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

Brand Performances

Our Growth and Specialist Brands are the most important assets in our portfolio and together they account for 56.9 per cent of our tobacco net revenue, up 270 basis points. The rest of our portfolio consists of Portfolio Brands, local and regional brands that fulfil a variety of roles. Some add to our revenue momentum, while others will create more value by being migrated into Growth Brands.

Growth Brands

	Full Year Result		Change		
	2015	2014	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	6.6	5.5[R]	+110bps		
Net revenue (£m)	2,862	2,736	+4.6%	+13.5%	+11.7%
Percentage of Group volumes	50.9	44.5	+640bps		
Percentage of tobacco net revenue	45.8	42.6	+320bps		

1 See Performance Measures table on page 1. R See page 83 for details of restatements made to 2014 comparatives.

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

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

Growth Brands accounted for 50.9 per cent of our total volumes, up from 44.5 per cent last year, and 45.8 per cent of tobacco net revenues, up from 42.6 per cent last year. Excluding Iraq and Syria, underlying Growth Brand volumes increased by 13.9 per cent and underlying net revenue increased by 14.9 per cent.

Specialist Brands

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

1 See Performance Measures table on page 1. R See page 83 for details of restatements made to 2014 comparatives.

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

Market Performances

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

Growth Markets

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

1 See Performance Measures table on page 1. R See page 83 for details of restatements made to 2014 comparatives.

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

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

USA Market

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

1 See Performance Measures table on page 1.

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

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

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

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

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

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

Returns Markets

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

1 See Performance Measures table on page 1. R See page 83 for details of restatements made to 2014 comparatives.

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

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

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

Returns Markets North

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

1 See Performance Measures table on page 1.

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

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

Returns Markets South

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

1 See Performance Measures table on page 1. R See page 83 for details of restatements made to 2014 comparatives.

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

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

Oliver Tant Chief Financial Officer

Effective cost and cash management supports our sales growth strategy. We use our substantial cash flows to create returns for shareholders, pay down debt and reinvest to support growth. By focusing on cash generation and working capital we are embedding a stronger capital discipline in the business.

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

Another Year of Significant Progress

The progress we continue to make in simplifying our brand portfolio is improving execution and consistency in our markets. Reducing complexity and streamlining brand management is also a key part of the success we are achieving in managing our cost base, optimising working capital and controlling our cash flow. Results were affected by market size declines and by difficult trading caused by the conflict in Iraq and Syria. Strong price/mix and cost control initiatives mitigated these impacts. We completed the acquisition of assets in the USA on 12 June 2015. The net benefit to the Group results was an additional volume of five billion stick equivalents and £242 million of net revenue that is reported within the USA division, now separately disclosed within our results.

Underlying revenue and volume results remove the impact of last year's stock optimisation programme and give a clearer picture of how well we performed. Underlying tobacco net revenue was up by 3 per cent, or 5 per cent excluding Iraq and Syria. Net revenue in Returns Markets increased by 1 per cent. Growth Markets net revenue was up by 4 per cent excluding Iraq and Syria, or down 3 per cent with these markets included. The proportion of Group net revenue from our Growth Brands increased, improving the quality of our revenue and strengthening our sustainability. Total adjusted operating profit increased 7 per cent to £3 billion.

Group Results – Constant Currency Analysis

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

R Restated on adoption of IFRS 11.

1 See Performance Measures table on page 1.

Group Earnings Performance

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

R Restated on adoption of IFRS 11.

Reconciliation of Adjusted Performance Measures

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

R Restated on adoption of IFRS 11.

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

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

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

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

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

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

Cash Flows and Financing

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

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

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

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

Taxation Policy

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

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

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

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

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

Dividends

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

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

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

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

Liquidity and Going Concern

The Group's policy is to ensure that we always have sufficient capital markets funding and committed bank facilities in place to meet foreseeable peak borrowing requirements.

In reviewing the Group's committed funding and liquidity positions, the Board considered various sensitivity analyses when assessing the forecast funding and headroom requirements of the Group in the context of the maturity profile of the Group's facilities. The Group plans its financing in a structured and proactive manner and remains confident that sources of financing will be available when required.

Based on its review, the Board is of the opinion that the Group as a whole and Imperial Tobacco Group PLC have adequate resources to meet their operational needs for a period of at least 12 months from the date of this report and conclude that it is appropriate to prepare the financial statements on a going concern basis.

Oliver Tant
Chief Financial Officer

Operating responsibly is integral to the way we do business.

How we behave today impacts our business tomorrow. It supports our sales growth strategy and is vital for our long-term success. We measure our performance against the progress we make in four key areas: being responsible with products, having a rewarding workplace, respecting natural resources and reinvesting in society. These form the basis of our responsibility framework; they are the responsible focus for our business, our people and our stakeholders.

Our values and Code of Conduct are embedded in the business and drive our responsible approach. We also have policies, internal controls and risk management processes that underpin our sales growth strategy.

The following pages provide an overview of our Corporate Responsibility (CR) achievements. We have not included any performance data for our USA acquisition, which was completed on 12 June 2015. This data will be included in next year's report.

More detailed information on our performance can be found in the responsibility section of our corporate website www.imperial-tobacco.com/cr

You can also read our new stakeholder panel report online. This captures views on our approach to CR from a broad range of stakeholders, including leaf and non-tobacco material suppliers, investors, employees, consumers, non-governmental organisations, environment specialists, and independent consultants. The panel highlighted many positive aspects of our CR approach and gave constructive feedback on areas where we can drive improvement. Our thanks to all participants for their time and comments.

We're proud of the contribution our people make to our responsibility agenda and continue to be encouraged by the positive feedback we receive externally. We scored 98 per cent in the Business in the Community (BiTC) Corporate Responsibility Index and 76 per cent in the RobecoSAM assessment for the Dow Jones Sustainability Index.

Responsible with Products

Millions of people around the world choose to enjoy our products every day. We recognise there are societal concerns about the health risks of smoking and acknowledge that smoking is a cause of serious diseases in smokers. We ensure our products are manufactured, marketed and sold responsibly.

High Product Standards

Consumers and other stakeholders rightly expect us to adhere to high product standards. We rigorously test and analyse our products to ensure we continue to build our knowledge and understanding. This enables us to fulfil our duty of care to consumers and meet legal requirements for scientific disclosures and submissions.

We have continued our focus on the testing and scientific analysis of e-vapour products. Our research shows that the vast majority of tobacco smoke constituents are not present in e-vapour products, whereas they are still generated by heated tobacco products.

E-vapour products therefore have potential as a reduced risk product relative to tobacco products and we have shared our findings with regulators and other key stakeholders.

Clear and consistent e-vapour regulation is critical for consumer understanding and the long-term development of the category. We support regulation that has high consumer safety and product quality standards and believe that e-vapour products that make smoking cessation claims should be covered by pharmaceutical legislation.

Unlike e-vapour products, heated tobacco products contain tobacco and should therefore be regulated in line with conventional tobacco products.

Marketing Products Responsibly

Legislation that governs the way tobacco should be advertised and marketed to the public exists in most markets. We also have our own stringent International Marketing Standards (IMS), which we updated during the year and published in full on our corporate website.

All Imperial Tobacco Group companies and employees, and the agencies we work with around the world, must adhere to our IMS and local legislation at all times. To support IMS awareness and understanding we have developed an e-learning module that has been translated into 12 languages.

Fighting Illicit Trade

The illegal market in tobacco undermines society's efforts to ensure that tobacco products are marketed responsibly.

We advocate a partnership approach to fighting illicit trade and seek to work with governments and customs and law enforcement agencies to combat the problem of tobacco smuggling and counterfeiting.

We have 24 Memoranda of Understanding (MoU) with authorities around the world and continue to invest in our long-term anti-illicit trade partnership agreement with the European Commission and Member States. During the year, we renewed our MoU with authorities in Vietnam and signed a new MoU agreement with Latvia.

Working with Retailers

We continue to build strong relationships with retailers around the world and actively encourage them to sell responsibly. Tobacco products are for adults and should never be sold to children. We reinforce this through our support for initiatives aimed at preventing tobacco sales to children, including schemes that highlight the minimum age at the point of sale.

During the year we commissioned an independent report to analyse smoking trends in 20 of our key markets and the findings are helping us to further develop initiatives to prevent children from gaining access to tobacco products.

Rewarding Workplace

We strive to provide a safe and pleasant working environment that inspires employees to do their best. We want to see skills and talent flourish and are proud of the diversity and collaborative spirit of our workforce.

A Diverse Workforce

Following the acquisition of a number of assets in the USA in the year, we now employ around 36,400 people. Our employees come from many different backgrounds and cultures, enriching the vibrancy of our business.

Around 40 per cent of our workforce is female, with some 14,000 women employed. At a senior leadership level, 22 per cent of the Operating Executive and 22 per cent of the Board are female, as of 30 September 2015.

The importance of diversity, equality and non-discrimination is highlighted in our Code of Conduct and underpinned by our values. This is reinforced through offering equal opportunities and giving fair consideration to applications for employment, career development and promotion, irrespective of an employee's gender, race, religion, age or disability.

Our values capture the essence of what it's like to be part of Imperial Tobacco; the combination of the 'We' values and the 'I' values reflect the collective and individual behaviours we expect from our people.

Our efforts to provide the best possible working environment and opportunities for our people have been recognised with a number of Best Employer awards in the year in markets such as the USA, UK, Spain, Italy, Slovenia and Poland.

Engaging with our People

We are committed to employee engagement throughout the business. Employees are kept informed of our strategic priorities and performance through communication channels, including meetings, emails, videos, the intranet, webinars, conferences and employee magazines.

Our global engagement survey is carried out every 18 months. The survey gives employees the opportunity to have their say and provides us with valuable feedback that is used to develop local and global action plans. The 2015 survey generated an excellent 83 per cent response rate and again showed a slight increase in overall engagement levels. This is encouraging, given the ongoing change that is taking place in the business.

Workplace Health and Safety

The health and safety of people who work for us is of paramount importance and we have reduced Lost Time Accidents by 67 per cent over the last six years. We were saddened that a sales employee in Ukraine and a contractor in Vietnam were fatally injured in road traffic incidents. This has further strengthened our resolve to address occupational road risk management and other critical safety areas, such as working from heights.

We commissioned an independent health and safety capability and culture review to learn more about how we can improve our performance. We developed an action plan based on the review recommendations and this is now being implemented across the business.

We made further progress in installing world-class management systems aligned to the international occupational health and safety management standard OHSAS 18001 across our operations. Five additional sites in Senegal, Congo, the UK, Germany and France were certified as having reached this standard during the year. In total, 76 per cent of our sites have achieved the OHSAS 18001 accreditation.

Reinvesting in Society

We are proud to be part of many different communities around the world and have developed strong partnerships with a wide range of stakeholders in the communities we serve.

Human Rights

We have a role to play in addressing human rights issues, including slavery and human trafficking. This respect for human rights is reflected in our Code of Conduct, which is published on our website, our responsible sourcing programme SRiTP (Social Responsibility in Tobacco Production) and our Supplier Standards which we use to exert influence in our business and supply chain. We have a focus on anti-discrimination and harassment, a healthy and safe working environment, responsible procurement, supplier partnerships and environmental responsibilities.

All employees and business partners must comply with the Code of Conduct, now available in 29 languages. We provide Code of Conduct training for all employees and all suppliers are required to complete detailed self-assessment questionnaires. Suppliers are periodically subject to onsite audits against these self-assessments. More information on Supplier Standards and our responsible sourcing programme is available on our website.

The governance of companies may vary but our respect for human rights extends throughout our operations. It is implicit in our employment practices and within the high standards we expect from suppliers and other business partners.

To ensure we continue to adequately address our responsibilities in relation to human rights, we plan to conduct an independent Human Rights Impact Assessment across our value chain in 2016. A full statement on human rights is available on our website.

Supplier Standards

Working with supply chain stakeholders to address important issues such as leaf sustainability and child labour is a priority.

Our leaf and non-tobacco material suppliers must adhere to our Code of Conduct. All our leaf suppliers are required to participate in our SRiTP programme, which encourages continual performance improvement in areas such as employment, health and safety, environmental management and good agricultural practices. We were pleased to see our overall leaf supplier performance against the SRiTP criteria increase from 75 per cent to 79 per cent in the year.

We have a Supplier Qualification Programme for non-tobacco material (NTM) suppliers. This is a self-assessment questionnaire that covers business conduct, environmental management, health and safety and employment practices. We conduct periodic onsite audits to confirm these assessments.

Farmer Livelihoods and Child Labour

Child labour is a risk in agricultural supply chains and we continue to support the Eliminating Child Labour in Tobacco (ECLT) Foundation in tackling this problem. Working with the Foundation, we help communities understand child labour issues and seek better access to education and health services for children.

Our Leaf Partnership Committee continues to supports projects aimed at enhancing the livelihoods of farmers by improving their overall labour and fuel efficiency in Malawi, Tanzania, Zimbabwe, Madagascar and Mozambique.

Supporting Communities

We fund projects that are connected to the communities in which we operate. We particularly focus on supporting the most disadvantaged communities around our factories, offices and tobacco sourcing activities.

Our Altadis Foundation supports initiatives to improve livelihoods in areas where we have operational sites. During the year the Foundation commissioned an independent report to evaluate partnership projects aimed at supporting disadvantaged people in countries such as Vietnam, Chad and Kyrgyzstan. The report found that in total, these projects had benefited around 31,000 people directly and 60,000 people indirectly.

We also commissioned an independent socio-economic impact study on our operations in West Africa, which highlighted that in 2012-13 we created more than £50 million in terms of wealth generated, benefiting employees and their communities, governments and local shareholders, and paid around £95 million in direct and indirect taxes. The full study is available on our website.

We continue to be encouraged by the growing number of employees who volunteer to get involved in projects linked to our responsibility framework. This year we launched our first global volunteering drive, entitled Mobilise for May, which involved employees supporting over 140 projects in 56 countries worldwide, exceeding our global target of 50,000 hours volunteered.

Respecting Natural Resources

We respect natural resources and are committed to further reducing our environmental impact, minimising waste and improving energy efficiency.

We have set long-term targets for our key environmental performance indicators, energy, waste and water use. Changing our factory footprint to align with market demands will always mean that our year-on-year environmental data trends are unlikely to be linear, so we track our progress against our 2009 baseline year. In line with other major companies, we measure our performance against the amount of net revenue we generate. Lower net revenue in 2015, driven by foreign exchange movements and conditions in the Near East, adversely affected CO_2 emissions, energy consumption and waste. This was the main driver of the slight increases shown for all three measures in our Responsibility Performance Indicators.

Our environmental data is independently verified one year in arrears.

Climate Change and Energy
We are well on track to reduce our carbon footprint and energy usage by 20 per cent by 2020, having already reduced our energy consumption by 14 per cent over the last six years.

We're original members of the Carbon Disclosure Project (CDP), which works with organisations to measure and reduce their emissions and climate change impacts. We continue to make improvements in this area, achieving a 98 per cent score from the CDP in 2015.

Resource Efficiency
Getting the most out of the materials and natural resources we use is good for our business and good for the environment. Our mantra is: reduce, re-use and recycle.

We have steadily reduced waste and waste to landfill in recent years and continue working with suppliers to help them reduce their environmental impact. Since the 2009 baseline year our environmental waste has reduced by 8 per cent and the amount of waste to landfill has reduced by 25 per cent.

In manufacturing we are increasing the use of environmental management systems that are independently certified to the environmental management standard ISO 14001. Ninety per cent of our factories are now certified to this standard.

Reforestation Programmes
In Africa, where wood is the primary fuel source and the majority of tobacco farmers are smallholders, we are actively involved in protecting natural forests and reducing wood consumption.

We have continued to work with our African tobacco suppliers on a major tree planting programme that aims to achieve wood sustainability in Africa by 2020. We also scaled up our support for more efficient tobacco curing barns, providing funding for 1,270 rocket barns. These barns run a faster curing process that uses significantly less wood than conventional barns.

Water Management
Water security is a key environmental issue that continues to rise in importance. Our operations and supply chain are both reliant on the secure supply of water.

We have a strong track record of effectively managing water use and have reduced water consumption by 22 per cent since the 2009 baseline year. In our factories we apply environmental management systems under the international standard ISO 14001 to reduce water use and manage waste water, and each location has its own local water management targets.

We have also started to focus some of our Leaf Partnership projects towards water security, particularly in Africa.

Environmental Reporting
We report on greenhouse gas emissions resulting from our tobacco operations which fall within our consolidated financial statements using the operational control reporting method. We report scope 1 (direct) and scope 2 (indirect) emissions for which we are responsible using a methodology based on the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition). Any deviations from this standard are described below. We have considered the seven main greenhouse gases and report in CO_2 equivalent. Our relative emissions are expressed against net tobacco revenue, which is consistent with the standardised CDP reporting format and facilitates meaningful comparison with other businesses that report both their emissions and financial fundamentals.

Our scope 1 emissions include: emissions from stationary fuel combustion at our sites; emissions from mobile fuel combustion in our fleet of company vehicles; leakage of refrigerant gases; and process emissions from the Dry Ice Expanded Tobacco process at our expansion plants. Our scope 2 emissions include the indirect emissions resulting from the use of purchased electricity, heat and steam at our sites.

This year we have changed the way we calculate emissions data and now apply the CO_2 factors and calculation methodology for fossil fuels and electricity set out in the UK Department for Environment, Food and Rural Affairs (DEFRA) document '2014 Government GHG Conversion Factors for Company Reporting'. This method splits scope 1 and 2 emissions into scope 1, 2 and 3 to more explicitly account for the transmission and distribution of electricity and fuel. This decreases our scope 1 and 2 emissions as scope 3 emissions are not reported. To improve transparency we have used the new methodology to recalculate historic data since our 2009 baseline year and this is shown in the graphs overleaf. We have also modified our calculation of CO_2 and energy from our sales fleet cars to increase the amount of emissions which are captured to 97 per cent (the remaining 3 per cent being beyond our current reporting capabilities).

Our reported emissions include all main sources from our manufacturing sites over which we have operational control, our expansion plants in Cadiz and Reidsville, and our main offices (Bristol, Hamburg, Paris, Madrid and Casablanca). Operations not included, as deemed immaterial or beyond our current reporting capabilities, relate to greenhouse gases other than the seven greenhouse gases, the JR 800 Cigar retail outlets in the USA, small sales offices (being those offices not listed above which contribute less than 0.05 per cent of our total scope 1 and 2 emissions), our Habanos joint venture and our Cambodian distribution operation.

Scope 1 emissions arising from mobile fuel combustion in our fleet of company vehicles are specified and for the latest financial year are unverified estimates based on data from the previous financial year. All other emissions for the latest financial year are unverified estimated data based on the first six months of the latest financial year and the final six months of the previous financial year. Verified data is reported 12 months in arrears to allow for internal checking, validation and external assurance.

We continue to work on improving our Group reporting boundaries and the timeliness of data. More information on our environmental reporting approach can be found in the Responsibility section of our website.

In addition to our reported emissions we also report information provided by Logista, which is managed remotely due to commercial sensitivities and does not report wholly into Group data. This year Logista has provided verified data for absolute emissions within scope 1, 2 and 3 for FY14 and we anticipate reporting on verified FY15 data in next year's report. Logista has also voluntarily extended its carbon footprint verification to include waste generated in operations, franchises, purchased goods and services of 14 additional business units.

Logista Data FY14

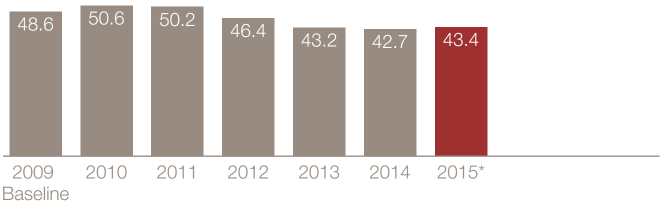
	Scope 1	Scope 2	Scope 3
CO_2 equivalent emissions (Tonnes)	35,731	4,455	213,081

Logista's scope 1 emissions relate to refrigerant gas emissions and the stationary and mobile fuel combustion, including emissions from transport operations for which Logista has operational control. Scope 2 emissions include the indirect emissions resulting from the use of purchased electricity at Logista's sites. Scope 3 emissions correspond to transport activities for which Logista has no operational control.

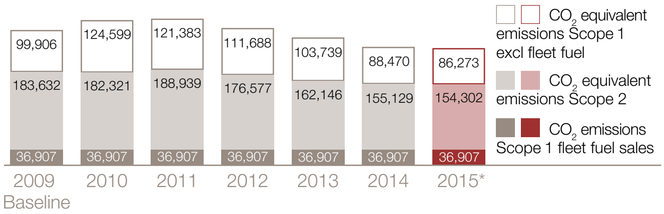
Logista's verified relative CO_2 equivalent emissions within scopes 1 and 2 amount to 47.4 tonnes per million pounds of FY14 distribution fees (our non-GAAP revenue measure for Logista). More detail is available at www.grupologista.com

Responsibility Performance Indicators

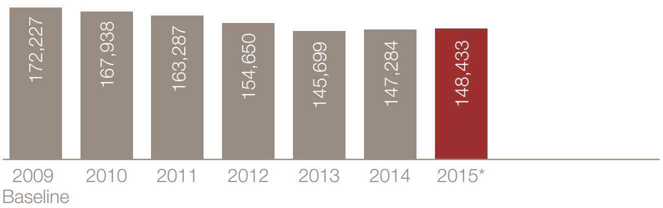
CO_2 Equivalent Emissions (Tonnes/£million)[1]



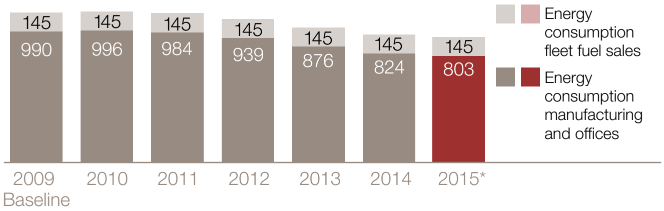
Absolute CO_2 Equivalent Emissions (Tonnes)[1]



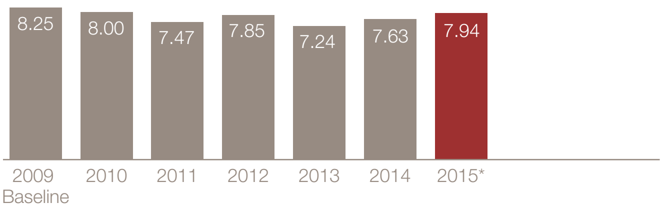
Energy Consumption (kWh/£million)[1]



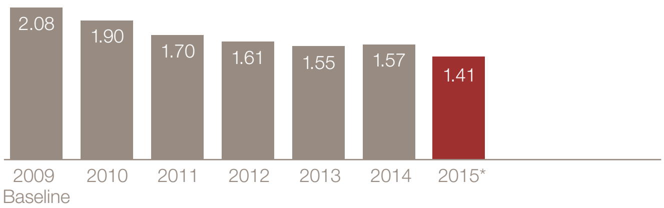
Absolute Energy Consumption (GWh)[1]



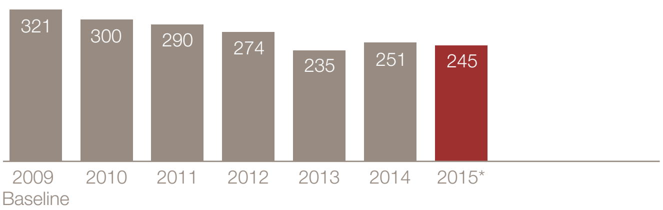
Waste (Tonnes/£million)[1]



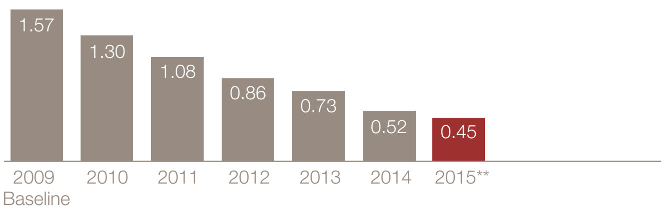
Waste to Landfill (Tonnes/£million)[1]



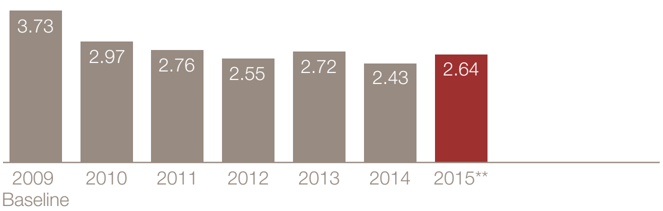
Water Consumption (m^3/£million)[1]



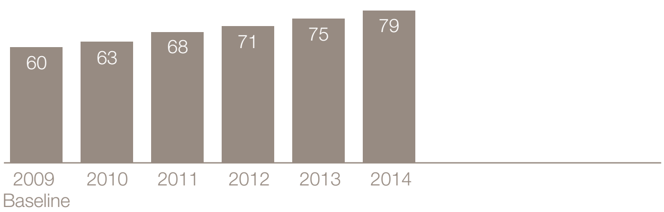
Lost Time Accident Frequency Rate (per 200,000 hours)[2]



Sickness Absence Rate (% of days worked)[2]



Social Responsibility in Tobacco Production Progress: Total Weighted Mean (%)[3]



1 Environmental data is reported 12 months in arrears to allow for data collection and verification. The monetary value '£ million' is for tobacco net revenue (or logistics distribution fees, where appropriate). FY14 data has been assured by PwC; see website for more information.

* Unverified FY15 data is estimated based on data from the last six months of FY14 and the first six months of FY15. Verified data for FY15 will be published next year.

2 Verified accident and absence data is reported 12 months in arrears to allow for data collection and verification. Sickness absence includes non-work related and work related absence. FY14 data has been assured by PwC; see website for more information.

** Provisional unverified FY15 data is provided. Verified data for FY15 will be published next year.

3 All our tobacco suppliers participated in the SRiTP programme in 2014, which provides specific guidance for improvement against a variety of criteria. See our website for more information. Data for 2014 has been verified. We report 12 months in arrears to allow for the reporting and analysis of data.

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Key data reported in the Annual Report and Accounts for the year to 30 September 2015 has been independently assured under the limited assurance requirements of the ISAE3000 standard by PwC. They have also been engaged to look at our description of alignment with AA1000APS (2008) principles of inclusiveness, materiality and responsiveness. Some of the selected information covered by this assurance is clearly highlighted within the Corporate Responsibility section of the Annual Report and all of the selected information is included in the Corporate Responsibility section of the website www.imperial-tobacco.com/cr where their limited assurance report can be found. PwC has provided Imperial Tobacco with CR assurance services from FY10. Earlier data was assured by another provider.

In this section we outline the risks we face across our business and our approach to managing them.

Our Approach

Our ability to achieve our strategic objectives and capitalise on growth opportunities requires effective management of the risks we face.

Our risk management system is designed to identify risks that could prevent the achievement of strategic objectives as early as possible, and to ensure that appropriate and agreed mitigation is in place. The approach seeks to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Where risks do crystallise, we respond immediately to reduce the impact of that risk and ensure that the causes and consequences have been evaluated and any wider implications assessed.

Our risk management approach provides a framework which allows for the identification and management of Group risks, and the risks specific to a location. In a business with a global market footprint as diverse as ours, it is imperative that resource is directed at the most relevant risks and locations and that our management are sufficiently supported to achieve positive outcomes. This approach is integrated into both our business planning, and viability assessment processes, ensuring that risks are considered in these activities.

In the current year we have made a number of improvements to the risk management approach, including the introduction of a control self-assessment process within the business which provides management with a means of understanding requirements and accountability for the effective operation of key controls.

The results of the self-assessment are reviewed by the relevant centres of excellence and reported to the Audit Committee.

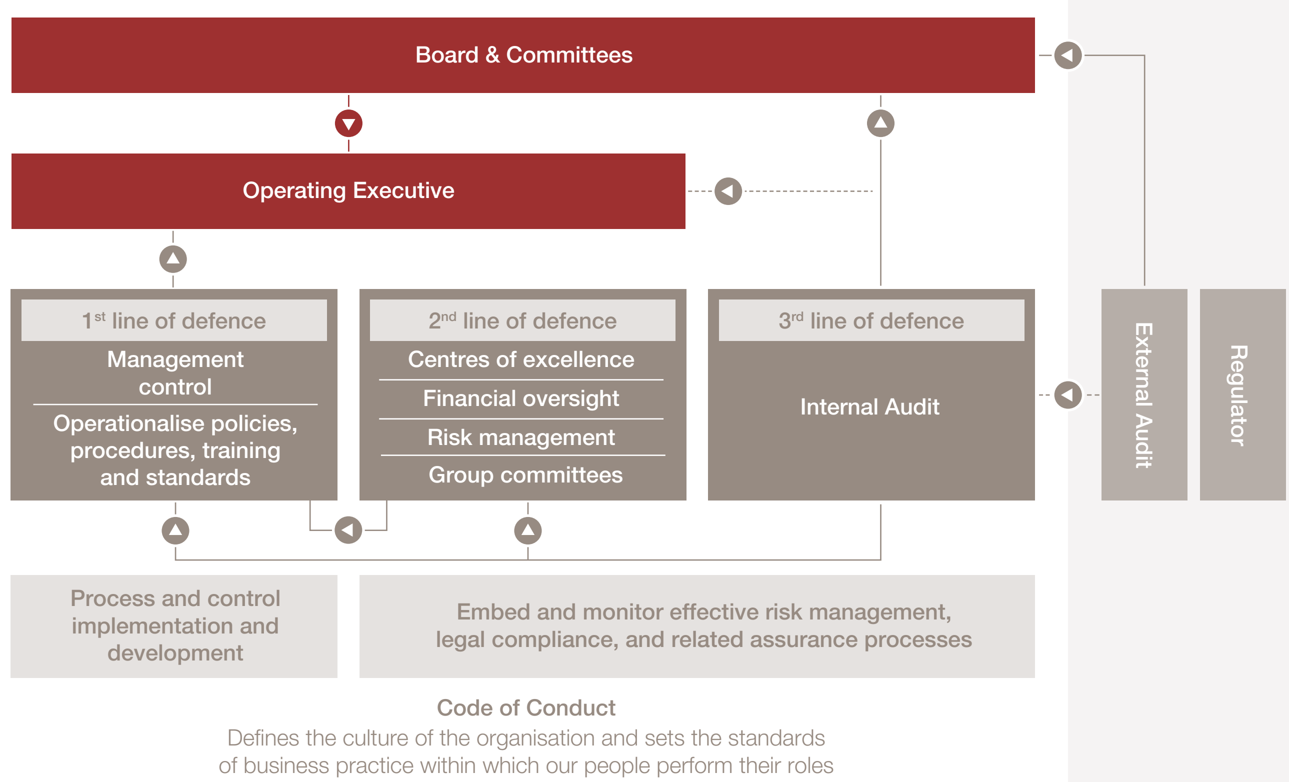
Additionally a year end certification process is completed, under which management confirms that risk mitigation controls have operated effectively throughout the year, or that appropriate further mitigating actions are being taken to address control weaknesses. This certification process also includes confirmation that entities have complied with our policies, including the Code of Conduct and anti-bribery requirements, as well as fraud prevention processes. As a separate exercise, all our senior managers are required to certify that related party transactions have been disclosed.

Our people have the opportunity to make confidential disclosures about suspected impropriety or wrongdoing via an independent external service (Speaking Up), details of which have been translated into 41 languages and can be found in the Investors section of our corporate website.

In accordance with the recommendations of the FRC's UK Corporate Governance code (formerly known as the Combined Code) for Directors, the Group's systems of internal control are designed and operated to support the identification, evaluation and management of risks affecting the Group. They facilitate the effective and efficient operation of our business, provide assurance regarding the integrity of our internal reporting and are designed to comply with relevant laws and regulations, across all areas of operations. These systems are subject to continuous review as circumstances change and new risks emerge.

Our risk management approach continues to develop, ensuring we continue to identify, manage and monitor the risks we face.

Risk Management Framework



Risk Management Framework

We operate an integrated approach, aligned to the "three lines of defence" model to ensure that our operational management has the tools, knowledge, and support to manage risks as part of its business as usual business processes.

Our Company Secretary is responsible for maintaining and developing the Group's framework of governance, including our Code of Conduct, Group policies and Speaking Up (whistleblowing) process.

The Board and Audit Committee

The Board has ultimate responsibility for the Group's strategy and related risk appetite. In addition, the Board is accountable for reviewing the effectiveness of the systems and processes of risk management and internal control, with the Audit Committee assisting in the discharge of this responsibility.

The Audit Committee monitors the effectiveness of the Group's risk management and internal controls system and is assisted by the Group's Finance department, which, through the Risk Management function, oversees the completion of the annual assessment of risk management and internal control. The Audit Committee reports to the Board on its activities and the process, and makes recommendations and escalates significant risks or issues to the Board as appropriate.

While risk management and the identification of existing and emerging risks are the responsibility of all our people, the Board is supported in the assessment of key risks through work facilitated by the Group's Risk Management function.

An annual bottom-up review is undertaken by local management across the organisation which assesses our principal areas of risk and uncertainty across each part of the business. This assessment includes a review of both Group and local risks, along with an assessment of the mitigating controls in place to manage the risks. The separation of risks into Group and local classifications enables appropriate focus at both senior and local management level, and assists us in the identification of emerging risks.

The calibration of risks by the Board and Operating Executive ensures a consistent top-down method in how we identify, assess and prioritise risks, as well as assessing our existing measures to manage and mitigate those risks.

The Operating Executive (OPEX)

The OPEX is responsible for the effective operational management and mitigation of the Group's key risks. The successful and effective implementation of Group strategies into our operational activities is the responsibility of OPEX and its functional and divisional management teams. These management teams are responsible for ensuring that the Group's strategic goals are achieved in line with Group policies and standards, and that we conduct business in compliance with our Code of Conduct. This tone from the top extends to responsibility for the monitoring of operational and financial performance, the assessment and control of financial, business and operational risks and the maintenance and ongoing development of a robust control framework and environment in their areas of responsibility.

Operational Management

Across the business, operational management is responsible for the implementation and monitoring of the Group's processes and systems of control. This includes ensuring that our people have appropriate training and knowledge to perform their roles in accordance with the Group's policies and standards and defined lines of accountability and delegation of authority.

The Group's functional and divisional management structures enable a continuing process for the identification, evaluation and management of significant risks to the achievement of business objectives, and support the controls in place.

Centres of excellence

In addition to the oversight provided by our management structures the Group also benefits from the work carried out by subject matter experts it employs to manage specific financial, technical or legal and regulatory risks, set standards and policies, share best practice and provide related training to the business. These departments form a key part of our "second line of defence".

These departments design and help implement appropriate control structures and monitoring in order to manage the relevant risks. They also act as centres of excellence, providing advice and assistance to the business to help facilitate local solutions where necessary.

Our Group Finance department is responsible for the financial policies and standards adopted within the Group. It also manages our financial reporting processes to ensure the timely and accurate provision of information, which enables the Board to discharge its responsibilities, including the production of our half-yearly and annual accounts.

Group Finance is supported by a network of finance managers throughout the Group who have the responsibility and accountability to provide information in keeping with our policies, procedures and internal best practices as documented in our Group Finance Manual.

Assurance

The Group Internal Audit department provides independent assessment on the robustness and effectiveness of the systems and processes of risk management and control across the Group. It achieves this through the completion of reviews which are approved by, and reported to, the Audit Committee.

Principal Risks Overview

In the following section we highlight the principal risks we face and identify the mitigations that we have in place to manage the impact of these risks upon the business. Not all of these factors are within our direct control, and the list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing business environment.

As is common with most large organisations the Group is subject to general commercial risks; for example, geo-political and socio-economic developments, cyber-security breaches, failure of our IT infrastructure, the cost of our raw materials, and the impact of competition.

In addition, as with other multi-national organisations a large amount of the Group's revenue in the year was generated in markets outside the UK and the Group is therefore exposed to movements in foreign exchange rates which could impact the Group's financial results which are reported in pounds sterling. The Group is also exposed to movements in foreign exchange rates due to its foreign subsidiaries, its commercial trading transactions denominated in foreign currencies and foreign currency cash deposits, borrowings and derivatives.

Risk – Reduction in the size of the legitimate tobacco market

What affects us	What we do
Changes in regulation Regulatory restrictions exist in many of our markets which impact our consumers by influencing availability, demand and freedom to use our products. The introduction of excessive and disproportionate regulation, both present and future, could have an adverse effect on consumer choice, potentially impacting the demand for our products, as well as the cost of continuing to comply with such increasing regulation. Several of the US cigarette brands acquired in the year are menthol brands or include menthol variants and any future Food and Drug Administration (FDA) regulation of menthol in cigarettes, in particular, may adversely affect our ability to derive the full benefits expected from the acquisition.	The Group's regulatory engagement strategy seeks to inform key stakeholders about our views, to ensure balanced debate and proportionate regulatory outcomes. This engagement includes: – consulting with external experts to provide advice and guidance; – engagement, where possible, with regulators; – providing industry-specific information to ensure that regulators have a more balanced fact base; – highlighting the unintended consequences of proposed regulatory change; and – making legal challenges against excessive regulation. We prioritise the Group's expertise and resources according to the relevant key regulatory issues. Cross-market liaison is promoted within the Group to ensure best practice and opportunities from markets already impacted are identified, understood, and applied.
Increases in excise duty Governments across the world perceive the use of tobacco excise rates to be a means of raising additional public funding and/or the satisfying of public/private tobacco control agendas.	We engage with local tax and customs authorities as well as politicians/legislators and media where appropriate to provide informed input to the unintended consequences of disproportionate excise increases. The widening price differential between tobacco products in neighbouring countries increases both the availability and attractiveness to the consumer of purchasing non-domestic duty paid product. We take commercial steps to mitigate the impact of this issue through the monitoring and compilation of ongoing analysis to ensure strategic price and product offerings exist in the context of the excise duty structures in each market. Through our portfolio of products we are able to meet consumer preferences across different price points.
Illicit trade The consequence of excise and regulatory regimes is a widening gap between the price of legitimate and illegitimate product. As a result the legitimate tobacco industry continues to be subject to the significant impact and increasing threat of illicit trade. The sale of counterfeit product and smuggled "illicit whites" in our markets act as a direct competitor to legitimate domestic duty-paid, travel retail and duty-free products, eroding our volumes and market shares.	We seek to partner with governments and law enforcement agencies around the world on anti-illicit trade initiatives, and work alongside the European Commission's Anti-Fraud Office (OLAF) and law enforcement agencies both in the EU and elsewhere. In order to achieve this we employ specialist teams to provide effective support to the business, governments, and law enforcement agencies, performing market analysis and intelligence to provide appropriate and targeted solutions to the combating of illicit trade. We maintain strong business conduct standards and controls, both for our business and our first-line customers, in order to prevent our products being diverted.
Macro-economic conditions A material decline in the economic conditions affecting consumers, notably an impact upon disposable income, may change their consumption patterns, including an increased propensity to purchase illicit products.	We monitor and analyse consumption patterns and economic indicators in order to ensure that our current and future portfolio provides the consumer with a range of products across different price points. This analysis is a key input to our product development and pricing strategies.

Risk – Marketplace

What affects us	What we do
Marketplace The Group has a significant presence in mature European markets and any material change in the economic circumstances of, and/or our performance in, our key European markets may affect our future profit development and have an adverse impact on the Group's revenue or profits. Should concerns regarding the future of the euro, or the exit of one or more Eurozone countries, continue or increase, consumer spending patterns could be impacted. Such an event could also cause disruption to the business as a whole, including impact upon financing arrangements (both Group and local), and could also have a short-term impact on our manufacturing and supply chain operations. As with all businesses our route to the customer could be affected by political instability, civil unrest, and sanctions, and these could also have a detrimental effect on our manufacturing and supply chain operations.	We continuously monitor our exposure and review our portfolio and our existing processes and policies to minimise our economic exposure and to preserve our ability to operate in a range of potential conditions that may exist should one or more of these future events occur. Our international footprint and comprehensive portfolio, further enhanced by the US acquisition, provide an increasingly balanced exposure to both EU and non-EU markets, with the core of our market concentration being in countries with a lower risk of political instability and civil unrest. The alignment of our market management structures to key strategic drivers enables a more consistent approach to the evaluation of risks and opportunities. Our global manufacturing and supply chain operations have crisis management and contingency plans in place which are regularly reviewed in line with the risks to their ongoing requirements.

Financing

What affects us	What we do
Financial market risk We have a significant level of committed debt, financed in the debt capital markets and bank loan markets. We expect any future required refinancing of this debt prior to maturity to be obtained from these markets and for us to be able to rely on funds being available from our bank counterparties when requested to be drawn. A fall in certain of our credit ratings would raise the cost of our existing committed funding and could raise our cost of future funding and affect our ability to raise debt from the breadth of funders we currently enjoy. At 30 September 2015 approximately 44 per cent of the Group's debt was at fixed levels of interest, and therefore the Group is exposed to movements in interest rates which could result in higher funding costs and cash outflows on the remainder. We also place cash deposits with and enter into derivative financial transactions with a diversified group of financial institutions, and we would be affected if those counterparties did not honour their commitments.	We have a strong focus on cash generation and the reduction in our debt over time. Our Group Treasury Committee (GTC) oversees the operation of Group Treasury in accordance with the terms of reference set out by the Board. The GTC sets a framework for the treasury function to operate within. The framework, which is periodically fully reviewed, covers, amongst other things, financing, liquidity and risk management which includes interest rate, foreign exchange and counterparty risk. The GTC receives regular reporting on all matters covered by the framework. Cash flows, financing requirements and key rating agency metrics are regularly forecast and updated in line with business performance. This information is considered alongside conditions in the debt capital and bank loan markets to ensure we are well placed to meet the future financing needs of the Group and optimise its cost and the availability of finance.

Legal and regulatory compliance

What affects us	What we do
Failure to comply with legislation Failure to comply with local and international laws (including sanctions) may result in investigations. This could cause damage to our reputation and has the potential for financial and criminal penalties for both the Group and individuals.	We closely monitor developments in international sanctions and actively seek external advice to ensure that we remain compliant with them. The Group's policies and standards, including our Code of Conduct, mandate that all employees must comply with legislation relevant to a UK listed company and other legislation in the countries in which we operate. E-learning courses are provided to management and relevant employees to ensure understanding of key regulatory and compliance requirements. Additionally, senior management certify the compliance of their area of the business with the Code of Conduct as part of an annual certification process. Exceptions are reported and mitigating actions taken. Steering groups exist for key areas of legal compliance to provide expert advice in the development of policy, process, training and monitoring of compliance.

Legal and regulatory compliance continued

What affects us	What we do
Tobacco and e-vapour products litigation	
Tobacco litigation claims are pending against the Group in a number of countries. More claims may be brought in the future, including claims for personal injury and the recovery of medical costs allegedly incurred in treating smokers. Claims may also be brought against the Group in relation to the use of e-vapour products. The USA, the jurisdiction with the greatest prevalence of smoking and health-related litigation, is also now a key country for the Group. If any claim were to be successful, it might result in a significant liability for damages and might lead to further claims against us. Regardless of the outcome, the costs of defending such claims can be substantial and may not be fully recoverable.	To date, no tobacco litigation claim brought against the Group has been successful and/or resulted in the recovery of damages. The American cigarette brands acquired in the year have been acquired without historic product liabilities and with an indemnity from Reynolds in respect of any liabilities relating to the period prior to acquisition. We employ internal and external lawyers specialising in the defence of product liability and consumer protection law litigation to provide advice and guidance on defence strategies and to direct and manage litigation risk and monitor potential claims around the Group.
Significant market positions	
Our significant market position in certain countries could result in investigations and adverse regulatory action by relevant competition authorities, including the potential for monetary fines and negative publicity.	The Group's policies and standards, including our Code of Conduct, mandate that all employees must comply with competition laws in the countries in which we operate. We provide training and guidance to relevant employees detailing the obligations and requirements of competition laws. We employ experienced internal and external lawyers specialising in competition law to provide advice and guidance regarding interpretation of and compliance with competition laws. In the event of any investigation (which may or may not result in actions being brought against us), we cooperate fully with the relevant authority making the investigation.

Material strategic initiatives

What affects us	What we do
In order to achieve its strategic objectives, the Group may be required to undertake material initiatives, including acquisitions and change programmes. The Group also operates within a regulatory environment that can require the implementation of material initiatives to address changing legal requirements. In particular, on 12 June 2015 we completed the acquisition of certain American cigarette and e-cigarette brands and assets previously owned by Reynolds and Lorillard. The integration of the acquired assets could involve particular challenges and require management attention that would otherwise be devoted to running our business, and we may be unable to realise the potential benefits of the acquisition to the extent envisaged and within the timeframe contemplated. This could have an adverse effect on the expected revenue, profit and financial condition of the Group.	The Group operates a formal project sign-off approach, ensuring an appropriate and transparent review and selection of project proposals aligned to the Group's strategic and operational objectives. To support the successful delivery of material initiatives within the organisation the Group has developed and implemented a standardised project management process that provides a robust framework to enable effective change management. This approach is adopted across the Group and provides a consistent and disciplined approach to the management of material initiatives, supported by the employment of project managers across the Group to ensure the right skills are available to successfully deliver such initiatives. The majority of the Group's material change programmes are coordinated under a single umbrella programme, ensuring alignment of deliverables management of interdependencies, and limiting the impact of change upon our operational activities. The OPEX receives regular reporting on the progress of key projects. This provides a continuing assessment of deliverables in changing markets, and the evaluation of interdependencies across the business. In respect of the USA acquisition, we have a strong track record of successfully integrating acquired businesses into the Group and, building on this previous experience, we put in place senior integration resources and a strong management team for the enlarged USA business. We were also able to utilise the period since entering into the acquisition agreement in July 2014 to put in place detailed and comprehensive integration plans that we were then able to begin execution of immediately upon completion.

Viability Statement

The Board has assessed the prospects of the Company over a longer period than the 12 months required by the going concern requirements of the Code. This longer-term assessment process supports the Board's statements on both viability, as set out below, and going concern, made on page 20.

The Group's annual corporate planning processes include completion of a strategic review, preparation of a three-year business plan and a rolling re-forecast of current year business performance and prospects. During the year, additional business plans and financial projections were prepared to specifically consider the prospects of the enlarged USA business, and its impact on the Group's future performance and funding requirements, both prior to and following completion of the acquisition of certain USA assets in June 2015.

The plans and projections prepared as part of these corporate planning processes consider the Group's cash flows, committed funding and liquidity positions, forecast future funding requirements, banking covenants and other key financial ratios, including those relevant to maintaining our investment grade ratings.

Where appropriate, sensitivity analysis is undertaken to stress-test the resilience of the Group and its business model to the potential impact of the Group's principal risks, or a combination of those risks. This stress-testing takes account of the availability and effectiveness of the mitigating actions that could realistically be taken to avoid or reduce the impact or occurrence of the underlying risks. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk management and internal control systems, as described on page 40, is taken into account.

Whilst the Board has no reason to believe the Group will not be viable over a longer period, the period over which the Board considers it possible to form a reasonable expectation as to the Group's longer-term viability, based on the risk and sensitivity analysis undertaken, is the three-year period to September 2018. This period reflects the period used for the Group's business plans and has been selected because, together with the planning process set out above, it gives management and the Board sufficient, realistic visibility on the future in the context of the industry environment. The Board has considered whether it is aware of any specific relevant factors beyond the three-year horizon and confirmed that there are none.

The Board confirms that its assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and/or liquidity, and which are set out in the Principal Risks and Uncertainties section on pages 25 to 30 was robust.

On the basis of this robust assessment of the principal risks facing the Group, and on the assumption that they are managed or mitigated in the ways disclosed, the Board's review of the business plan and other matters considered and reviewed during the year, and the results of the sensitivity analysis undertaken and described above, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to September 2018.