliver a more differentiated blu consumer experience in the coming year, coupled with a fresh brand approach that builds a stronger emotional connection with adult smokers.

We are also stepping up our regulatory engagement activities to encourage higher product and marketing standards, which are critical for creating a stable and orderly vapour market that we can invest behind.

In addition, in the USA we are focused on finalising our premarket tobacco product (PMTA) application for blu, which will be submitted to the Food and Drug Association before the May 2020 deadline.

We still view NGP as a significant additive growth opportunity for Imperial and the actions we are taking are strengthening the foundations of our NGP business, which in the coming year will see a brand refresh for blu and expanding availability of our heated tobacco and oral nicotine products.

Auxly Cannabis Group Inc.

In July we announced we were diversifying our NGP portfolio through a research and development partnership with Auxly Cannabis Group Inc., a listed Canadian cannabis company. This provides further options for future growth and builds on the investment we made in Oxford Cannabinoid Technologies last year.

The transaction was completed in September, ahead of the further liberalisation of cannabis regulation in Canada in October 2019. At this time, the sale of derivative products, such as cannabis edibles, extracts and topicals will be legally permitted.

As part of the deal we have granted Auxly global licences to our vaping technology and access to our innovation business, Nerudia.

Cost and Cash Management

Optimising cost and cash opportunities is a core element of our strategy, enabling us to improve efficiencies and release funds for investment.

Our commitment to capital discipline underpins our focus on cash generation and the effective management of our working capital.

We increased NGP investment considerably during the year but given the current state of the vapour market we are now refining our approach for 2020. We will invest selectively to support growth, prioritising blu sales in key markets and widening distribution of Pulze and our oral nicotine offerings.

We made good progress with our cost optimisation programme, realising £55 million of annualised savings in the year. The programme will deliver £300 million of savings a year from our 2020 financial year.

Cash conversion remained strong at 95 per cent and we grew the dividend per share by 10 per cent.

Following a revision of our dividend policy announced by the Board in July, dividend growth will be progressive, increasing annually from its current level, taking into account underlying business performance.

Creating Additional Value

In sharpening our focus on the brands, products and markets that are essential to our long-term success, we have identified assets that are less central to our growth ambitions.

We are exiting or divesting these assets, including our premium cigar business, to create further value for our shareholders and to simplifying the structure of the business, creating a leaner, more agile organisation.

Over the past two years we have advanced other divestment opportunities but chose not to conclude them, largely due to a deterioration in tobacco valuations. These opportunities will be kept under review but further divestments will only be progressed if they will realise appropriate value.

Outlook

Tobacco will continue to be resilient, delivering modest revenue growth, high margins and strong cash flows, while our NGP business provides opportunities for additional revenue growth, with its strong growth prospects contributing to margins and cash returns over the medium term.

We remain focused on managing the operational and regulatory challenges associated with a rapidly evolving NGP category, including active regulatory engagement for higher product and marketing standards for vapour.

Given the increased uncertainties in NGP, we have reduced and reprioritised our NGP investment behind the markets and categories with the best prospects for sustainable and scalable growth and will focus on delivering a stronger performance in the coming year.

We have taken a more cautious approach to our outlook for 2020, with low single digit revenue and earnings per share growth expected, excluding any impact from the divestment programme. Performance is expected to be weighted to the second half as the benefit of our NGP investment reset takes effect through the year.

Our revised capital allocation policy supports a progressive dividend, which will grow annually taking into account underlying business performance.

Towards the end of year, it was announced that I and the Board had agreed that after nine years as Chief Executive, I would step down once a suitable successor is found.

It has been a privilege to be CEO of this business and to have worked with such great people. I remain committed to leading Imperial during the succession process and would like to thank employees around the world for all their hard work and support over the years.

We continue to reshape our brand portfolio, prioritising our high-quality Asset Brands to drive growth. These brands consist of tobacco and Next Generation Products (NGP) and account for 65.9 per cent of our tobacco & NGP net revenue, up 120 basis points on last year

Asset Brands

We continue to reshape our portfolio to meet evolving consumer preferences for a broader repertoire of nicotine products, prioritising our Asset Brands and focusing resources behind these brands to drive quality, profitable growth.

We have strong brand positions in cigarettes, fine-cut tobacco, papers and cigars. Our NGP focus has been primarily on our blu vapour brand but has expanded in the year to include other nicotine assets in heated tobacco and oral nicotine.

Earlier in the year we launched our first heated tobacco product, Pulze. To date, the brand is only available in Japan and is not currently included in Asset Brands. We also rolled out trials of modern oral products in several European markets.

		Full Year Result		Change	
		2019	2018	Actual	Constant Currency
Net revenue	£m	**5,269**	4,977	+5.9%	+4.4%
Percentage of tobacco & NGP net revenue	%	65.9	64.7	+120 bps	+ 140 bps

2018 net revenue restated for the adoption of IFRS 15 and brand reclassifications outlined below

Our Asset Brands now represent two thirds of our revenues.

Net revenue from Asset Brands grew by 4.4 per cent at constant currency, supported primarily by strong growth in Davidoff, blu, Backwoods and Kool. Our Skruf, Rizla and Premium Cigar brands also performed well, contributing to revenue growth. Asset Brand performance was adversely impacted by the decision in Spain to reverse the migration of Ducados to JPS, following consumer feedback which continued to stress the equity value of the Ducados brand.

Tobacco Asset Brand investment was prioritised behind equity building campaigns and key consumer growth segments, such as queen size, low tar and crushball.

NGP Asset Brand investment was focused behind the *my*blu brand in both equity building campaigns and activations. This investment has supported the creation of the closed system pod category and secured market-leading retail positions in many markets.

Tobacco Brands

JPS

JPS performance has benefited from the roll out of the Blue Stream variant to meet consumer demand in the low tar range. However, price differentials between value and other segments, in JPS's largest markets of the UK, Germany and Australia have negatively impacted results.

West

West's performance has been driven by growth in value formats, such as super king size, fine cut tobacco and big box, resulting in share growth in Spain, Germany, Russia and Japan. In addition to the strong performance of value formats across a number of markets, the introduction of a fresh seal variant in the Middle East has partly offset the impact of the decline in West's traditional range.

Winston

Winston's share performance has been relatively resilient, despite the premium segment in the USA remaining under pressure from the growth in deep discount. We are managing price promotions and targeted direct marketing activities to support the share performance.

Davidoff

Two new Davidoff ranges are driving the overall positive performance of the brand, offsetting declines in the core premium line range. Davidoff Reach, a queen size variant, has been launched in 25 markets, achieving sizeable share gains in its main markets of Russia, Ukraine and Slovakia. The new king size range, Davidoff Evolve, has been launched in nine markets, achieving strong share gains in the Middle East.

Parker & Simpson
The performance of Parker & Simpson has benefitted from the growth of crush-ball and modern filter variants, which have partly offset declines in traditional formats. To address demand in other key segments, Parker & Simpson has been launched in Australia, where it has delivered significant share growth.

Vapour
Continued growth from our blu brand, driven by the *my*blu closed system pod format, has contributed to constant currency net revenue gains from NGP of 48 per cent this year to £285 million.

In the year we have been building out blu sales across our markets, within a challenging regulatory and competitive environment. We have created the pod category in several countries and achieved market-leading retail positions in many European markets and Japan. Investment levels were substantially increased to build brand equity and drive consumer off-take in a rapidly evolving vapour category.

We did not make as much progress with blu in the USA as we anticipated. Our performance was also impacted by increased competitor discounting and regulatory uncertainty, including individual state actions, leading to the market deteriorating considerably in the second half of the year. The uncertainty resulted in an increasing number of wholesalers and retailers not ordering or not allowing promotion of vaping products. We continue to actively engage with regulators for a clear regulatory framework in the USA that supports high product standards and responsible sales and marketing behaviours.

In Europe and Japan, we have delivered good year-on-year growth, consolidating strong vaping share positions, following the successful build out of *my*blu. The vaping category in Europe did not grow as fast as we originally anticipated, although we have established market leading retail positions in Germany, Spain and Italy. The UK and France are largely open system markets, providing an opportunity to promote closed systems and higher product standards. In Japan our zero-nicotine variant of *my*blu is now available nationally and has created the pod category.

Revenue delivery from the vapour category was below our expectations in 2019, while profitability was affected by increased investment, provisions for slow-moving inventory and supply chain termination costs.

Learnings from 2019 have enabled us to evaluate the success of different markets and channels in the context of a changing environment and to inform our future investment choices. We have reset our vapour investment plans for 2020, prioritising the markets with the highest potential for sustainable, profitable growth.

Investment will be focused around markets with the best closed system opportunities and towards activities that build the profitability of the category. Continuing to enhance our innovation and leading-edge science will enable us to further differentiate blu to meet consumer needs. Increased profitability of the category will also be driven by investment behind more consumer loyalty activities targeted at building consumer connections, supported by improving our online channel focus. Our regulatory engagement activities encourage the adoption of higher product and marketing standards to create the right operating environment.

We continue to view our blu brand and vapour as a significant opportunity to deliver additive growth and remain focused on managing the operational and regulatory challenges associated with a rapidly evolving category.

Heated Tobacco
In 2019 we launched our Pulze heated tobacco product and iD heat sticks in the Japanese city of Fukuoka. The product and brand received positive consumer feedback and we have started to roll-out Pulze nationally via convenience store key accounts. In addition to focusing on distribution, investment will be channelled towards new experience touch points, embedding learnings from other NGP categories and supporting adult smokers with using the Pulze product. In 2020 production capacity will be increased, with plans for further geographical expansion.

Modern Oral Nicotine
Building on our traditional oral nicotine credentials in Scandinavia, in 2019 we launched modern formats in multiple markets, building our presence in Europe. Modern white formats were launched under the Skruf brand name in cities in Germany and Austria and under the brand name Zone X in the UK. Sales have grown strongly from a low base and we will continue to expand our national distribution in 2020.

Portfolio Brands
The rest of our portfolio consists of Portfolio Brands; some of these are strong local brands that support our volume and revenue development, while others are delisted or migrated into Asset Brands.

Reflecting our focus on Asset Brands, Portfolio volumes were down 4.1 per cent. On a constant currency basis net revenue fell 1.9 per cent, with Portfolio Brands now representing only 34.1 per cent of our overall revenue at actual rates.

Europe

		Full Year Result		Change	
		2019	2018	Actual	Constant Currency
Tobacco volume	bn SE	**135.0**	141.3	-4.4%	
NGP net revenue	£m	**131**	32	>100%	>100%
Tobacco net revenue	£m	**3,505**	3,491	+0.4%	+0.8%
Total net revenue	£m	**3,636**	3,523	+3.2%	+3.6%
Adjusted operating profit	£m	**1,699**	1,701	-0.1%	-0.3%
Asset Brand % of net revenue	%	**74.7**	72.4	+230 bps	+210 bps

2018 revenue restated following adoption of IFRS 15.

Our performance demonstrates the resilience of our tobacco business across European markets, with financials driven by strong pricing and cost efficiency savings. In NGP, we have delivered good year-on-year growth, creating strong vaping retail share positions, following the successful build out of *my*blu.

We have continued to balance financial returns with optimising our share positions in our priority markets, ensuring that we continue to deliver quality growth in the right markets, with the right brands.

Overall volumes decreased by 4.4 per cent, reflecting tobacco market trends in Western Europe and volume pressure in the Ukraine. Ukraine volumes impacted the region by c150bps, although this had a limited impact on profitability.

Net revenue was up 3.6 per cent, benefiting from strong pricing in our tobacco business particularly in Germany, the UK and Italy. In NGP we grew revenues to £131 million (FY18 £32 million), with higher growth in the first half as we built national distribution for *my*blu in the UK, Germany, France, Spain and Italy.

The European vapour category did not grow as fast as we originally anticipated in the year with a slowdown in the second half. In the UK and France, the evolution of the vapour category towards closed system devices has been slower than we initially expected, with open system devices and price promotions impacting the development of the category. We have factored this into our plans for 2020 and continue to engage with stakeholders to raise regulatory standards for vapour products.

In NGP we have also been active with our modern oral nicotine products, generating growth across the division including in Austria, Germany, the UK, Slovakia, Denmark and Switzerland.

Our focus on Asset Brands, supported by our Market Repeatable Model, continues to improve the quality of our revenue, with 74.7 per cent now coming from Asset Brands.

Adjusted operating profit was down 0.3 per cent at constant currency, with pricing in tobacco offset by the additional investment to support *my*blu market launches, as well as provisions for slow-moving inventory and the termination of an NGP supply contract in the second half.

While driving the performance of the business, we continue to focus on ensuring our products are only ever sold to adult smokers and vapers. Our retailer engagement programmes have a strong focus on responsible selling, including e-learning tools that reinforce the importance of prohibiting NGP and tobacco sales to minors. We have robust age-verification mechanisms for online sales and the stringent way we market our brands avoids any association with other products that are popular with youth.

We also continue to partner with governments, law enforcement agencies and customs and excise authorities to combat the smuggling and counterfeiting of tobacco products. Our security intelligence led to raids on significant production sites in Poland that were counterfeiting Imperial tobacco brands for the German, UK and Polish markets. In all, 120 million illegal cigarettes were seized and 81 arrests were made.

Priority Markets *Tobacco Share*	**Performance**
UK *40.6% (-140bps)*	Strong price/mix supported net revenue growth. Overall tobacco share was down following our price increase in February, which led to a period of price disadvantage against competitors. Share trajectory improved in the second half, supported by cigarette and fine cut tobacco growth in the sub-economy segment. Following its launch last year, *my*blu has continued to achieve good growth in the closed system category with 6.0 per cent share of traditional retail in September, although the category growth is slower than anticipated. A city trial launch of modern oral nicotine brand Zone X received positive reviews with plans to expand distribution further.

Germany *21.6% (-70bps)*	Financial delivery remained strong, with pricing and second half trade promotions driving growth. Share declines are being addressed through reshaping our brand portfolio, including migrating some Portfolio Brands, and larger format pricing strategies. *my*blu has strengthened its market leadership in retail, with advertising and promotional activities supporting category leading performance and high brand awareness. *my*blu spot share in September was 35.4 per cent of the traditional retail channel. We made good progress with the modern oral nicotine launch of Skruf, leading the establishment of the category.
Spain *28.9% (-10bps), with blonde share +10bps*	The successful launch of Horizon in the fine cut tobacco natural segment and investment in West and Fortuna cigarettes resulted in positive fine cut tobacco and blonde cigarette share delivery. *my*blu gained a market leading share of the tobacconist channel, following its national launch in January, holding a 75.0 per cent spot value share in September. Market leadership was supported by distribution expansion and retailer advocacy programmes.
France *18.1% (-160bps)*	We have continued to prioritise financial returns and quality share, following significant excise increases. The price repositioning of JPS and News has supported an improved share trajectory and fine cut tobacco share is growing. *my*blu sell out and market share are stable, but revenue performance has been impacted by slower category development and competitor price promotions. *my*blu in September was the number two vapour brand with 12.7 per cent value share of offtake data in tobacconists.
Italy *5.4% (+30bps)*	Continued market share growth has been driven by investment behind JPS, retailer advocacy and multi-channel consumer activations. *my*blu continues to maintain a market leading retail share with a September spot value share of 51.5 per cent, supported by increased distribution and a targeted city advertising campaign.

Americas

		Full Year Result		Change	
		2019	2018	Actual	Constant Currency
Tobacco Volume	bn SE	**21.7**	22.1	-2.0%	
NGP net revenue	£m	**111**	151	-26.5%	-30.5%
Tobacco net revenue	£m	**2,361**	2,097	+12.6%	+6.8%
Total net revenue	£m	**2,472**	2,248	+10.0%	+4.3%
Adjusted operating profit	£m	**1,068**	1,036	+3.1%	-2.6%
Asset Brand % of net revenue	%	**54.1**	54.4	(30) bps	(20) bps

2018 revenue restated following adoption of IFRS 15.

We delivered a strong tobacco performance, with our overall USA cigarette share now in growth for the first time since the US asset acquisition in 2015. Cigarette share was 8.8 per cent, up 10bps, benefiting from our portfolio strategy and share gains from our Sonoma brand as demand for brands in the deep discount segment grows. Demand in the deep discount segment marginally impacted Winston's share performance, which was down by 8bps, with the share of Kool and Maverick stable.

We also delivered share growth in mass market cigars, with Backwoods up 81 basis points and our total share of the category now 15.1 per cent, 79 basis points higher than last year.

Volumes were down 2.0 per cent with a second half benefit from an increase in wholesaler inventory towards the end of the period as wholesalers bought ahead of an expected October price increase. Excluding the impact of shipment timings, volumes were down by 5.3 per cent, slightly better than the industry decline of 5.5 per cent.

On a constant currency basis, we grew tobacco net revenue by 6.8 per cent, reflecting strong pricing and a mix benefit from mass market cigars led by growth from Backwoods and Dutch Masters.

NGP revenues of £111 million were £46m lower than last year at constant currencies (FY18: £151 million includes IP revenue of c. £51 million). We increased brand investment and enhanced consumer promotions in the second half to address the increasingly competitive environment and declining *my*blu share. This increase led to an improvement in value share trajectory to 6.2 per cent at the end of the year, although second half gains were less than expected, reflecting the recent slowdown in the US vapour category and increased competitor discounting. Rising regulatory uncertainty reduced consumer off-take and shipments to wholesalers and retailers.

We continue to monitor developments in the USA vapour market. We have factored flexibility into our future plans and investment levels and remain focused on building blu consumer loyalty and managing the operational and

regulatory challenges associated with a rapidly evolving category. The environment is expected to improve following action by the Food and Drug Administration (FDA).

We are engaging with the FDA and other key stakeholders to create a regulatory framework that raises standards and supports the development of the legal vapour category. This is critically important given the growing number of US reports of ill-health being linked to the use of illicit vapour products.

We share the FDA's concerns about young people using vapour products and are committed to enforcing stringent youth access prevention measures. In September we reinforced this view in a keynote speech at the annual Global Tobacco & Nicotine Forum held in Washington.

Adjusted operating profit was 2.6 per cent lower, with strong growth in tobacco profit offset by losses in NGP, last year's IP profit apportioned to Americas of £50m and the £40 million profit on the sale of our other tobacco products business. Excluding these gains, adjusted operating profit would have increased by 6.7 per cent at constant currency despite the step-up in NGP investment.

Africa, Asia and Australasia

		Full Year Result		Change	
		2019	2018	Actual	Constant Currency
Tobacco Volume	bn SE	**87.5**	92.1	-5.0%	
NGP net revenue	£m	**43**	4	>100%	>100%
Tobacco net revenue	£m	**1,847**	1,922	-3.9%	-4.8%
Total net revenue	£m	**1,890**	1,926	-1.9%	-2.9%
Adjusted operating profit	£m	**764**	820	-6.8%	-8.1%
Asset Brand % of net revenue	%	**64.2**	62.5	+170 bps	+210 bps

2018 revenue restated following adoption of IFRS 15.

Full year tobacco volumes were 5.0 per cent lower, although ameliorating declines in the Middle East and South East Asia contributed to a stronger second half performance.

We grew our share position in Australia, Japan and Russia with a second half improvement in Saudi Arabia.

Tobacco net revenue was down 4.8 per cent at constant currency. This was largely driven by tobacco declines in Russia, Australia and the Middle East, which more than offset growth in Ivory Coast, Turkey and New Zealand.

Lower revenue in Russia was primarily due to channel mix with an increased proportion of market volumes discounted in key accounts with lower price/mix in Australia driven by lower margin volumes in the growing fifth price tier.

In Saudi Arabia, performance was affected by an increase in lower priced cross border duty-free volumes. Despite this impact on the profitability of the market, the launch of Davidoff Evolve and the rejuvenation of West with a fresh seal pack supported share growth.

Total net revenue was supported by a continued strong NGP performance in Japan following a national rollout of *my*blu zero nicotine, which led the creation of the closed system pod category. NGP revenues contributed an additional £39 million to £43 million.

We also launched our Pulze heated tobacco product and iD sticks in Japan with a national roll-out underway via convenience store key accounts following positive consumer feedback.

Our Asset brands now make up 64.2 per cent of our total net revenue, up 210 bps at constant currency.

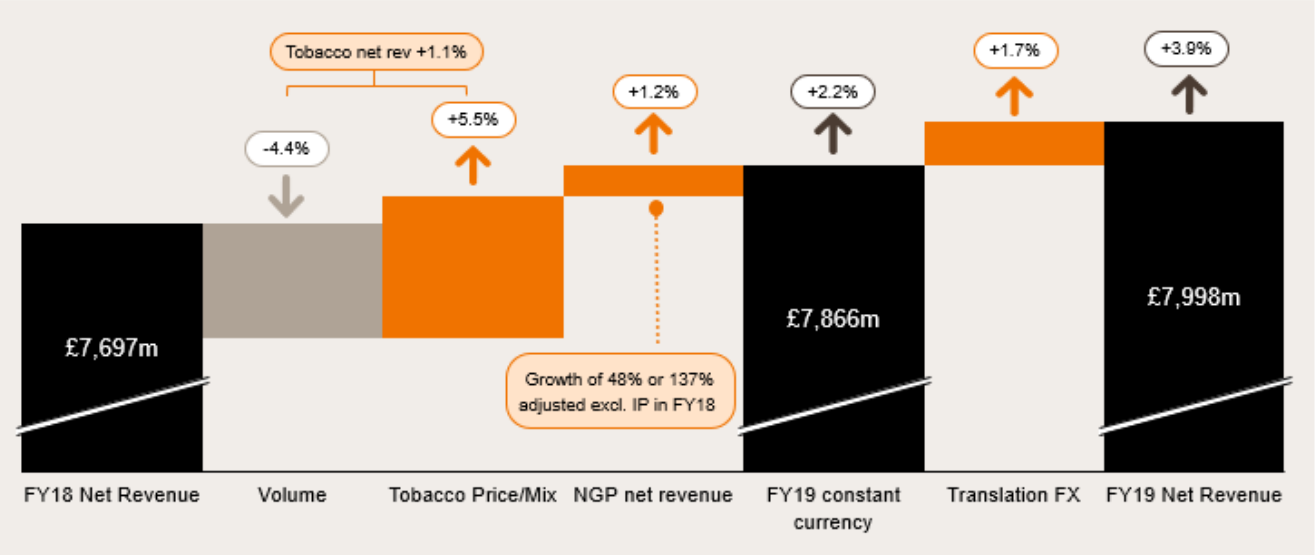
Adjusted operating profit at 8.1 per cent down was impacted by tobacco performance in Australia, Russia and Saudi Arabia. Reported operating profit was lower due to a provision for historic Russian excise liabilities and a goodwill impairment of the Premium Cigar Division.

Priority Markets *Tobacco Share*	**Performance**
Australia *32.6% (+70bps)*	Investment behind Parker & Simpson resulted in share gains in the growing economy segment. Revenue and profit were impacted by negative mix from growth in lower margin product. Profit was also affected by a lower FY19 benefit from duty paid inventory around the September excise increase.

Japan *1.3% (+30bps)*	West is continuing to grow, benefiting from continued downtrading following excise driven price increases. Expanded national distribution of *my*blu supported accelerated sales growth in H2. *my*blu held an 85.4 per cent spot share of convenience stores in September.
Russia *7.9% (+10bps)*	Market declines were driven by increases in illicit volumes. Positive share progression was supported by growth in Davidoff Evolve and Parker & Simpson crush-ball variant, which more than offset declines in Maxim. Financial performance was impacted by increased competitor discounting and ongoing volume shift into the key accounts channel.
Saudi Arabia *14.3% (+1bps)*	Share performance benefited from the launch of Davidoff Evolve in April which performed strongly in the second half. The introduction of West fresh seal, supported by optimisation of field coverage, also led to an improvement in second half volumes. Financial performance was impacted by increased cross border duty free flow.

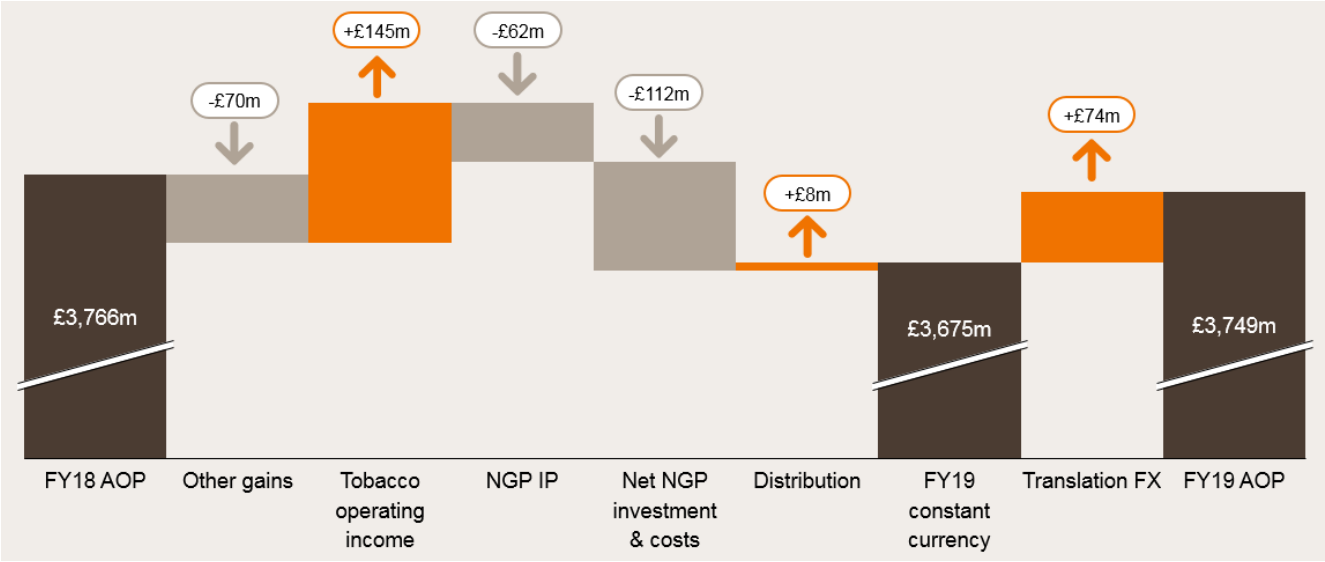
Resilient tobacco performance and additive NGP revenue growth

- Net revenue up 2.2% at constant currency comprising +1.0% from tobacco and +1.2% from NGP
- Europe and Americas delivering net revenue growth >3.5%; AAA revenue down 2.9% with tougher trading
- NGP revenue of £285m, up 48% at constant currency



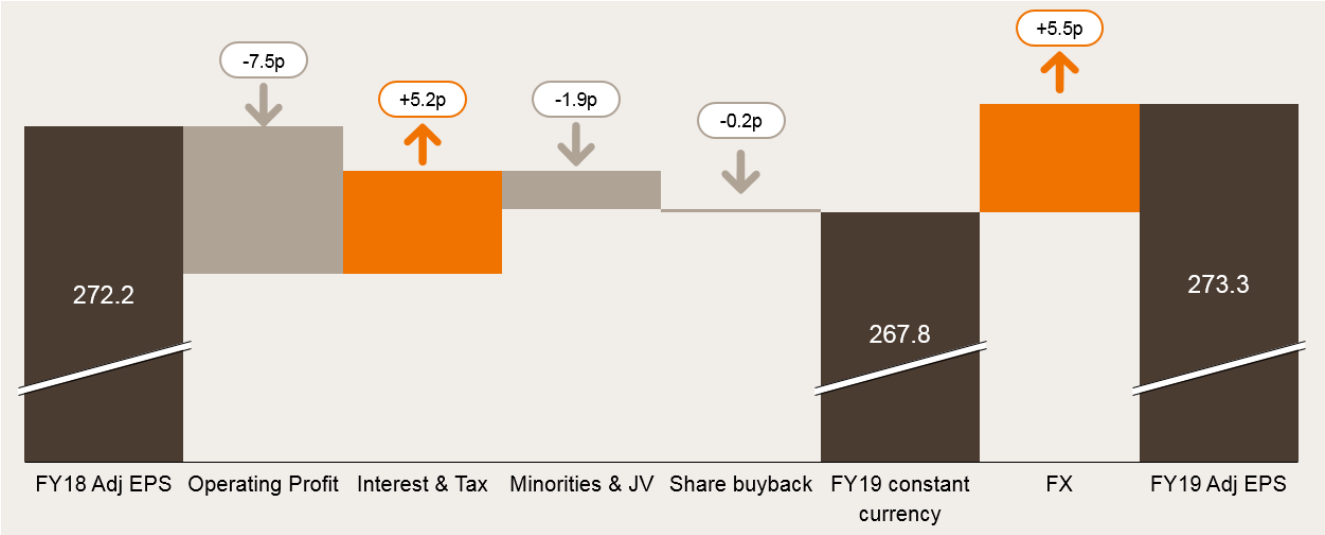
Tobacco profit growth offset by higher NGP investment

- Adjusted operating profit down 0.5% at actual rates and 2.4% at constant currency
- Tobacco adjusted operating profit up 1.8% at constant currency and adjusted margins up 60bps
- NGP profitability affected by lower NGP IP royalty income; higher investment levels; provisions for slow-moving inventory and supply chain termination costs
- Reported operating profit down 8.7% due to a goodwill impairment for Premium Cigar Division (£525m); provisions for Russian excise tax liabilities (£139m), fair value adjustment of acquisition consideration for Von Erl (£129m), partly offset by reduced restructuring costs (£144m) and the prior year impact of distributor administration (£110m)
- Premium Cigar impairment will be partly offset on completion by £300m-£400m of FX gains from reserves



Adjusted earnings per share of 273.3p down 1.6% at constant currency

- Lower adjusted tax rate and interest costs benefited EPS by 5.2p with change in the mix of debt with more favourable rates
- Reported EPS of 106.0p, down 26.2% due to lower reported operating profit and losses in the fair value of derivatives



Group Results – Constant Currency Analysis

£ million (unless otherwise indicated)	Year ended 30 September 2018	Foreign exchange	**Constant currency movement**	**Year ended 30 September 2019**	**Change**	**Constant currency change**
Tobacco & NGP Net Revenue						
Europe	3,523	(15)	**128**	**3,636**	**+3.2%**	**+3.6%**
Americas	2,248	128	**96**	**2,472**	**+10.0%**	**+4.3%**
Africa, Asia and Australasia	1,926	19	**(55)**	**1,890**	**-1.9%**	**-2.9%**
Total Group	7,697	132	**169**	**7,998**	**+3.9%**	**+2.2%**
Tobacco & NGP Adjusted Operating Profit						
Europe	1,701	4	**(6)**	**1,699**	**-0.1%**	**-0.3%**
Americas	1,036	59	**(27)**	**1,068**	**3.1%**	**-2.6%**
Africa, Asia and Australasia	820	11	**(67)**	**764**	**-6.8%**	**-8.1%**
Total Group	3,557	74	**(100)**	**3,531**	**-0.7%**	**-2.8%**
Distribution						
Distribution fees	989	(1)	**27**	**1,015**	**+2.6%**	**+2.7%**
Adjusted operating profit	212	(1)	**21**	**232**	**+9.4%**	**+9.9%**
Group Adjusted Results						
Adjusted operating profit	3,766	73	**(91)**	**3,749**	**-0.5%**	**-2.4%**
Adjusted net finance costs	(487)	(8)	**46**	**(450)**	**-7.8%**	**-9.4%**
Adjusted EPS (pence)	272.2	5.5	**(4.4)**	**273.3**	**+0.4%**	**-1.6%**

2018 revenue restated following adoption of IFRS 15.

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 better 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.

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.

We have committed to change our financial disclosure with a view to further simplifying the adjusted performance measures. Details of these plans are set out later in this statement.

Group Earnings Performance

£ million unless otherwise indicated	Adjusted 2019	Adjusted 2018	Reported 2019	Reported 2018
Operating profit				
Tobacco & NGP	**3,531**	3,557	**2,074**	2,282
Distribution	**232**	212	**137**	128
Eliminations	**(14)**	(3)	**(14)**	(3)
Group operating profit	**3,749**	3,766	**2,197**	2,407
Net finance costs	**(450)**	(487)	**(562)**	(626)
Share of profit of investments accounted for using the equity method	**55**	42	**55**	42
Profit before tax	**3,354**	3,321	**1,690**	1,823
Tax	**(642)**	(648)	**(609)**	(396)
Profit for the year	**2,712**	2,673	**1,081**	1,427
Earnings per ordinary share (pence)	**273.3**	272.2	**106.0**	143.6

Reconciliation of Adjusted Performance Measures

£ million unless otherwise indicated	Operating profit 2019	Operating profit 2018	Net finance costs 2019	Net finance costs 2018	Earnings per share (pence) 2019	Earnings per share (pence) 2018
Reported	**2,197**	2,407	**(562)**	(626)	**106.0**	143.6
Acquisition and disposal costs	**22**	–	**–**	–	**2.3**	–
Amortisation & impairment of acquired intangibles	**1,118**	1,053	**–**	–	**116.4**	90.0
Excise tax provision	**139**	–	**–**	–	**13.0**	–
Administration of UK distributor	**–**	110	**–**	–	**–**	9.3
Fair value adjustment of acquisition consideration	**129**	–	**–**	–	**13.5**	–
Fair value and exchange movements on derivative financial instruments	**–**	–	**107**	126	**8.0**	10.9
Post-employment benefits net financing costs	**–**	–	**5**	13	**0.1**	0.8
Restructuring costs	**144**	196	**–**	–	**11.4**	14.9
Tax on unrecognised losses	**–**	–	**–**	–	**–**	(3.0)
Deferred tax impact of US tax reforms	**–**	–	**–**	–	**6.4**	8.0
Items above attributable to non-controlling interests	**–**	–	**–**	–	**(3.8)**	(2.3)
Adjusted	**3,749**	3,766	**(450)**	(487)	**273.3**	272.2

Performance Overview

Our tobacco business produced a resilient performance in the USA and Europe, offsetting difficult environments in our Africa, Asia and Australasia (AAA) division. We continue to prioritise Asset Brand performance in our priority markets, which has delivered further growth in tobacco net revenue and adjusted operating profit.

Our vapour brand blu has now been launched in 16 markets, establishing leading positions in some of the key European territories. We also successfully launched our first heated tobacco product Pulze in Japan and made good progress in expanding availability of our oral nicotine offerings.

Increasing competition and regulatory uncertainty over vapour in the USA and a slowdown in Europe in the second half impacted on our overall Next Generation Products (NGP) delivery. We decided to step up investment to build blu brand awareness and address an increased level of consumer promotion in certain markets, which delivered improved share towards the end of the year but did not translate into the increased sales we had expected.

We diversified our NGP portfolio with an investment in Auxly Cannabis Group Inc. which will accelerate the delivery of Auxly's business plan and the launch of derivative products after regulatory change to the Canadian cannabis market in October 2019.

Active Capital Discipline

Our focus on cost and capital discipline saw adjusted operating cash conversion at 95 per cent. In July we began a share buyback programme that will purchase £200 million shares by the end of the 2019 calendar year, of which £108 million had been completed in the financial year.

We continued to progress divestments of assets that are not central to our growth plans and announced that our premium cigar business would be sold as part of the programme.

2019 will be the eleventh year of 10 per cent dividend growth. Our revised capital allocation and shareholder distributions policy is effective from our 2020 financial year and will grow the dividend progressively, considering the underlying performance of the business to provide greater flexibility in our capital allocation.

Resilient Tobacco and Additive NGP Growth

Tobacco volumes fell 4.4 per cent, broadly in line with market dynamics and we delivered share growth in 6 of our ten priority markets.

Tobacco price/mix was 5.5 per cent, with gains in several priority markets driving tobacco net revenue growth of 1.1 per cent at constant currency. NGP revenue grew 48 per cent at constant currency, supporting Group net revenue up 2.2 per cent at constant currency.

Group adjusted operating profit fell by 2.4 per cent at constant currency. This decline was driven primarily by increased NGP investment including higher advertising and promotion spend and overheads as well as the impact of provisions for slow-moving NGP inventory of £34 million and NGP supply chain contract termination costs of £20 million. This more than offset growth in tobacco adjusted operating profit. Other gains of £10 million from Auxly were also lower (2018: £80 million). Further inventory provisions may occur if regulatory changes, such as a potential US flavour ban were to come into force that limit the ability to sell product.

On a reported basis, Group operating profit declined 8.7 per cent driven by a goodwill impairment and associated costs of disposal of the Premium Cigar Division of £525 million, a provision for Russian excise taxes of £139 million, a fair value adjustment of acquisition consideration for Von Erl of £129 million, which has subsequently been settled in October, partly offset by reduced restructuring costs of £144 million (2018: £196 million) and the prior year impact from the administration of Palmer & Harvey of £110 million. For further details see notes 3, 8 and 11 to the financial statements.

The increase in the amortisation and impairment of acquired intangibles is driven primarily by a goodwill impairment and associated costs of disposal of £525 million relating to the Premium Cigar Division, which is now treated as an asset held for sale with net assets of £1.1 billion. It is expected that on completion of the divestment cumulative foreign exchange gains of approximately £300 million to £400 million that have been recognised in reserves will be recycled to the income statement.

The restructuring charge for the year of £144 million (2018: £196 million) relates mainly to our cost optimisation programmes announced in 2013 and 2016. The total restructuring cash flow in the year ended 30 September 2019 was £146 million (2018: £241 million).

Adjusted net finance costs were lower at £450 million (2018: £487 million). This is primarily due to our active management of the debt portfolio to align with our strategic disposal initiatives. Reported net finance costs were £562 million (2018: £626 million), incorporating the impact of the net fair value and exchange losses on financial instruments of £107 million (2018: losses of £126 million) and post-employment benefits net financing costs of £5 million (2018: £13 million).

Our all-in cost of debt decreased to 3.6 per cent (2018: 3.7 per cent) as we continue to optimise our debt portfolio. Our interest cover increased to 8.8 times (2018: 8.2 times). We remain fully compliant with all our banking covenants and remain committed to retaining our investment grade ratings.

Our effective adjusted tax rate was 19.1 per cent (2018: 19.5 per cent) and the effective reported tax rate is 36.1 per cent (2018: 21.7 per cent). The slight reduction in the effective adjusted tax rate was due to a more favourable profit mix. The adjusted tax rate is lower than the reported rate due to a number of adjusting items having no or limited associated tax, with a larger quantum of such items in the current year causing the increase in the reported tax rate compared with 2018.

We expect our effective adjusted tax rate for the year ended 30 September 2020 to be around 21 per cent. The increase in rate is due to legislative changes in several jurisdictions and the expiry of certain tax agreements.

The effective 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. Whilst we seek to mitigate the impact of these changes, we anticipate there will be further upward pressure on the adjusted and reported tax rate in the medium term. Our UK Tax Strategy is publicly available and can be found in the Governance section of our corporate website.

Adjusted earnings per share were 273.3 pence (2018: 272.2 pence), down 1.6 per cent at constant currency (up 0.4 per cent at actual rates), reflecting continued operating profit growth from tobacco, more than offset by increased investment in our NGP business, the impact of NGP inventory provisions of £34 million and NGP supply chain contract termination costs of £20 million, following the slowdown in sales growth in the second half and lower non-operating income compared to 2018.

Reported earnings per share was 106.0 pence (2018: 143.6 pence) down 26.2 per cent, mainly impacted by reported operating profit. The weakening of sterling versus the US dollar positively impacted our revenue and earnings by around 2 per cent.

Cost Optimisation

We optimise our cost base to realise operational efficiencies. Our first optimisation programme announced in January 2013 delivered savings of £305 million per annum from September 2018 at a cash restructuring cost of around £600 million. This first programme has now concluded although there remain some cash costs. The second cost programme, announced in November 2016, is expected to deliver a further £300 million of annual savings from September 2020, at a cash restructuring cost of c.£750 million.

A continued focus on reducing product cost and overheads realised cost savings of £55 million in 2019, all arising from the second programme. This brings the cumulative cost savings from both programmes to £545 million (£305 million from the first and £240 million from the second).

Cash restructuring costs in the year from the first programme were £24 million (2018: £43 million) and £108 million (2018: £173 million) for the second, bringing the cumulative net cash cost of the two programmes to £958 million (£545 million for the first and £413 million for the second).

Capital Allocation

Capital discipline is a key objective, with commercial analysis and hurdle rates underpinning returns. However, it is clear from these results that we did not deliver the expected returns from our significant step-up in NGP investment. As a result, we are now focusing investment more tightly around the brand and market combinations that will build a sustainable, profitable NGP business. We are also implementing a more dynamic investment model for NGP with clear finance guardrails that allows us to actively manage investment levels to support returns.

Potential acquisitions are judged on strict financial and commercial criteria including the ability to enhance the Group's return on invested capital (ROIC) over time. We may also make measured investments in growth adjacencies, such as cannabis, to support longer term growth and return opportunities, notwithstanding they may have lower return characteristics in the short term.

We typically seek an overall internal rate of return in excess of 13 per cent across the investments we make in order to support our investment choices and underpin returns for shareholders. Our ROIC measure is slightly ahead of last year at 14.4 per cent (2018: 14.2 per cent) despite our increased investments.

Cash Flow and Net Debt

The conversion of adjusted operating profit to operating cash flow remained strong at 95 per cent (2018: 97 per cent). Movements in working capital were broadly flat compared to the prior year, supported by a c.£200 million working capital benefit (+5 per cent at constant currency) from a duty legislation change in Australia, which saw higher stocks more than offset by higher duty payable, a position that will unwind in 2020. This benefit was partly offset by higher working capital as a consequence of the step-up in NGP, the timing of tobacco stock builds across the Group and increasing debtors as global tobacco prices and duty rates increase. Capital expenditure increased as we stepped up investment in our NGP capabilities. Restructuring cash costs decreased due to the first cost optimisation programme ending in 2018.

Reported net debt increased by £0.1 billion to £12.0 billion and adjusted net debt decreased by £0.1 billion at actual rates, driven by a £0.2 billion movement in foreign exchange rates and the fair value of interest rate derivatives. The denomination of our closing adjusted net debt was split approximately 74 per cent euro and 26 per cent US dollar. As at 30 September 2019, the Group had committed financing in place of around £16.9 billion, which comprised 20 per cent bank facilities and 80 per cent raised from capital markets. Following the capital markets issuance during the year, approximately £780 million bilateral revolving credit facilities were no longer required and subsequently cancelled.

Dividend Growth

The Group has paid two interim dividends totalling 62.56 pence per share in June 2019 and September 2019, in line with our quarterly dividend payment policy to give shareholders a more regular cash return.

The Board approved a further interim dividend of 72.00 pence per share and will propose a final dividend of 72.01 pence per share, bringing the total dividend for the year to 206.57 pence per share. The third interim dividend will be paid on 31 December 2019 with an ex-dividend date of 22 November 2019. Subject to AGM approval, the proposed final dividend will be paid on 31 March 2020, with an ex-dividend date of 21 February 2020.

Brexit

The Group has looked into potential Brexit impacts under a number of different scenarios: soft, hard and no deal. The key risks that have been identified include potential increase in import duties and impact on UK customers; additional risk of tobacco smuggling; inventory requirements to ensure supply; impact on consumer confidence; and implications on existing international tax treaties. In the event of a no deal Brexit, we estimate there could be additional costs of around £100 million relating to the restructuring of the Group for tax purposes.

New Segments and Accounting Standards

On 1 October 2018 we re-organised the tobacco and NGP business to manage our footprint based on geographic proximity changing from the previous approach to grouping markets based on their growth and returns profiles.

Our financial reporting was split into four areas: Europe, Americas and Africa, Asia & Australasia plus Distribution. Similarly, our tobacco business was re-named Tobacco & NGP.

We also adopted two new accounting standards, IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the same date. Implementation of IFRS 15 has resulted in changes to the treatment of customer discounts in revenue and to Master Settlement Agreement (MSA) payments, which were previously netted off against revenue. MSA payments are now taken to other cost of sales. On 1 October 2019 we will adopt the new accounting standard IFRS 16 "Leases". The impacts of adopting these standards are disclosed in Note 1 of the Accounting Policies.

Adjusted Performance Measures

In managing the business, we focus on adjusted performance measures as we believe they provide a better comparison of performance from one period to the next.

Although we remain comfortable that our adjusted performance measures remain appropriate for the current year, we have decided to refine our approach by focusing more tightly on the performance drivers of our core activities of the manufacture, sales and marketing of tobacco and NGP. The changes will be implemented in 2020 to ensure the 2019 results are reported in line with previous external guidance. The key changes will be to exclude one-off gains from asset disposals and other non-recurring activities that do not relate directly to the core activities. In 2019, these gains related to our investment in Auxly and amounted to £10 million. We will continue to treat restructuring costs as an adjusting item through to the conclusion of the second cost optimisation programme in 2020. Thereafter we will review treatment in the light of any further restructuring requirement.

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 funding arrangements. 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 concludes that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group's planned disposal of its premium cigar division not materialise during the next financial year, the Group would look to finance its medium-term working capital and investment requirements through new debt issuances in accordance with its usual practice of managing its medium and long-term financing requirements.

Oliver Tant
Chief Financial Officer

SUMMARY OF KEY FOOTPRINT FINANCIALS & METRICS

FOOTPRINT		Full Year Result		Change	
		2019	2018	Actual	Constant Currency
Volume					
Europe	bn SE	**135.0**	141.3	-4.4%	
Americas	bn SE	**21.7**	22.1	-2.0%	
Africa, Asia and Australasia	bn SE	**87.5**	92.1	-5.0%	
Total Group	bn SE	**244.2**	255.5	-4.4%	
NGP Net Revenue					
Europe	£m	**131**	32	>100%	>100%
Americas	£m	**111**	151	-26.5%	-30.5%
Africa, Asia and Australasia	£m	**43**	4	>100%	>100%
Total Group	£m	**285**	187	+52.3%	+48.0%
Tobacco Net Revenue					
Europe	£m	**3,505**	3,491	+0.4%	+0.8%
Americas	£m	**2,361**	2,097	+12.6%	+6.8%
Africa, Asia and Australasia	£m	**1,847**	1,922	-3.9%	-4.8%
Total Group	£m	**7,713**	7,510	+2.7%	+1.1%
Tobacco Net Revenue per '000 SE					
Europe	£	**25.96**	24.71	+5.0%	+5.5%
Americas	£	**108.90**	94.80	+14.9%	+8.9%
Africa, Asia and Australasia	£	**21.11**	20.87	+1.2%	+0.2%
Total Group	£	**31.58**	29.39	+7.5%	+5.7%
Tobacco Price/Mix					
Europe	%			+4.8%	+5.2%
Americas	%			+14.6%	+8.8%
Africa, Asia and Australasia	%			+1.1%	+0.2%
Total Group	%			+7.1%	+5.5%
Adjusted Tobacco & NGP Operating Profit					
Europe	£m	**1,699**	1,701	-0.1%	-0.4%
Americas	£m	**1,068**	1,036	+3.1%	-2.6%
Africa, Asia and Australasia	£m	**764**	820	-6.8%	-8.2%
Total Group	£m	**3,531**	3,557	-0.7%	-2.8%
Distribution					
Distribution Fees	£m	**1,015**	989	+2.6%	+2.7%
Operating Profit	£m	**232**	212	+9.4%	+9.9%
Operating Margin	%	**22.9**	21.4	+150 bps	

SUMMARY OF KEY PORTFOLIO FINANCIALS & METRICS

PORTFOLIO		Full Year Result		Change	
		2019	2018	Actual	Constant Currency
Asset Brand Net Revenue					
Europe	£m	**2,717**	2,552	+6.5%	+6.5%
Americas	£m	**1,339**	1,222	+9.5%	+3.9%
Africa, Asia and Australasia	£m	**1,214**	1,203	+0.9%	+0.5%
Total Group	£m	**5,269**	4,977	+5.9%	+4.4%
Asset Brands as % of Net Revenue					
Europe	%	**74.5**	72.1	+240 bps	
Americas	%	**53.9**	51.9	+200 bps	
Africa, Asia and Australasia	%	**64.0**	62.4	+160 bps	
Total Group	%	**65.8**	64.7	+110 bps	
Portfolio Brands Net Revenue					
Total Group	£m	**2,729**	2,720	+0.3%	-1.9%
% of Total Net Revenue	%	**34.1**	35.3	-120 bps	-140 bps

FINANCIAL STATEMENTS

The figures and financial information for year ended 30 September 2019 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
for the year ended 30 September

£ million unless otherwise indicated	Notes	2019	Restated 2018
Revenue	3	**31,594**	30,066
Duty and similar items		**(15,394)**	(14,700)
Other cost of sales		**(9,960)**	(9,356)
Cost of sales		**(25,354)**	(24,056)
Gross profit		**6,240**	6,010
Distribution, advertising and selling costs		**(2,295)**	(2,001)
Acquisition and disposal costs	11	**(22)**	-
Amortisation and impairment of acquired intangibles	11	**(1,118)**	(1,053)
Excise tax provision	6	**(139)**	-
Administration of UK distributor		**-**	(110)
Fair value adjustment of acquisition consideration		**(129)**	-
Restructuring costs	4	**(144)**	(196)
Other expenses		**(196)**	(243)
Administrative and other expenses		**(1,748)**	(1,602)
Operating profit		**2,197**	2,407
Investment income		**890**	631
Finance costs		**(1,452)**	(1,257)
Net finance costs	5	**(562)**	(626)
Share of profit of investments accounted for using the equity method		**55**	42
Profit before tax		**1,690**	1,823
Tax	6	**(609)**	(396)
Profit for the year		**1,081**	1,427
Attributable to:			
Owners of the parent		**1,010**	1,368
Non-controlling interests		**71**	59
Earnings per ordinary share (pence)			
- Basic	8	**106.0**	143.6
- Diluted	8	**105.8**	143.2

See Note 1 Accounting Policies for details of the restatement in respect of the year ending 30 September 2018.

Consolidated Statement of Comprehensive Income
for the year ended 30 September

£ million	2019	2018
Profit for the year	**1,081**	1,427
Other comprehensive income		
Exchange movements	**270**	176
Items that may be reclassified to profit and loss	**270**	176
Net actuarial (losses)/gains on retirement benefits	**(248)**	196
Deferred tax relating to net actuarial (losses)/gains on retirement benefits	**52**	(54)
Items that will not be reclassified to profit and loss	**(196)**	142
Other comprehensive income for the year, net of tax	**74**	318
Total comprehensive income for the year	**1,155**	1,745
Attributable to:		
Owners of the parent	**1,086**	1,683
Non-controlling interests	**69**	62
Total comprehensive income for the year	**1,155**	1,745

Reconciliation from Operating Profit to Adjusted Operating Profit

£ million	Notes	2019	2018
Operating profit		**2,197**	2,407
Acquisition and disposal costs	11	**22**	-
Amortisation and impairment of acquired intangibles	11	**1,118**	1,053
Excise tax provision	6	**139**	-
Administration of UK distributor		**-**	110
Fair value adjustment of acquisition consideration		**129**	-
Restructuring costs	4	**144**	196
Adjusted operating profit		**3,749**	3,766

Following greater definition around the enforceability of the Von Erl contract and greater confidence in the sales forecast for *my*blu products an agreement has been made with the previous owners to settle at €140m for the remaining equity. As a result an incremental provision of £129 million has been recognised during the year.

A provision has been raised in respect of excise tax. See note 6 for further details.

On 28 November 2017 Palmer & Harvey (P&H) announced that they had entered administration. As a result of P&H entering administration, a provision was made of £160 million in the period ending 31 March 2018 in respect of monies considered irrecoverable. This was revised to £110 million at 30 September 2018 following receipt of monies in respect of a loan issued to P&H.

Amortisation and impairment of acquired intangibles, acquisition and disposal costs and restructuring costs are discussed in further detail in the above referenced notes.

Reconciliation from Net Finance Costs to Adjusted Net Finance Costs

£ million	Notes	2019	2018
Net finance costs		**(562)**	(626)
Net fair value and exchange losses on financial instruments	7	**107**	126
Post-employment benefits net financing cost	7	**5**	13
Adjusted net finance costs		**(450)**	(487)

Consolidated Balance Sheet
at 30 September

£ million	Notes	2019	2018
Non-current assets			
Intangible assets		**18,596**	19,117
Property, plant and equipment		**1,979**	1,891
Investments accounted for using the equity method		**81**	845
Retirement benefit assets		**595**	598
Trade and other receivables		**119**	82
Derivative financial instruments	10	**677**	462
Deferred tax assets		**595**	600
		22,642	23,595
Current assets			
Inventories		**4,082**	3,692
Trade and other receivables		**2,993**	2,585
Current tax assets		**303**	164
Cash and cash equivalents	9	**2,286**	775
Derivative financial instruments	10	**137**	37
Current assets held for disposal	11	**1,287**	-
		11,088	7,253
Total assets		**33,730**	30,848
Current liabilities			
Borrowings	9	**(1,937)**	(2,397)
Derivative financial instruments	10	**(28)**	(105)
Trade and other payables		**(9,536)**	(8,270)
Current tax liabilities		**(421)**	(286)
Provisions	4	**(284)**	(179)
Current liabilities held for disposal	11	**(176)**	-
		(12,382)	(11,237)
Non-current liabilities			
Borrowings	9	**(11,697)**	(9,598)
Derivative financial instruments	10	**(1,408)**	(1,073)
Trade and other payables		**(7)**	(47)
Deferred tax liabilities		**(1,156)**	(1,113)
Retirement benefit liabilities		**(1,249)**	(1,061)
Provisions	4	**(247)**	(274)
		(15,764)	(13,166)
Total liabilities		**(28,146)**	(24,403)
Net assets		**5,584**	6,445
Equity			
Share capital		**103**	103
Share premium and capital redemption		**5,837**	5,837
Retained earnings		**(2,255)**	(1,150)
Exchange translation reserve		**1,252**	980
Equity attributable to owners of the parent		**4,937**	5,770
Non-controlling interests		**647**	675
Total equity		**5,584**	6,445

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

£ million	Share capital	Share premium and capital redemption	Retained earnings	Exchange translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 30 September 2018	**103**	**5,837**	**(1,150)**	**980**	**5,770**	**675**	**6,445**
IFRS 9 Transition	**-**	**-**	**(5)**	**-**	**(5)**	**-**	**(5)**
At 1 October 2018	**103**	**5,837**	**(1,155)**	**980**	**5,765**	**675**	**6,440**
Profit for the year	**-**	**-**	**1,010**	**-**	**1,010**	**71**	**1,081**
Exchange movements on overseas net assets	**-**	**-**	**-**	**232**	**232**	**(2)**	**230**
Exchange movements on net investment hedges	**-**	**-**	**-**	**(228)**	**(228)**	**-**	**(228)**
Exchange movements on quasi-equity loans	**-**	**-**	**-**	**268**	**268**	**-**	**268**
Net actuarial losses on retirement benefits	**-**	**-**	**(248)**	**-**	**(248)**	**-**	**(248)**
Deferred tax relating to net actuarial losses on retirement benefits	**-**	**-**	**52**	**-**	**52**	**-**	**52**
Other comprehensive income	**-**	**-**	**(196)**	**272**	**76**	**(2)**	**74**
Total comprehensive income	**-**	**-**	**814**	**272**	**1,086**	**69**	**1,155**
Transactions with owners							
Cash from employees on maturity/exercise of share schemes	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Costs of employees' services compensated by share schemes	**-**	**-**	**23**	**-**	**23**	**-**	**23**
Current tax on share-based payments	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Cancellation of share capital	**-**	**-**	**(108)**	**-**	**(108)**	**-**	**(108)**
Change in non-controlling interests	**-**	**-**	**13**	**-**	**13**	**(13)**	**-**
Dividends paid	**-**	**-**	**(1,844)**	**-**	**(1,844)**	**(84)**	**(1,928)**
At 30 September 2019	**103**	**5,837**	**(2,255)**	**1,252**	**4,937**	**647**	**5,584**

At 1 October 2017	103	5,837	(1,084)	828	5,684	542	6,226
Profit for the year	-	-	1,368	-	1,368	59	1,427
Exchange movements on overseas net assets	-	-	-	326	326	3	329
Exchange movements on net investment hedges	**-**	**-**	-	115	115	**-**	115
Exchange movements on quasi-equity loans	**-**	**-**	-	(268)	(268)	**-**	(268)
Net actuarial gains on retirement benefits	**-**	**-**	196	-	196	**-**	196
Deferred tax relating to net actuarial gains on retirement benefits	**-**	**-**	(54)	**-**	(54)	**-**	(54)
Other comprehensive income	**-**	**-**	142	173	315	3	318
Total comprehensive income			1,510	173	1,683	62	1,745
Transactions with owners							
Cash from employees on maturity/exercise of share schemes	-	-	2	-	2	-	2
Costs of employees' services compensated by share schemes	-	-	25	-	25	-	25
Current tax on share-based payments	-	-	1	-	1	-	1
Cancellation of share capital	-	-	(41)	-	(41)	-	(41)
Change in non-controlling interests	-	-	(121)	(21)	(142)	142	-
Proceeds, net of fees, from disposal of Logista shares	-	-	234	-	234	-	234
Dividends paid	-	-	(1,676)	-	(1,676)	(71)	(1,747)
At 30 September 2018	103	5,837	(1,150)	980	5,770	675	6,445

Consolidated Cash Flow Statement
for the year ended 30 September

£ million	2019	2018
Cash flows from operating activities		
Operating profit	**2,197**	2,407
Dividends received from investments accounted for under the equity method	**54**	25
Depreciation, amortisation and impairment	**1,316**	1,266
Profit on disposal of non-current assets	**(19)**	(76)
Post-employment benefits	**(72)**	(60)
Costs of employees' services compensated by share schemes	**23**	26
Provision in respect of loan to third parties	**-**	4
Fair value adjustment of acquisition consideration	**129**	-
Movement in provisions	**80**	(87)
Operating cash flows before movement in working capital	**3,708**	3,505
Increase in inventories	**(560)**	(112)
Increase in trade and other receivables	**(267)**	(35)
Increase in trade and other payables	**877**	136
Movement in working capital	**50**	(11)
Tax paid	**(522)**	(407)
Net cash generated from operating activities	**3,236**	3,087
Cash flows from investing activities		
Interest received	**15**	10
Loan to joint ventures	**4**	-
Loan to third parties	**(75)**	28
Proceeds from sale of non-current assets	**57**	134
Purchase of non-current assets	**(409)**	(327)
Purchase of businesses (net of cash acquired)	**-**	(8)
Purchase of brands and operations	**(17)**	(67)
Net cash used in investing activities	**(425)**	(230)
Cash flows from financing activities		
Interest paid	**(488)**	(501)
Cash from employees on maturity/exercise of share schemes	**1**	2
Increase in borrowings	**3,699**	1,619
Repayment of borrowings	**(2,330)**	(2,261)
Cash flows relating to derivative financial instruments	**(117)**	41
Repurchase of shares	**(108)**	(41)
Proceeds from sale of shares in subsidiary to non-controlling interests	**-**	234
Dividends paid to non-controlling interests	**(84)**	(71)
Dividends paid to owners of the parent	**(1,844)**	(1,676)
Net cash used in financing activities	**(1,271)**	(2,654)
Net increase in cash and cash equivalents	**1,540**	203
Cash and cash equivalents at the start of year	**775**	624
Effect of foreign exchange rates on cash and cash equivalents	**(15)**	(52)
Transferred to held for disposal	**(14)**	-
Cash and cash equivalents at the end of year	**2,286**	775

1. Accounting Policies

New Accounting Standards and Interpretations

The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' with effect from 1 October 2018. The detail of adoption is provided below. There have been no other new standards or amendments which became effective for the current reporting period that have had a material effect on the Group.

On 1 October 2018 the Group adopted IFRS 9 'Financial Instruments', with no revision of prior periods as permitted by the standard. IFRS 9 has replaced IAS 39 'Financial Instruments: Recognition and Measurement' and includes revised guidance on:

Classification and measurement: Financial assets are now classified as either being accounted for as amortised cost, fair value through other comprehensive income, or fair value through profit or loss. There are no changes to the classification or accounting for financial liabilities. Other than trade receivables and derivative financial instruments, the Group does not currently hold any significant financial assets.

The Group has revised the classification of certain trade receivables which are subject to a non-recourse factoring arrangement. This arrangement covers various markets and customer accounts. Prior to the adoption of IFRS 9 all trade receivables were recognised at amortised cost. Where trade receivables may be sold in the future under a factoring arrangement that involves realising cash flows through the sale of assets in order to manage customer credit risk, they are now classified as fair value through other comprehensive income (OCI). Under this classification, valuation changes are recognised in the OCI. The level of trade receivables that were sold to a financial institution under a non-recourse factoring arrangement totaled £724 million at 1 October 2018 and £827 million at 30 September 2019. The total value of trade receivables reclassified as fair value through OCI was £37 million at 1 October 2018 and £23 million at 30 September 2019. On adoption of the standard there was no valuation difference and therefore the OCI has not been impacted. Trade receivables managed under a hold to collect business model continue to be measured at amortised cost.

The Group does not undertake any supply chain financing activity.

Impairment of financial assets: Impairment provisions are calculated using a forward looking expected credit loss approach for financial assets, rather than the incurred loss approach applicable under IAS 39. The expected credit loss model requires the recognition of a provision which reflects future impairment risk. Provision levels are calculated on the residual credit risk after consideration of any credit protection which is used by the Group.

Under the revised Trade Receivables provisioning policy, expected future credit loss provisions are now recognised in addition to doubtful debt provisions on receivables which have already become overdue. With the exception of the Palmer and Harvey debt write-off in 2018, the Group has historically experienced low levels of credit default. On adoption of the standard the Group has recognised an additional expected credit loss provision of £5 million, with the costs being recognised directly in equity within the retained earnings reserve at 1 October 2018.

Hedge Accounting: IFRS 9 aligns the accounting approach with an entity's risk management strategies and risk management objectives. The Group has adopted the hedge accounting aspects of IFRS 9 prospectively from 1 October 2018. The Group continues to apply net investment hedging as part of its risk management approach. All hedging relationships that existed at 30 September 2018 continue to apply under IFRS 9. The adoption of this area of IFRS 9 has not had any significant impact on the financial statements.

On 1 October 2018 the Group adopted IFRS 15 'Revenue from Contracts with Customers', the Group has restated prior periods as permitted by the standard. IFRS 15 has introduced an amended framework for revenue recognition and has replaced the prior guidance in IAS 18 'Revenue'. The accounting policies have been revised and applied to both the current and prior period. The standard provides revised guidance on revenue accounting, matching income recognition to the delivery of performance obligations in contractual arrangements for the provision of goods or services. It also provides different guidance on the measurement of revenue contracts involving discounts, rebates and payments to customers.

Following the adoption of the standard, revenue continues to be recognised in line with the completion of performance obligations constituting the delivery of goods or services to customers. The performance obligation is met when the customer has accepted products and the collectability of the related receivables is reasonably assured. We have reclassified certain distribution, advertising and selling costs arising from payments to customers, from overheads / other costs of sales to discounts from revenue. These costs are judged as not distinct from the related sales to the customer. This has reduced revenue, but has had no net impact on gross profit. This has reduced the level of revenue recorded in the year ended 30 September 2018 by £458 million.

Following a review of the presentation of duties, levies and similar payments against the guidance given by IFRS 15, levy payments made in the United States under the Master Settlement Agreement (MSA) are now being recognised in other cost of sales. This has increased the level of net revenue recorded in the year ended 30 September 2018 by £425 million. The Group has taken the option to restate the comparative figures on adoption of the standard. The adoption of the standard has not had any other impact on the Group's results.

IFRS 16 'Leases' will be effective for the period beginning 1 October 2019. The new standard requires operating leases to be accounted for through the recognition of a 'right of use asset' and a corresponding lease liability. Interest-bearing borrowings and

non-current assets will increase on implementation of this standard. Operating lease costs will no longer be classified within the income statement based on amounts paid, but via a 'right of use asset' depreciation charge recognised within operating profit and a lease interest expense within finance costs. The Group will take advantage of the practical expedients under the standard by not applying IFRS16 to short terms leases (Leases of less than 12 months maximum term) and to leases of low-value assets.

As permitted by the standard, the Group will apply the modified retrospective approach with no restatement of prior year. On adoption of IFRS 16 the expected impact is approximately £333 million increase in non-current assets and £333 million increase in liabilities.

IFRIC 23 'Uncertainty over income tax treatments' will be effective, subject to EU endorsement, for the period beginning 1 October 2019. The Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The adoption of this interpretation is not expected to have a material effect on the Group's net assets or results.

Prior period restatements required following accounting standard adoption

	Year ended 30 September 2018		
£ million unless otherwise indicated	Previously reported	IFRS 15 adjustment	Restated
Revenue	30,524	(458)	30,066
Duty and similar items	(15,125)	425	(14,700)
Net revenue	15,399	(33)	15,366
Europe	3,812	(289)	3,523
Americas	1,823	425	2,248
Africa, Asia & Australasia	2,095	(169)	1,926
Distribution	8,383	-	8,383
Eliminations	(714)	-	(714)
Other cost of sales	(8,949)	(407)	(9,356)
Gross profit	6,450	(440)	6,010
Distribution, advertising and selling costs	(2,441)	440	(2,001)
Administrative and other expenses	(1,602)	-	(1,602)
Operating profit	2,407	-	2,407

2. Critical Accounting Estimates and Judgements

The Group makes estimates and judgements associated with accounting entries which will be affected by future events. Estimates and judgements are continually evaluated based on historical experience, and other factors, including current information that helps form a forward-looking view of expected future outcomes.

Estimates involve the determination of the quantum of accounting balances to be recognised. Judgements typically involve decisions such as whether to recognise an asset or liability. The actual amounts recognised in the future 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 next financial year are discussed in the financial statements for the year ended 30 September 2019, which will be available on our website www.imperialbrandsplc.com in due course.

3. Segment Information

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

On 1 October 2018 we reorganised the Tobacco & NGP business to manage our footprint based on geographic proximity changing from the previous approach of grouping markets based on their growth and returns profiles. The managerial and internal reporting structures of the business have been revised to reflect the new structure. Following the introduction of these changes we have revised our segmental reporting as required under IFRS 8.

The function of Chief Operating Decision Maker (defined in IFRS 8), which is to review performance and allocate resources, is performed by the Board and the Chief Executive, who are regularly provided with information on our segments. This information is used as the basis of the segment revenue and profit disclosures provided below. The main profit measure used by the Board and the Chief Executive is adjusted operating profit. Segment balance sheet information is not provided to the Board or the Chief Executive.

Our reportable segments are Europe, Americas, Africa, Asia & Australasia (AAA) and Distribution. Operating segments are comprised of geographical groupings of business markets. The main Tobacco & NGP business markets within the Europe, Americas and AAA reportable segments are:

Europe – United Kingdom, Germany, Spain, France, Italy, Greece, Sweden, Norway, Belgium, Netherlands, Ukraine and Poland.

Americas – United States and Canada

AAA – Australia, Japan, Russia, Saudi Arabia, Taiwan and our African markets including Algeria and Morocco (also includes premium cigar, which is run as a separate business within AAA. Premium cigar primarily manufacturers within the AAA geography but does make sales in countries outside of this area).

Tobacco & NGP

£ million unless otherwise indicated	**2019**	Restated 2018
Revenue	**23,418**	22,427
Net revenue	**7,998**	7,697
Operating profit	**2,074**	2,282
Adjusted operating profit	**3,531**	3,557
Adjusted operating margin %	**44.1**	46.2

Distribution

£ million unless otherwise indicated	**2019**	Restated 2018
Revenue	**8,969**	8,383
Distribution fees	**1,015**	989
Operating profit	**137**	128
Adjusted operating profit	**232**	212
Adjusted operating margin %	**22.9**	21.4

Revenue

	2019		Restated 2018	
£ million	Total revenue	External revenue	Total Revenue	External revenue
Tobacco & NGP				
Europe	**14,152**	**13,359**	14,183	13,439
Americas	**3,358**	**3,358**	3,123	3,123
Africa, Asia & Australasia	**5,908**	**5,908**	5,121	5,121
Total Tobacco & NGP	**23,418**	**22,625**	22,427	21,683
Distribution	**8,969**	**8,969**	8,383	8,383
Eliminations	**(793)**	**-**	(744)	-
Total Group	**31,594**	**31,594**	30,066	30,066

Reconciliation from Tobacco & NGP revenue to Tobacco & NGP net revenue

£ million	**2019**	Restated 2018
Revenue	**23,418**	22,427
Duty and similar items	**(15,394)**	(14,700)
Sale of peripheral products	**(26)**	(30)
Net revenue	**7,998**	7,697

Tobacco & NGP net revenue

£ million	2019	Restated 2018
Europe	**3,636**	3,523
Americas	**2,472**	2,248
Africa, Asia & Australasia	**1,890**	1,926
Total Tobacco & NGP	**7,998**	7,697

Adjusted operating profit and reconciliation to profit before tax

£ million	2019	Restated 2018
Tobacco & NGP		
Europe	**1,699**	1,701
Americas	**1,068**	1,036
Africa, Asia & Australasia	**764**	820
Total Tobacco	**3,531**	3,557
Distribution	**232**	212
Eliminations	**(14)**	(3)
Adjusted operating profit	**3,749**	3,766
Acquisition and disposal costs	**(22)**	-
Amortisation of acquired intangibles – Tobacco & NGP	**(1,033)**	(970)
Amortisation of acquired intangibles - Distribution	**(85)**	(83)
Excise tax provision	**(139)**	
Administration of UK distributor	**-**	(110)
Fair value adjustment of acquisition consideration	**(129)**	-
Restructuring costs	**(144)**	(196)
Operating profit	**2,197**	2,407
Net finance costs	**(562)**	(626)
Share of profit of investments accounted for using the equity method	**55**	42
Profit before tax	**1,690**	1,823

See Statement of Other Comprehensive Income for details of fair value adjustment of acquisition consideration and administration of UK distributor. See note 6 for details of excise tax provision, note 11 for amortisation and impairment, and acquisition and disposal costs, and note 4 for details of restructuring costs.

4. Restructuring Costs and Provisions

Restructuring costs

£ million	2019	2018
Employment related	**96**	170
Asset impairments	**29**	3
Other charges	**19**	23
	144	196

Restructuring costs analysed by workstream:

£ million	2019	2018
Cost optimisation programme	**144**	181
Acquisition integration costs	**-**	15
	144	196

The cost optimisation programme (Phase I announced in 2013 and Phase II announced in November 2016) is part of the Group's change in strategic direction to achieve a unique, non-recurring and fundamental transformation of the business. The costs of factory closures and implementation of a standardised operating model are considered to be one off as they are a permanent scaling down of capacity and a once in a generation transformational change respectively. The cost optimisation programme is a discrete, time bound project which, given its scale, will be delivered over a number of years and once delivered the associated restructuring costs will cease.

Costs of implementing cost savings that do not arise from the change in strategic direction are excluded from restructuring costs.

The charge for the year of £144 million (2018: £181 million) relates to our two cost optimisation programmes announced in 2013 and 2016.

In 2019 the cash cost of Phase I of the programme was £24 million (2018: £43 million) and £108 million (2018: £173 million) for Phase II, bringing the cumulative net cash cost of the programme to £958 million (Phase I £545 million, Phase II £413 million).

Cost optimisation programme Phase I is expected to have a cash implementation cost in the region of £600 million in respect of the savings of £300 million per annum that the programme has generated by 2018 (the last year of the programme), and Phase II is expected to have a cash implementation cost in the region of £750 million, generating savings of a further £300 million per annum by 2020.

The total restructuring cash spend in the year was £146 million (2018: £241 million).

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

Provisions

	2019		
£ million	**Restructuring**	**Other**	**Total**
At 1 October 2018	**297**	**156**	**453**
Additional provisions charged to the consolidated income statement	**46**	**191**	**237**
Amounts used	**(95)**	**(37)**	**(132)**
Unused amounts reversed	**(4)**	**(22)**	**(26)**
Transferred to held for disposal	**-**	**(4)**	**(4)**
Exchange movements	**1**	**2**	**3**
At 30 September 2019	**245**	**286**	**531**

Analysed as:

£ million	**2019**	2018
Current	**284**	179
Non-current	**247**	274
	531	453

Restructuring provisions relate mainly to our cost optimisation programme (as noted above), and other provisions principally relates to excise tax of £139 million with the remainder comprised of holiday pay, local tax and Logista provisions. See note 6 for further details on the excise tax provision. It is expected that the majority of provisions will be utilised within a period of 10 years.

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

£ million	**2019**	2018
Reported net finance costs	**562**	626
Fair value gains on derivative financial instruments	**665**	492
Fair value losses on derivative financial instruments	**(839)**	(567)
Exchange gains/(losses) on financing activities	**67**	(51)
Net fair value and exchange losses on financial instruments	**(107)**	(126)
Interest income on net defined benefit assets	**142**	129
Interest cost on net defined benefit liabilities	**(147)**	(142)
Post-employment benefits net financing cost	**(5)**	(13)
Adjusted net finance costs	**450**	487
Comprising		
Interest on bank deposits	**(16)**	(10)
Interest on bank loans and other loans	**466**	497
Adjusted net finance costs	**450**	487

6. Tax and Reconciliation to Adjusted Tax Charge

Analysis of charge in the year

£ million	2019	2018
Current tax		
UK Corporation tax	**101**	55
Overseas tax	**420**	367
Total current tax	**521**	422
Deferred tax movement	**88**	(26)
Total tax charged to the consolidated income statement	**609**	396

Reconciliation from reported tax to adjusted tax

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	2019	2018
Reported tax charge	**609**	396
Deferred tax on amortisation of acquired intangibles	**9**	196
Excise tax provision	**15**	-
Administration of UK distributor	**-**	21
Tax on net fair value and exchange movements on financial instruments	**31**	22
Tax on post-employment benefits net financing cost	**4**	5
Tax on restructuring costs	**35**	55
Deferred tax impact of US tax reforms	**-**	29
Tax on unrecognised losses	**(61)**	(76)
Adjusted tax charge	**642**	648

Factors affecting the tax charge for the year

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the average of the enacted UK corporation tax rates for the year of 19.0 per cent (2018: 19.0 per cent) as follows:

£ million	2018	2018
Profit before tax	**1,690**	1,823
Tax at the UK Corporation tax rate	**321**	346
Tax effects of:		
Differences in effective tax rates on overseas earnings	**(66)**	(44)
Movement in provision for uncertain tax positions	**16**	10
Remeasurement of deferred tax balances	**87**	51
Remeasurement of deferred tax balances arising from changes in tax rates	**-**	(68)
Deferred tax on unremitted earnings	**15**	26
Permanent differences	**243**	66
Adjustments in respect of prior years	**(7)**	9
Total tax charged to the consolidated income statement	**609**	396

Differences in effective tax rates on overseas earnings represents the impact of worldwide profits being taxed at rates different from 19.0 per cent. The effective tax rate benefits from internal financing arrangements between group subsidiaries in different countries which are subject to differing tax rates and legislation and the application of double taxation treaties.

Remeasurement of deferred tax balances includes £35 million (2018: £35 million) in relation to the de-recognition of deferred tax assets for tax losses in the Group's Dutch business. The Group's assessment of the recoverability of deferred tax assets is based on a review of underlying performance of subsidiaries, changes in tax legislation and the interpretation thereof and changes in the group structure.

The remeasurement of deferred tax balances arising from changes in tax rates for the year is nil (2018: £68 million). In respect of the previous year this included £29 million in relation to the remeasurement of deferred tax assets and liabilities on US liabilities and assets following the enactment of tax rate reductions and £39 million in relation to the remeasurement of deferred tax liabilities on French assets following the enactment of future tax rate reductions which were effective for the Group from 1 October 2019.

During the year the Group has provided for deferred tax on unremitted earnings of £15 million (2018: £26 million). The tax will arise on the distribution of profits through the group and on planned group simplification.

Permanent differences include £4 million (2018: £5 million) in respect of non-deductible exchange losses and £21 million (2018: £26 million) in respect of non-deductible interest expense, £32 million (2018: nil) in respect of non-deductible contingent consideration and £147 million (2018: nil) in respect of an impairment of goodwill and equity investments in the Premium Cigar Division.

Movement on current tax account

£ million	**2019**	2018
At 1 October	**(122)**	(123)
Charged to the consolidated income statement	**(521)**	(422)
Credited to equity	**1**	1
Cash paid	**522**	407
Exchange movements	**3**	3
Other movements	**(1)**	12
At 30 September	**(118)**	(122)

The cash tax paid in the year is £1 million higher than the current tax charge (2018: £15 million lower). This arises as a result of timing differences between the accrual of income taxes and the actual payment of cash and the movement in the provision for uncertain tax positions.

Uncertain tax positions

As an international business the Group is exposed to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions principally include cross border transfer pricing, interpretation of new or complex tax legislation and tax arising on the valuation of assets.

Provisions arising from uncertain tax positions taken in the calculation of tax assets and liabilities are included within current tax liabilities. At 30 September 2019 the total value of these provisions, including foreign exchange movements, was £204 million (2018: £202 million). It is possible that amounts paid will be different from the amounts provided.

Management have assessed the Group's provision for uncertain tax positions and have concluded that apart from the French matter referred to below, the provisions in place are not material individually or in aggregate, and that a reasonably possible change in the next financial year would not have a material impact to the results of the Group.

In November 2015 the Group received a challenge from the French tax authorities that could lead to additional tax liabilities of up to £240 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 shares in October 2012 and the tax consequences flowing from a potentially higher value that is argued for by the tax authorities. In September 2018 the dispute was heard before the Commission Nationale, an independent adjudication body, whose decision is advisory only. In October 2018 the Commission issued its report which was favourable to the Group's position. In November 2018 a meeting was held with the French tax authorities to discuss the Commission's decision. In December 2018 the French tax authorities issued their final assessments seeking the full amount of additional tax assessed (£240 million). In January 2019 the Group appealed against the assessment. The Group awaits the response of the French tax authorities. At this time it is appropriate to maintain the £42 million (2018: £42 million) held in the provision for uncertain tax positions in respect of this matter.

The Group continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company regime was published. It concludes that the legislation up until December 2018 does partially represent State Aid. The UK Government has appealed to the European Court seeking annulment of the EU Commission's decision The Group, in line with a number of UK corporates, is making a similar application to the European Court. The UK Government is obliged to collect any State Aid granted pending the outcome of the European Court process. The Group has not received any indication from the UK Government as to the quantum of State Aid that it believes the Group has received, if any. The Group considers that the potential amount of additional tax payable remains between nil and £300 million depending on the basis of calculation. This does not include interest which would be chargeable on any recovery sought. Based upon current advice the Group does not consider any provision is required in relation to this investigation or any other EU State Aid investigation. The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on current interpretation of legislation, management experience and professional advice.

In 2017 new legislation was introduced in Russia, prospectively limiting the amount of production that could take place prior to new excise tax increases without being subject to a higher excise tax rate. On 28 September 2018, the Russian tax authorities issued a preliminary tax audit report for the calendar years 2014-2016 seeking to assess retrospectively additional excise and VAT with associated interest and penalties of approximately £132 million in respect of pre-production prior to new excise duty increases. In the event that the Russian tax authorities were to apply the same ruling to 2017, the Group estimates further excise and VAT with associated interest and penalties of £74 million could be assessed. The Group filed objections to the preliminary report which were discussed with the Russian tax authorities in November 2018. Subsequent to these discussions, additional audit measures were commenced by the tax authorities. A final report was received on 26 August 2019, which assessed £119 million for the audit period, and an implied liability for 2017 estimated at £74 million. We appealed against the final report and are currently in discussion with the tax authorities on our appeal.
The Group has complied with the Russian legislation since it became effective.

Based on the current state of discussions with the Russian tax authorities a provision of £139 million has been made. Tax relief associated with this provision is estimated at £15 million resulting in a net of tax provision of £124 million.

7. Dividends

Distributions to ordinary equity holders

£ million	**2019**	2018	2017
Paid interim of 62.56 pence per share (2018: 122.33p, 2017: 111.21p)			
- Paid June 2017	**-**	**-**	247
- Paid September 2017	**-**	**-**	247
- Paid December 2017	**-**	**-**	567
- Paid June 2018	**-**	271	-
- Paid September 2018	**-**	271	-
- Paid December 2018	**-**	624	-
- Paid June 2019	**298**	-	-
- Paid September 2019	**298**	-	-
Interim dividend paid	**596**	1,166	1,061
Proposed interim of 72.00 pence per share (2018: nil, 2017: nil)			
- To be paid December 2019	**683**	-	-
Interim dividend proposed	**683**	-	-
Proposed final of 72.01 pence per share (2018: 65.46p, 2017: 59.51p)			
- Paid March 2018	**-**	-	567
- Paid March 2019	**-**	624	-
- To be paid March 2020	**683**	-	-
Final dividend	**683**	624	567
Total ordinary share dividends of 206.57 pence per share (2018: 187.79p, 2017: 170.72p)	**1,962**	1,790	1,628

The third interim dividend for the year ended 30 September 2019 of 72.00 pence per share amounts to a proposed dividend of £683 million, which will be paid in December 2019.

The proposed final dividend for the year ended 30 September 2019 of 72.01 pence per share amounts to a proposed dividend payment of £683 million in March 2020 based on the number of shares ranking for dividend at 30 September 2019, and is subject to shareholder approval. If approved, the total dividend paid in respect of 2019 will be £1,962 million (2018: £1,790 million). The dividend paid during 2019 is £1,844 million (2018: £1,676 million).

8. Earnings per Share

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

£ million	**2019**	2018
Earnings: basic and diluted – attributable to owners of the Parent Company	**1,010**	1,368
Millions of shares		
Weighted average number of shares:		
Shares for basic earnings per share	**953.0**	952.4
Potentially dilutive share options	**1.9**	3.0
Shares for diluted earnings per share	**954.9**	955.4
Pence		
Basic earnings per share	**106.0**	143.6
Diluted earnings per share	**105.8**	143.2

Reconciliation from reported to adjusted earnings and earnings per share

£ million unless otherwise indicated	2019 Earnings per share (pence)	2019 Earnings	2018 Earnings per share (pence)	2018 Earnings
Reported basic	**106.0**	**1,010**	143.6	1,368
Acquisition and disposal costs	**2.3**	**22**	-	-
Amortisation and impairment of acquired intangibles	**116.4**	**1,109**	90.0	857
Excise tax provision	**13.0**	**124**		
Administration of UK distributor	**-**	**-**	9.3	89
Fair value adjustment of acquisition consideration	**13.5**	**129**	-	-
Net fair value and exchange movements on financial instruments	**8.0**	**76**	10.9	104
Post-employment benefits net financing cost	**0.1**	**1**	0.8	8
Restructuring costs	**11.4**	**109**	14.9	141
Deferred tax impact of US tax reforms	**-**	**-**	(3.0)	(29)
Tax on unrecognised losses	**6.4**	**61**	8.0	76
Adjustments attributable to non-controlling interests	**(3.8)**	**(36)**	(2.3)	(22)
Adjusted	**273.3**	**2,605**	272.2	2,592
Adjusted diluted	**272.8**	**2,605**	271.3	2,592

9. Net Debt

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

£ million	Cash and cash equivalents	Current borrowings	Non-current borrowings	Derivative financial instruments	Total
At 1 October 2018	**775**	**(2,397)**	**(9,598)**	**(679)**	**(11,899)**
Reallocation of current borrowings from non-current borrowings	**-**	**(1,656)**	**1,656**	**-**	**-**
Cash flow	**1,540**	**2,159**	**(3,528)**	**117**	**288**
Accretion of interest	**-**	**20**	**(26)**	**39**	**33**
Change in fair values	**-**	**-**	**-**	**(174)**	**(174)**
Transferred to held for disposal	**(14)**	**-**	**-**	**-**	**(14)**
Exchange movements	**(15)**	**(63)**	**(201)**	**75**	**(204)**
As at 30 September 2019	**2,286**	**(1,937)**	**(11,697)**	**(622)**	**(11,970)**

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	2019	2018
Reported net debt	**(11,970)**	(11,899)
Accrued interest	**162**	197
Fair value of derivatives providing commercial hedges	**432**	228
Adjusted net debt	**(11,376)**	(11,474)

10. Derivative Financial Instruments

£ million	2019 Assets	2019 Liabilities	2019 Net Fair Value	2018 Assets	2018 Liabilities	2018 Net Fair Value
Current derivative financial instruments						
Interest rate swaps	**24**	**(26)**	**(2)**	28	(24)	4
Foreign exchange contracts	**104**	**(2)**	**102**	6	(7)	1
Cross-currency swaps	**9**	**-**	**9**	3	(127)	(124)
Total current derivatives	**137**	**(28)**	**109**	37	(158)	(121)
Collateral	**-**	**-**	**-**	**-**	53	53
	137	**(28)**	**109**	37	(105)	(68)
Non-current derivative financial instruments						
Interest rate swaps	**645**	**(1,079)**	**(434)**	462	(700)	(238)
Cross-currency swaps	**32**	**(367)**	**(335)**	-	(402)	(402)
Total non-current derivatives	**677**	**(1,446)**	**(769)**	462	(1,102)	(640)
Collateral	**-**	**38**	**38**	**-**	29	29
	677	**(1,408)**	**(731)**	462	(1,073)	(611)
Total carrying value of derivative financial instruments	**814**	**(1,436)**	**(622)**	499	(1,178)	(679)
Analysed as:						
Interest rate swaps	**669**	**(1,105)**	**(436)**	490	(724)	(234)
Foreign exchange contracts	**104**	**(2)**	**102**	6	(7)	(1)
Cross-currency swaps	**41**	**(367)**	**(326)**	3	(529)	(526)
Collateral	**-**	**38**	**38**	-	82	82
Total carrying value of derivative financial instruments	**814**	**(1,436)**	**(622)**	499	(1,178)	(679)

The Groups' derivative financial instruments are held at fair value. Fair values are determined based on observable market data (Level 2 classification hierarchy) and are consistent with those applied during the year ended 30 September 2018.

11. Assets held for sale

On 30 April 2019 the Group announced its intention to sell the Premium Cigar Division. At 30 September 2019, the Group has assessed the IFRS 5 criteria for presentation of the business as held for disposal. Given the Group's stated commitment to complete the disposal; the significant work performed to separate the business; and significant progress made on delivery of a new, alternative ownership, the Group has reconfirmed that the IFRS 5 criteria have been met and therefore it is highly probable that a disposal transaction will be completed. The Group has therefore presented the net assets of the Premium Cigar Division business as current assets and liabilities held for disposal.

When the sale of the Premium Cigar Division completes a gain or loss will arise. There are currently cumulative foreign exchange gains recognised in the foreign exchange translation reserve relating to prior retranslations of non-sterling assets held by the Division. On completion, these gains will be recycled from the foreign exchange translation reserve to the income statement and included in the profit or loss on disposal.

The amount of the gains that will be recycled is uncertain as that amount will be affected by movements in foreign exchange rates up to the date of completion. We currently estimate the associated cumulate foreign exchange gains at 30 September 2019 to be in the region of £300 million - £400 million.

Impairment Testing

The Premium Cigar Division has been presented as held for disposal at 30 September 2019 and as a consequence of this an impairment test has been undertaken to assess the carrying value of the associated assets on a fair value less cost of sale basis. This test involves an assessment of the level of proceeds expected to be achieved on completion of the disposal, less transaction tax and costs with a comparison of this figure to the carrying value of the net assets. Since bid offers are an observable input not based on a quoted price the fair value is based on a level 2 valuation under IFRS 13.

The negotiations for the sale of the business are ongoing and although a range of bids have been received, there is uncertainty as to the level of disposal proceeds that will actually be achieved. A range of the current bids has been assessed in order to determine an expected level for the disposal proceeds. We do not expect that the actual proceeds will vary significantly to the amount used to determine the fair value and therefore no further disclosure of sensitivities has been given. However, given that disposal price is an estimate it is possible that a gain or loss will still arise on completion.

The test indicated an impairment and associated cost of disposal charge of £525 million. This has been primarily adjusted against the carrying value of goodwill and equity investments held by the Premium Cigar Division. The impairment amount is sensitive to

the level of the estimated disposal proceeds, any reduction in the expected amount of these proceeds would result in a higher impairment and vice-versa. The goodwill and equity investment values included in the current assets held for disposal have been adjusted accordingly.

The assets and liabilities classified as held for disposal are as follows:

£ million	2019
Non-current assets	
Intangible assets	**138**
Property, plant and equipment	**26**
Investments accounted for using the equity method	**574**
Trade and other receivables	**52**
Deferred tax assets	**11**
	801
Current assets	
Inventories	**228**
Trade and other receivables	**244**
Cash and cash equivalents	**14**
	486
Total assets	**1,287**
Current liabilities	
Trade and other payables	**172**
Provisions	**4**
	176
Total liabilities	**176**
Net assets	**1,111**

12. Contingent Liabilities

Legal Proceedings

The Group is currently involved in a number of legal cases in which claimants are seeking damages for alleged smoking and health related effects. In the opinion of the Group's lawyers, the Group has meritorious defenses to these actions, all of which are being vigorously contested. Although it is not possible to predict the outcome of the pending litigation, the Directors believe that the pending actions will not have a material adverse effect upon the results of the operations, cash flow or financial condition of the Group. Consequently, the Group has not provided for any amounts in respect of these cases in the financial statements.

Competition Authority Investigations

The Group is currently co-operating with relevant national competition authorities in relation to a number of ongoing competition law investigations, none of which have resulted in findings of infringement.

13. Post Balance Sheet Events

Share Buyback Programme

Since 30 September 2019 the Group has repurchased and immediately cancelled 2,734,638 shares at a total cost of £50 million, increasing the Capital Redemption reserve. At 5 November 2019, 1,023,061,108 ordinary shares of 10 pence each were authorised, issued and fully paid up.

14. Brexit

The Group has looked into the potential Brexit impacts under a number of different scenarios: soft, hard and no deal. The key risks that have been identified include potential increase in import duties and impact on UK customers; additional risk of tobacco smuggling, inventory requirements to ensure supply; impact on consumer confidence, and implications on existing international tax treaties. In the event of a no deal Brexit, we estimate there could be additional costs of around £100 million relating to the restructuring of the Group for tax purposes.