DELIVERING GROWTH DRIVING RETURNS

REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2024

BUSINESS HIGHLIGHTS

- Delivered a further acceleration with net revenue up 4.6% from tobacco & next generation products
- Aggregate market share gains (+5bps) in our five priority markets with four out of five markets in share growth
- Next generation product net revenue up 26% with growth from all three regions and improved gross margins
- Growth at Logista reflected strong tobacco pricing and benefit of prior year acquisitions
- Adjusted earnings per share up 10.9% driven by profit growth and share count reduction; reported EPS up 19.1%
- Cash generation was strong; free cash flow of £2.4bn
- Capital returns of c. £2.8bn underway for FY25 with £1.25bn buyback and FY24 dividend, up 4.5%

FINANCIAL SUMMARY

Twelve months ended 30 September 2024		Reported			Adjusted[2]			
		2024	2023	Change	**2024**	2023	Actual	Constant currency[3]
Revenue	£m	**32,411**	32,475	-0.2%	**–**	–	–	–
Tobacco & NGP net revenue[1]	£m	**–**	–	–	**8,157**	8,012	+1.8%	+4.6%
Operating profit	£m	**3,554**	3,402	+4.5%	**3,911**	3,887	+0.6%	+4.6%
Earnings per share	p	**300.7**	252.4	+19.1%	**297.0**	278.8	+6.5%	+10.9%
Net debt	£m	**(8,340)**	(8,438)	–	**(7,740)**	(8,026)	–	–
Dividend per share	p	**153.42**	146.82	+4.5%	**153.42**	146.82	+4.5%	+4.5%

1. Tobacco & NGP net revenue is reported revenue less duty and similar items, sale of peripheral products and Distribution (Logista) gross profit.
2. See page 3 for the basis of presentation and the supplementary section at the end of the financial statements for the reconciliation between reported and adjusted measures.
3. Constant currency removes effect of exchange rate movements on the translation of the results of our overseas operations.

STEFAN BOMHARD CHIEF EXECUTIVE

"As we enter the final year of our current strategy, the investment we have made in consumer capabilities, cultural transformation and agile ways of working has supported another year of accelerated financial delivery and growing capital returns. These results demonstrate how we are fulfilling our role as an effective challenger for the industry, able to deliver consistently against operational and financial expectations.

"In tobacco, investment in our brands and sales force initiatives have delivered aggregate market share gains across our five priority markets, while delivering strong pricing. This was supported by an encouraging stabilisation in German market share for the first time under our strategy.

"In next generation products (NGP), we continue to build scale across our footprint with net revenues up 26.4% at constant currency driven by growth from all three regions and market share growth in all three categories. Our partnership approach to product innovation has enabled us to launch new products across all three categories during the year. This included our successful entry to the fast-growing modern oral category in the US with our brand 'Zone'.

"Our operational delivery coupled with consistently strong cash flow generation has supported enhanced shareholder returns with increases to both our ordinary dividend and share buyback. We are on track to deliver five-year capital returns of c. £10bn, representing 67% of our market capitalisation in January 2021 when we launched our strategy. We look forward to presenting the next phase of our strategy at a Capital Markets Day on 26 March 2025."

DELIVERING AGAINST OUR STRATEGIC PRIORITIES

Gaining aggregate market share across our portfolio of five priority combustible markets

- **Aggregate market share gains of +5bps,** in our five priority markets, while achieving strong pricing in all markets
- **Four out of five markets in share growth**: gains in US (+15bps), Germany (+2bps), Spain (+5bps), and Australia (+5bps) more than offset declines in UK (-50bps)
- **Encouraging share stabilisation in Germany** with share +2bps vs FY23 -80bps, as investment initiatives gain traction

Building a sustainable NGP business for a sustainable future

- **Challenger strategy delivering net revenue growth in all three regions and all three categories**
- **Delivering market share growth in all categories**
- NGP net revenue now represents c. 8% of tobacco and NGP net revenue in Europe, including Central & Eastern Europe
- In vaping, new blu formats launched to meet evolving consumer needs across several markets
- Heated tobacco growing share with Pulze 2.0, iD and iSenzia sticks in Europe
- In modern oral, encouraging share and repurchase rates following our targeted launch of Zone in 12 US metropolitan areas

Driving value from our broader market portfolio

- **Strong pricing** in our wider footprint markets has underpinned a strong financial performance
- AAACE performance recovered in the second half of the year, as expected, as disruption to shipment timings abated
- Africa delivered a net revenue growth with strong pricing in key markets
- **Strong NGP growth across multiple European markets** in our wider market portfolio

Transforming our ways of working

- **Consumer:** Significantly strengthened our consumer-facing capabilities under our Group Consumer Office
- **Performance-based culture:** Employee engagement survey scores continue to exceed global benchmarks as we build a performance-based culture and embed the benefits of our senior leadership coaching programme
- **Simplified and efficient operations:** Good progress with new ways of working with the further deployment of Global Business Services across several functions and the successful go-live of our ERP pilot in the UK in October 2024

RESULTS OVERVIEW*

Tobacco & NGP net revenue growth driven by strong tobacco pricing and NGP

- **Strong tobacco pricing across all key markets, price mix of 7.8%**: reflecting continued strong pricing across all three regions
- **Tobacco volumes declined 4.0%** (to 190.0bn SE) as volume declines have continued to normalise across our footprint
- **NGP net revenue up 26.4%** to £335m driven by growth across all regions (£329m at actual rates)
- **Distribution (Logista) gross profit increased 4.4% driven by strong tobacco pricing and the benefit of prior year acquisitions**
- **Reported revenue declined -0.2%** reflecting the decline in tobacco revenue due lower volumes in high excise markets and adverse foreign exchange movements, largely offset by growth in NGP and Distribution revenues

Accelerating our adjusted profit growth alongside continued investment

- **Group adjusted operating profit grew +4.6%,** driven by improved profitability in tobacco and NGP and Distribution
- **Reported operating profit grew +4.5%** driven by strong operating performance, with adverse foreign exchange movements offset by the non-repeat of prior year charges for legal provisions and fair value adjustments and impairment of other financial assets
- **Tobacco adjusted operating profit grew +2.5%,** reflecting strong pricing while absorbing cost inflation
- **NGP adjusted losses reduced by +43.0% to £79m,** with improved gross margin while supporting continued investment in new product launches
- **Distribution adjusted operating profit increased 8.6%** reflecting good underlying growth due to tobacco price increases
- **Adjusted EPS grew +10.9%** with adjusted operating profit growth enhanced by reduced share count
- **Reported EPS grew +19.1%** reflecting increased operating profit, a lower reported tax rate and a reduced share count, which more than offset higher interest costs and adverse foreign exchange translation

Strong free cash flow and disciplined capital allocation framework supports growing shareholder returns

- **Adjusted operating cash conversion of 100%; free cash flow of £2.4bn**
- Investing in **organic growth initiatives** and targeted **bolt-on acquisitions in NGP and Distribution (Logista)**
- Adjusted net debt £7.7bn (2023: £8.0bn); adjusted net debt to EBITDA at 1.8x and 1.9x at constant currency (2023: 1.9x)
- Reported net debt £8.3bn (2023: £8.4bn)
- **FY24 dividend per share up 4.5%** to 153.42 pence per share, in line with our progressive dividend policy; move to four equal quarterly dividend payments for FY25 onwards
- **Ongoing multi-year share buyback with £1.25bn underway for FY25**; 13.6% increase on FY24 buyback
- **Cumulative capital returns from FY21 to FY25 of c.£10bn,** representing c. 67% of market capitalisation at January 2021

* All measures at constant currency unless otherwise stated

OUTLOOK

We are now working on our strategy for the next five-year period through to 2030, which will build on the strong foundations established under the current strategy. Further details will be provided at a Capital Markets Day in London on 26 March 2025. In the meantime, our priority is to deliver on the final 12 months of the current five-year plan and, while we take nothing for granted, we remain confident in our ability to deliver on our existing operational and financial commitments.

In the coming year, we expect to deliver tobacco and NGP net revenue growth at low single-digit constant currency and to grow our Group adjusted operating profit close to the middle of our mid-single-digit range at constant currency. This will be driven by continued profit growth from our combustible tobacco business and a further reduction in operating losses in our NGP portfolio. Given the strong momentum in our NGP business, we will continue to invest to drive another year of double-digit constant currency net revenue growth, while balancing our objective to build a sustainable and profitable business.

In line with previous years, performance will be weighted to the second half of the year driven by the phasing of combustible pricing and investment. As a result, first half Group adjusted operating profit is expected to grow at low single digits at constant currency.

We expect to deliver at least high-single-digit earnings per share growth at the full year at constant currency supported by the ongoing share buyback and partly offset by higher adjusted finance and tax costs. At current rates, foreign exchange translation is expected to be a headwind of 1-2% to net revenue, adjusted operating profit and earnings per share.

We remain focused on driving sustainable growth in cash flows to underpin another year of shareholder returns and to support our growing role in this industry's transition to a healthier future.

BASIS OF PRESENTATION

- To aid understanding of our results, we use 'adjusted' (non-GAAP) measures to provide a consistent comparison of performance from one period to the next. Reconciliations between adjusted and reported (GAAP) measures and further definitions of adjusted measures are provided in the supplementary information section. 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.
- Stick Equivalent (SE) volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes but exclude any NGP volume such as heated tobacco, modern oral nicotine and vapour.
- Market share is presented as a 12-month average to the end of September (MAT – moving annual trend), unless otherwise stated. Aggregate market share is a weighted average across markets within our footprint.

OTHER INFORMATION

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Analyst Presentation Webcast

Imperial Brands PLC will be hosting a live webcast at 09:00 (GMT) on 19 November 2024 for investors and investment analysts following the publication of our annual results at 07:00 (GMT). The webcast will be hosted by Stefan Bomhard, Chief Executive, and Lukas Paravicini, Chief Financial Officer. The presentation will be followed by a question and answer session. The presentation slides will be available on www.imperialbrandsplc.com from 07.00 (GMT). A webcast recording and the presentation script will also be available after the live webcast has concluded. The webcast will be available on https://edge.media-server.com/mmc/p/emm9dnx5. To participate in the Q&A session, please register in advance via this link: https://register.vevent.com/register/BI9912be35fe704fbb9ace6789f5762e54. You will then receive the dial-in details and your own PIN to access the live Q&A session.

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.

DELIVERING ON OUR STRATEGY

As we enter the final year of our current strategy, I am pleased with how we have strengthened the Company and delivered a more consistent performance.

Imperial Brands has become a more effective challenger business through new consumer capabilities, agile ways of working, and a high-performance culture.

This ongoing transformation is driving improving operational and financial outcomes, and growing capital returns.

STRONG PERFORMANCE

In combustible tobacco, our focus on operational excellence has enabled us to grow aggregate market share in our five priority markets with a five basis point improvement, while driving further strong pricing.

Since the launch of our strategy in 2021, these five largest markets, which account for c.70% of operating profit, have recorded a cumulative aggregate share increase of 48 basis points. This performance is consistent with our strategic objective to hold or grow aggregate share across these markets, balancing market share delivery with value creation.

Over the past year, tobacco pricing increased 7.8%, more than offsetting declining volumes, to deliver tobacco net revenue growth of 3.8% at constant currency.

In next generation products (NGP), we continue to grow through product innovation and scaling up within our existing market footprint. NGP net revenue grew by 26% on a constant currency basis. At actual exchange rates, this takes our cumulative growth over the four years since 2020 to 64%.

The Company's strong performance has driven constant currency net revenue growth in tobacco and NGP revenue of 4.6% – the strongest like-for-like top-line growth in more than 10 years. Logista in our Distribution segment also contributed positively to our financial results with gross profit up 4.4%. This was driven by strong performance in the underlying business particularly in Spain and Italy as well as the benefit of prior year acquisitions.

All of this helped to drive Group adjusted operating profit growth of 4.6% at constant currency and reported operating profit growth of 4.5%.

A STRONGER CHALLENGER BUSINESS

This strong financial performance is underpinned by our transformation into a strong challenger business better able to deliver consistent growth.

Being a successful challenger is about getting closer to consumers, making targeted technology investments to improve agility, and building a culture of high performance.

Our Global Consumer Office, set up in 2021, is now well established, with a team of 1,000 experts in insights, innovation, marketing and revenue growth management, working seamlessly with our markets.

A highlight of my year was visiting our new sensory laboratory in Shenzhen, which further strengthens our innovation capabilities, helping us link our consumers to our valued partners.

Over the past 12 months, we passed important milestones in our long-term digital investment programme. In particular, in October 2024 the first market cluster went live in our project to create a unified enterprise resource planning system replacing 60 legacy systems.

We continue to add to our capabilities through senior appointments. During the year we welcomed three new members of the Executive Leadership Team. Priyali Kamath joined us from P&G as President of Africa, Asia, Australasia and Central & Eastern Europe. Deborah Binks-Moore brings deep experience of regulated businesses to the new role of Chief Corporate Affairs Officer. Kevin Massie has been appointed General Counsel, having held a range of senior roles, most recently at the international consumer business PZ Cussons.

Across the organisation, we continue to invest in developing our culture. 850 colleagues have now completed Connected Leadership, our intensive seven-day programme which enables our senior people to become better coaches to their teams.

This year in our Employee Experience survey we maintained our 74% engagement score, which is one percentage point above the global benchmark.

CONSISTENT COMBUSTIBLE PERFORMANCE

Our transformation is leading to further success at a market level, where in combustibles we focus on the performance of our five priority markets.

Share gains in the US, Germany, Spain and Australia have been offset by a decline in the UK.

In the US, our portfolio, which offers adult smokers a brand offering at each key price point, enabled us to continue to gain share. This structured approach, combined with our continued investment in improving our sales and marketing capabilities, has supported more than four years of stable or growing share and an improved financial performance.

In Germany, our initiatives have stabilised our market share after more than a decade of steep losses. In Spain, we delivered another year of share gains coupled with improved pricing. The UK and Australia are challenging markets with elevated market size declines caused by high excise and growth in illicit trade. Here, we have continued to balance value creation through increased pricing while managing our market share performance.

We are also delivering strong performances in our medium-sized and smaller markets. For example, in our Africa, Asia, Australasia and Central & Eastern European (AAACE) region, we delivered an improved financial performance after a difficult first half which was affected by disruption to shipment timings in the Middle East.

SUSTAINABLE GROWTH IN NEXT GENERATION PRODUCTS

In NGP, we made significant progress towards our goal of a sustainable business which makes a strong contribution to both Group performance and reducing harm for consumers.

For the first time, we reported increased revenue in all three regions. We are also growing revenue and market share across all three categories.

In the US, our return to growth was spearheaded by the launch in February of Zone, our modern oral nicotine proposition. Early feedback from both consumers and the retail trade has been extremely positive.

In the Europe region, we saw strong growth in vape, led by the UK and supported by new products including the 1,000-puff blu bar disposable and the rechargeable blu bar kit. In this category, we now have a highly competitive product portfolio focused on responsibly meeting the needs of adult smokers and existing nicotine consumers.

In AAACE, improving revenues were supported by progress in the heated category. In our focus markets in Central & Eastern Europe, we are building consumer loyalty and securing our fair share against strong competition. Our iSenzia tea-based heat sticks are emerging as an important addition to our offering.

Following the launch of our strategy in 2021, we needed to reset our NGP operations while we gathered consumer insights and modernised our product portfolio. Now, following a period of test-and-learn launches, we are operating at scale with NGP available in over 20 markets. In eight markets, NGP account for 20% or more of total tobacco and NGP net revenue and in 11 markets, we have brands which occupy top three positions in their categories. Our growing success has meant that we have been able to continue to reduce losses while continuing to invest in future growth. We still have a long way to go on this journey, but we have built the foundations for a sustainable business, underpinned by disciplined investment and increased agility to meet changing consumer needs.

TOWARDS A HEALTHIER FUTURE

Our NGP business is not just growing consistently – it is also growing responsibly.

During the year we completed several scientific studies which validated the potential of our new products to support smokers seeking to quit cigarettes.

We maintain rigorous marketing standards to ensure we only target adults who already smoke or consume nicotine products. Additionally, we continue to engage with policymakers to develop strong regulatory regimes which build trust in NGP by minimising youth access and eliminating illegal products.

Strong progress continues to be made on our other People & Plant priorities, including our "Triple Zero" objectives, which cover carbon emissions, waste and workplace injuries.

Direct carbon emissions are now down 69% since our baseline year of 2017 and we remain on course to become Net Zero across our supply chain by 2040. Since May 2024, within our own operations we have sent zero waste to landfill and have reduced absolute waste by 32% compared to our 2017 baseline. The number of lost-time accidents has reduced by 47% compared to our 2019 baseline year.

In September, we were pleased to showcase our evolving approach to ESG through an investor webinar. A replay of our webinar, together with our presentation, is available at www.imperialbrandsplc.com.

ALLOCATING CAPITAL WITH DISCIPLINE

As a highly cash generative business, we recognise the importance of a clear and transparent capital allocation framework to our stakeholders. Consistency and discipline are key principles that underpin our four capital allocation priorities:

- Invest behind the strategy to deliver our growth initiatives
- Maintain a strong and efficient balance sheet with a target leverage towards the lower end of our adjusted net debt to EBITDA range of 2-2.5 times
- A progressive dividend policy with dividends growing annually, taking into account underlying business performance
- Return surplus capital to shareholders

Since reaching our target leverage in September 2022, we have entered into an ongoing, multi-year buyback, which began with an initial buyback of £1 billion during FY23, and a further £1.1 billion for FY24. In October 2024, we announced a third year of buybacks with a £1.25 billion programme – an increase of 14% on the prior year. This will be largely completed during FY25 and will bring our capital returns via buybacks under the current strategy to £3.35 billion.

In line with our progressive dividend policy, we are recommending a 4.5% increase for the FY24 dividend to 153.42 pence per share. In October, we announced our intention to change the payment profile of our dividend to four equal quarterly payments for FY25 onwards. This change in the dividend payment profile will lead to more consistent cash returns to shareholders throughout the year and, during the transitional period of FY25, will result in increased dividend payments of 40.08 pence per share in June and September 2025.

OUTLOOK

We are now working on our strategy for the next five-year period through to 2030, which will build on the foundations established under the current strategy. Further details will be provided at a capital markets event on 26 March 2025. In the meantime, our priority is to deliver on the final 12 months of the current five-year plan and, while we take nothing for granted, we remain confident in our ability to deliver on our existing operational and financial commitments.

In the coming year, at constant currency we expect to deliver low single-digit tobacco and NGP net revenue growth and to grow our Group adjusted operating profit close to the middle of our mid-single-digit range. This will be driven by continued profit growth from our combustible tobacco business and a further reduction in operating losses in our NGP portfolio. Given the strong momentum in our NGP business, we will continue to invest to drive another year of double-digit constant currency net revenue growth, while balancing our objective to build a sustainable and profitable business.

In line with previous years, performance will be weighted to the second half of the year driven by the phasing of combustible pricing and investment. As a result, first half Group adjusted operating profit is expected to grow at low single digits at constant currency.

We expect to deliver at least high-single-digit earnings per share growth at the full year at constant currency supported by the ongoing share buyback and partly offset by higher adjusted finance and tax costs. At current rates, foreign exchange translation is expected to be a headwind of 1-2% to net revenue, adjusted operating profit and earnings per share.

We remain focused on driving sustainable growth in cash flows to underpin another year of shareholder returns and to support our growing role in this industry's transition to a healthier future.

Stefan Bomhard
Chief Executive Officer

EUROPE REGION

Aleš Struminský
President, Europe Region

AT A GLANCE

Tobacco volume
-3.7%

Tobacco & NGP net revenue*
+5.6%

Tobacco net revenue*
+4.5%

NGP net revenue*
+20.5%

Adjusted operating profit*
+7.5%

* Change at constant currency.

HEADLINES

- Financial performance driven by strong pricing across multiple markets as volume decline rates continue to improve
- Encouraging stabilisation in German market share, with market share growth in Spain and decline in the UK
- Leveraging our local jewel brand strategy to drive operational and financial performance
- NGP net revenue performance reflects scale building in existing markets and new product innovations
- Successful roll-out of new vapour products including the 1,000-puff blu bar disposable and the rechargeable blu bar kit during the year.
- Adjusted operating profit growth reflects strong combustible performance and improving NGP gross margins

Our results in Europe are driven by strong combustible pricing, an improvement in volume decline rates and growth in NGP net revenue.

Strategic initiatives in our priority markets supported our combustible tobacco performance. In Germany, we delivered an encouraging stabilisation in market share after more than a decade of market share declines. Investments in our sales force size and capabilities have led to an improvement of our retailer coverage and mean we are better able to take advantage of market opportunities. We leveraged our portfolio and revenue management capabilities to support the roll-out of new formats in both the premium and the value pricing points. In Spain, our brand equity investments supported price increases while still delivering market share growth. Strong sales growth was driven by our local jewel brands strategy with a new value proposition with Fortuna GO to capture down-trading as the pricing ladder expands and a focus on key distribution channels. In the UK, our continued brand equity investment in our local jewel brands, underpinned the roll-out of a new fine cut offer and supported price increases which helped to partially mitigate the challenging market volume declines and market share declines.

Tobacco volumes were broadly in line with long-term decline rates at 3.7%. German volumes benefited from the easing of pressures on consumer incomes combined with an encouraging market share performance. This offset the impact of elevated excise regimes in markets, such as the UK, which contributed to continuing pressure on volumes in those markets. Tobacco net revenue increased 4.5% at constant currency, reflecting a strong price mix of 8.2%, which more than offset the volume declines.

Our NGP portfolio has delivered strong net revenue growth of 20.5% at constant currency with growth across all three categories as we gained scale in our existing market footprints. Our consumer-led partnership model on NGP innovation supported new product roll-outs in all three categories. In vaping, in the UK, France and Spain we introduced a new disposable device under the blu brand which delivers an increased 1,000 puffs. Additionally, in response to consumer demand for a more sustainable product, towards the end of the year we rolled out our pod-based blu bar kit, in France and the UK, offering consumers the same experience as blu bar but with a rechargeable battery. In heated tobacco, we introduced iSenzia tea-based heat sticks into Italy and Greece to extend choice to adult smokers with flavoured non-tobacco sticks which can be used in our Pulze 2.0 devices. In modern oral nicotine, we continue to meet evolving consumer preferences with flavour launches in ZoneX and Skruf Modern in Norway.

Tobacco and NGP adjusted operating profit for the year increased 7.5% at constant currency, mainly reflecting the strong tobacco performance together with improvement in NGP gross margins.

		Full year result		Change	
		2024	2023	Actual	Constant currency
Tobacco volume	bn SE	**86.6**	89.9	-3.7%	–
Tobacco & NGP net revenue	£m	**3,366**	3,240	+3.9%	+5.6%
Tobacco net revenue	£m	**3,106**	3,020	+2.8%	+4.5%
NGP net revenue	£m	**260**	220	+18.2%	+20.5%
Adjusted operating profit	£m	**1,541**	1,482	+4.0%	+7.5%

Priority market	Performance
Tobacco share	
Germany • 18.3% (+2bps) • 13% of tobacco & NGP net revenue	We have delivered an encouraging turnaround in our market share as investments in our strategic initiatives gained traction. Sales force expansion has improved our distribution coverage and enabled greater frequency of store visits, while capability enhancements supported improved agility to capture channel shifts. We continue to manage our brand portfolio across all key price segments to appeal to a range of consumer needs. In the premium sector, we grew our Davidoff brands with new pack formats and in the value sector, we extended our Paramount brand with the successful launch of roll-your-own format in fine-cut tobacco. In NGP, our blu bar vapour product has continued to grow share since its launch in 2023.
UK • 37.9% (-50 bps*) • 7% of tobacco & NGP net revenue	The UK market remains an important value contributor to the Group. We increased prices in the period as we continued to balance value creation alongside managing our overall share, which declined over the year. Our strategic investments in our local jewel brands underpinned the successful roll-out of a fine-cut offer. This somewhat offset the overall market size decline, driven by above inflation excise tax increases across both cigarettes and fine cut tobacco and growth in the illicit market for tobacco and vaping products. Our NGP sales benefited from the successful roll-out of new products including the 1,000-puff blu bar disposable and the rechargeable blu bar kit.
Spain • 26.6% (+5 bps*) • 5% of tobacco & NGP net revenue	We delivered market share gains for the sixth successive year, offsetting the modest decline in the overall tobacco market volume. Our market share increase was driven by innovation such as the continued success of West pack format extensions and a focus on key distribution channels. In NGP, the roll-out of the 1,000-puff blu bar disposable and blu box, an ergonomic design popular with consumers in Spain, has been well received by consumers and the trade. The blu brand is the joint market-leader in vapour by retail sales value as at August 2024.

* Market share has been restated to reflect more accurate data sources and channel mix.

AMERICAS REGION

Kim Reed
President and CEO, Americas Region

AT A GLANCE

Tobacco volume

-7.7%

Tobacco & NGP net revenue*

+4.3%

Tobacco net revenue*

+4.0%

NGP net revenue*

+29.4%

Adjusted operating profit*

+1.8%

* Change at constant currency.

HEADLINES

- Cigarette share growth up 15 basis points to 10.9%
- Tobacco net revenue growth at constant currency reflects strong pricing (+11.7%) and market share gains offsetting volume declines
- Mass market cigar performance improved, benefiting from product innovation and brand loyalty
- NGP net revenue growth reflecting successful targeted launch of modern oral brand, Zone, in 12 metropolitan areas
- Adjusted operating profit grew at constant currency, reflecting strong cigarette pricing, which more than offset the reduction in volumes, increased
- NGP investment, higher leaf costs, leaf inventory adjustments and wage inflation. At actual exchange rates, adjusted operating profit declined.

We delivered a strong performance with market share gains in our cigarette portfolio coupled with strong pricing, which supported growth in net revenue and adjusted operating profit. We are pleased to report strong growth in our NGP net revenue, driven by the successful launch of our modern oral brand, Zone.

Share gains supported an outperformance in our tobacco volumes, down 7.7%, against an industry volume decline of 9.0% in cigarettes and a 6.7% fall in industry mass market cigar volumes. Industry cigarette declines are steeper than the long-term average driven by macroeconomic pressure on consumer disposable income and increased sales of illicit vaping products. Mass market cigar industry volume declines reflect sales of illicit products at the lowest price point.

On a constant currency basis, tobacco net revenue increased by 4.0%, as strong pricing of around +11.7% offset volume declines.

Our cigarette out-performance reflects the improvement in our cigarette market share of 15 basis points to 10.9% – our sixth consecutive year of market share growth. This was driven by our investment in sales execution and brand building, and the careful positioning of our brand portfolio to meet the needs of consumers across a range of price points.

We continue our focused investment on sales force effectiveness, and the expansion of the number of retail stores where we sell our brands. For example, investment supported share growth in Winston within the premium segment, which helped to offset KOOL performance in the face of increased competitor discounting in the menthol segment. Improved sales force execution enabled an expansion of store listings for Crowns, supporting market share growth of the brand in the growing deep discount segment. This progress in cigarettes is despite continued pricing actions from our competitors.

Our mass market cigar portfolio improved against a weak comparator in the prior year due to supply disruptions as a result of Hurricane Ian in September 2022. Additionally, continued innovation and investment in quality supported market share gains in the natural leaf segment with Backwoods, our premium iconic heritage brand.

Our NGP net revenue grew 29.4% on a constant currency basis, the first year of growth under the current strategy. This has been driven by our entry into the fast-growing modern oral nicotine pouch segment in February, with a targeted launch under the Zone brand in 12 metropolitan areas. The brand offers a differentiated option for consumers with a range of 14 product variants and leverages the Company's existing US sales force. We are encouraged by early consumer repurchase rates and have increased the number of stores since launch.

Adjusted operating profit grew 1.8% at constant currency, reflecting strong cigarette pricing, which more than offset the reduction in volumes, increased NGP investment into supporting the launch of Zone, higher leaf costs, leaf inventory adjustments and wage inflation. At actual exchange rates, adjusted operating profit declined -1.8%.

		Full year result		Change	
		2024	2023	Actual	Constant currency
Tobacco volume	bn SE	**19.1**	20.7	-7.7%	–
Tobacco & NGP net revenue	£m	**2,836**	2,812	+0.9%	+4.3%
Tobacco net revenue	£m	**2,793**	2,778	+0.5%	+4.0%
NGP net revenue	£m	**43**	34	+26.5%	+29.4%
Adjusted operating profit	£m	**1,235**	1,257	-1.8%	+1.8%

AFRICA, ASIA, AUSTRALASIA AND CENTRAL & EASTERN EUROPE

Priyali Kamath
President, Africa, Asia, Australasia and Central & Eastern Europe

AT A GLANCE

Tobacco volume

-3.5%

Tobacco & NGP net revenue*

+3.3%

Tobacco net revenue*

+2.5%

NGP net revenue*

+136.4%

Adjusted operating profit*

+2.3%

* Change at constant currency.

HEADLINES

- Strong financial results at constant currency reflecting recovery in the second half of the year as earlier disruption due to shipment timings abated
- Tobacco and NGP net revenue growth at constant currency driven by our African, Central & Eastern European and Asia, Middle East & Turkey market clusters
- At actual exchange rates, tobacco & NGP net revenue declined
- Positive tobacco price mix across region offset volume declines
- Market size pressures in Australia somewhat offset by market share growth and pricing supported by active brand portfolio management
- NGP net revenue growth reflecting new product introductions in Central & Eastern Europe markets
- Adjusted operating profit delivery at constant currency driven by strong tobacco performance and reduction of NGP losses. At actual exchange rates, adjusted operating profit declined.

The region delivered a solid operational and financial performance, benefiting from a recovery in the second half as we mitigated the impact of disruption of Red Sea trade.

Tobacco and NGP net revenue grew 3.3% at constant currency reflecting continued focus on pricing discipline across the region, with tobacco price mix of 6.0% offsetting volume declines of 3.5%. These results reflect the targeted approach we are taking to our investment in sales execution and marketing in Australia, our one priority market in the region, and our improved consumer insight and revenue growth management tools applied to our broad market clusters. At actual exchange rates, tobacco and NGP net revenue declined -0.3%.

Australia delivered a resilient profit performance with further market share gains for the fifth consecutive year. This has been driven by the active management of brand portfolio to ensure we have an offer for consumers across all key price points, as well as a continued close partnership with our retail customers. These gains have been delivered against a backdrop of increased volume declines driven by excise tax increases and growth in both illicit combustible and vaping products.

In our African markets, we grew revenue through strong pricing as we focused on increasing consumer engagement through the management of our local jewel and key international brands. In our sub-Saharan African markets our local jewel brands performed well, with Fine taking share in Ivory Coast supported by format innovation, strengthening distribution and point of sales presence. This more than offset pressures in Morocco where recent excise tax changes have disadvantaged the low price segment and impacted Gauloises.

In our Asia, Middle East and Turkey (AMET) cluster, the impact of the Red Sea disruption seen in the first half of the year was mitigated and we exercised strong pricing discipline. Our global brand Davidoff resonates with local consumers and performed well in Saudi Arabia. Davidoff also has strong brand loyalty in Taiwan, where a refocus to convenience channels together with brand innovation has led to market share growth after several years of decline and an improving contribution to performance throughout the year.

In our Central & Eastern European (CEE) market cluster our combustible and NGP portfolios performed well. NGP net revenue doubled over the period as we refined our go-to-market approach in Poland applying learnings from our Czech Republic market. In combustibles, strong pricing offset volume declines to support financial delivery.

NGP net revenue growth in the period reflects the launch of our 1,000 puff blu bar vaping product in Poland. In heated tobacco products, the introduction of iSenzia, tea-based heat sticks, to Czech Republic and Poland, extended the choice to adult smokers with a flavoured non-tobacco stick that can be used in our Pulze 2.0 device.

Adjusted operating profit grew 2.3% at constant currency, driven by a strong tobacco performance in all market clusters and a reduction in NGP losses. At actual exchange rates, adjusted operating profit declined -3.9%.

		Full year result		Change	
		2024	2023	Actual	Constant currency
Tobacco volume	bn SE	**84.3**	87.4	-3.5%	–
Tobacco & NGP net revenue	£m	**1,955**	1,960	-0.3%	+3.3%
Tobacco net revenue	£m	**1,929**	1,949	-1.0%	+2.5%
NGP net revenue	£m	**26**	11	+136.4%	+136.4%
Adjusted operating profit	£m	**811**	844	-3.9%	+2.3%

Priority market	Performance
Tobacco share	
Australia • 18.3% (+2bps) • 13% of tobacco & NGP net revenue	The Australian market contributed to Group profit growth in the period. Against a backdrop of steep market volume declines as consumers normalised use of illicit products, we grew our market share supported by a focused approach to revenue growth management. Clear price tiering and product differentiation supported stable market share for JPS. In the fifth price segment, L&B is now Australia's fastest growing cigarette brand since inception in 2021, driven by pack format extensions. In fine cut tobacco, our local jewel brand, Champion, in the higher price segment, extended its lead of the category, while Riverstone remained stable. Continued improvements in the supply chain supported increased efficiencies and underpinned positive profit contribution from the market.

* Market share has been restated to reflect more accurate data sources and channel mix.

DISTRIBUTION

AT A GLANCE

Gross profit*

+4.4%

Adjusted operating profit excluding eliminations*,**

+9.8%

Adjusted operating margin excluding eliminations*,**

+109bps

Adjusted operating profit including eliminations*,**

+8.6%

* Change at constant currency.
**Eliminations relate to sales of tobacco and NGP product to Logista that are still held in their inventory

		Full year result		Change	
		2024	2023	Actual	Constant currency
Distribution gross profit*	£m	**1,503**	1,466	+2.5%	+4.4%
Adjusted operating profit	£m	**330**	306	+7.8%	+9.8%
Adjusted operating profit margin	%	**22.0**	20.9	+108bps	+109bps
Eliminations	£m	**(6)**	(2)	-200.0%	-200.0%
Adjusted operating profit (inc. eliminations)	£m	**324**	304	+6.6%	+8.6%

* Distribution gross profit is Distribution revenue less the cost of distributing products.

HEADLINES

- Gross profit reflects good underlying growth and integration of prior year acquisitions
- Diversification strategy means over 50% gross profit from non-tobacco-related businesses
- Adjusted operating profit includes strong contribution from profit on inventory following tobacco price increases

Distribution consists of our 50.01% stake in Logista, a Spanish-listed distributor of tobacco and other convenience products and provider of freight, parcel, courier services and pharmaceutical logistics. It operates an end-to-end distribution model that covers the full value chain from collection to more than 200,000 points of sale across Europe.

Performance was in line with expectations and includes the incremental financial contribution from acquisitions made during this period and the prior two financial years in line with Logista's strategy to accelerate growth in European non-tobacco distribution. These include the acquisition of Belgium Parcel Service (BPS); the acquisition of SGEL Libros, a national book distribution and publishing company, which was formally acquired by Logista Libros, a 50% subsidiary of Logista and Grupo Planeta in October 2023; and the acquisition of Gramma Farmaceutici, a pharmaceutical distribution company in Italy, which completed in July 2023. In May 2024, Logista acquired the remaining 30% stake in Speedlink as expected under the original agreement. Furthermore, in July 2024, Logista acquired the remaining 26.7% stake in Herinvemol S.L., trading as "Transportes El Mosca", giving Logista 100% ownership of the company.

Gross profit – Gross profit at £1,503 million was 4.4% higher on a constant currency basis with good performance in particular in Spain and Italy reflecting the integration of prior year acquisitions.

In Iberia, growth in gross profit was driven in part by tobacco and related products, with the former benefiting from manufacturer price increases in Spain for the third consecutive year. Transport services recorded growth year on year, with a positive contribution from long-distance transport which includes Logista Freight and Transportes El Mosca, the latter incorporated at the end of October 2022. There was good growth in Nacex, the express courier business, and Logista Parcel, supported by the opening of new temperature-controlled capacity during the period. Pharmaceutical distribution continues to expand both its customer base and product offering.

In Italy, gross profit was supported by good performance in tobacco, benefiting from growth in volumes and manufacturer price increases which led to a higher profit on inventory than in the prior year. The period benefits from the first full incorporation of Gramma Farmaceutici, with the acquisition completing in July 2023. This acquisition is the first stage of our expansion into the pharma segment in Italy.

In France, gross profit reflects tobacco volume declines, partially offset by price increases following excise tax increases and subsequent manufacturer price increases which led to a profit on inventory higher than in the prior year. Logista also successfully completed a pilot for NGP recycling during the period.

Operating profit – Adjusted operating profit margin increased by 109 basis points at constant currency reflecting the strong performance from profit on inventory in tobacco following manufacturers' price increases in the period. After eliminations, the adjusted operating profit contribution to the Group increased 8.6% on a constant currency basis. In line with our policy of adjusting items for only Board-approved restructuring programmes, charges and profits/losses on disposals relating to restructuring activities have not been recognised as adjusting items.

Cash – In line with the rest of Imperial Brands, Logista is part of the inter-company cash pooling arrangement, which further enhances the Group's liquidity. On a 12-month basis, the daily average cash balance loaned to the Group by Logista was c.£1.8 billion, with movements in the cash position during the 12-month period varying from a high of c.£2.5 billion to a low of c.£0.7 billion, primarily due to the timing of excise duty payments. At 30 September 2024, the loan position was c.£1.9 billion compared to c.£2.0 billion at 30 September 2023.

ACCELERATING RETURNS

Lukas Paravicini
Chief Financial Officer

SUMMARY FINANCIAL INFORMATION

Volumes

-4.0%

reflecting wider industry market size declines across our footprint

Tobacco & NGP net revenue

+4.6%

at constant currency, driven by robust tobacco price mix and NGP growth

Adjusted operating cash conversion

100%

2023: 92%

Reported operating profit

+4.5%

reflecting operating performance, with adverse foreign exchange movements

Adjusted operating profit

+4.6%

at constant currency, driven by tobacco pricing, reduced NGP losses and Logista

Adjusted net debt/EBITDA

1.8x

2023: 1.9x

Reported basic EPS

300.7p

an increase of 19.1%

Adjusted EPS

297.0p

an increase of 10.9% on a constant currency basis

As we enter the final year of our current strategy, these results reflect Imperial's improved resilience to withstand geopolitical and macroeconomic pressures and the benefit of our continued investments in consumer capability and cultural transformation. We have delivered market share gains in our priority markets and achieved robust tobacco pricing to support the delivery of another year of improving financial performance and growing capital returns.

On a constant currency basis, tobacco & NGP net revenue grew 4.6%, reflecting strong tobacco price mix and NGP growth. Group adjusted operating profit rose 4.6%, on a constant currency basis. Logista in our Distribution segment contributed positively to our results with gross profit up 4.4%. This was driven by strong performance in the underlying business particularly in Spain and Italy, as well as the benefit of prior year acquisitions.

Reported revenue declined -0.2% reflecting volume declines in our high excise markets and adverse foreign exchange, largely offset by growth in NGP and Distribution revenues. Reported operating profit increased +4.5%, driven by strong operating performance, with adverse foreign exchange movements offset by the non-repeat of charges relating to legal provisions and fair value adjustments and impairment of other financial assets.

Cash generation remains a key focus, and we have delivered £2.4 billion of free cash flow, with 100% adjusted operating cash conversion. The strong cash generation has enabled us to invest in our strategy, committing to return £2.4 billion to shareholders via dividend and share buyback. Reported net debt reduced by £0.1 billion to £8.3 billion with adjusted net debt/EBITDA at 1.8x in FY24.

On a reported basis, cash flow improved year on year due to a working capital cash inflow.

We have announced a further £1.25 billion share buyback, which we expect to complete no later than 29 October 2025. This represents approximately 6.8% of the share capital as at 30 September 2024 and is a 13.6% increase on last year's £1.1 billion buyback, where we repurchased 54,087,312 shares, or 6.0% of our share capital, in FY24. In support of our progressive dividend policy, we are also increasing our dividend per share by 4.5% for FY24.

We anticipate our growth phase will continue for the remainder of our five-year strategy as the business capitalises on the gains and investments we have previously made.

SUMMARY INCOME STATEMENT

£ million (unless otherwise indicated)	Reported 2024	Reported 2023	Adjusted 2024	Adjusted 2023
Revenue/net revenue/gross profit*				
Tobacco & NGP revenue/net revenue	**21,307**	21,656	**8,157**	8,012
Distribution revenue/gross profit	**11,104**	10,819	**1,503**	1,466
Operating profit				
Tobacco & NGP	**3,238**	3,106	**3,587**	3,583
Distribution	**322**	298	**330**	306
Eliminations	**(6)**	(2)	**(6)**	(2)
Group operating profit	**3,554**	3,402	**3,911**	3,887
Net finance costs	**(534)**	(298)	**(402)**	(410)
Share of profit/(losses) of investments accounted for using the equity method	**9**	7	**9**	7
Profit before tax	**3,029**	3,111	**3,518**	3,484
Tax	**(282)**	(655)	**(799)**	(781)
Profit for the year	**2,747**	2,456	**2,719**	2,703
Minority interests	**(134)**	(128)	**(138)**	(131)
Earnings per ordinary share (pence)	**300.7**	252.4	**297.0**	278.8
Dividend per share (pence)	**153.42**	146.82	**153.42**	146.82

* Reported revenue includes duty, similar items, distribution and sale of peripheral products, which are excluded from net revenue; net revenue comprises reported revenue less duty and similar items, excluding sale of peripheral products and distribution revenue. Distribution gross profit is Distribution revenue less the cost of distributing products. This was previously referred to as Distribution net revenue.

Alternative performance measures (APM)

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 underlying performance from one period to the next, as GAAP measures can include one-off, non-recurring items and recurring items that relate to earlier acquisitions. 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 the accounting policies accompanying our financial statements and the APM section within the Supplementary Information.

Reconciliations between reported and adjusted measures are included in the Supplementary Information. 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.

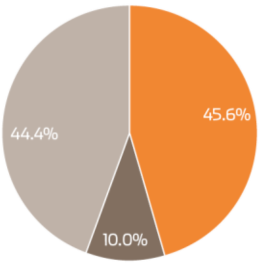
While we believe that APMs can provide helpful information which supplements reported measures, we are also aware of the need to ensure that an appropriate balance is maintained between the two sets of reporting metrics, with adjusted disclosures not being given greater prominence than GAAP measures.

In the prior year, we included measures of performance to exclude our exit from Russia in April 2022 in the comparator values. Reference to these comparator values is not required in this financial year. Thus we have reduced the number of APMs used in the period.

GROUP RESULTS – ADJUSTED CONSTANT CURRENCY ANALYSIS

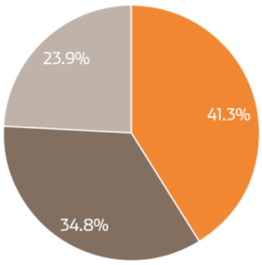
£ million (unless otherwise indicated)	Full year ended 30 September 2023	Foreign exchange	Constant currency movement	Full year ended 30 September 2024	Change	Constant currency change
Tobacco & NGP net revenue						
Europe	3,240	(56)	182	3,366	3.9%	5.6%
Americas	2,812	(96)	120	2,836	0.9%	4.3%
Africa, Asia, Australasia and Central & Eastern Europe	1,960	(69)	64	1,955	(0.3%)	3.3%
Tobacco & NGP net revenue	8,012	(221)	366	8,157	1.8%	4.6%
Tobacco & NGP adjusted operating profit						
Europe	1,482	(52)	111	1,541	4.0%	7.5%
Americas	1,257	(44)	22	1,235	(1.8%)	1.8%
Africa, Asia, Australasia and Central & Eastern Europe	844	(52)	19	811	(3.9%)	2.3%
Tobacco & NGP adjusted operating profit	3,583	(148)	152	3,587	0.1%	4.2%
Distribution						
Gross profit	1,466	(27)	64	1,503	2.5%	4.4%
Adjusted operating profit including eliminations	304	(6)	26	324	6.6%	8.6%
Group adjusted results						
Adjusted operating profit	3,887	(154)	178	3,911	0.6%	4.6%
Adjusted net finance costs	(410)	15	(7)	(402)	2.0%	(1.7%)
Adjusted EPS (pence)	278.8	(12.2)	30.4	297.0	6.5%	10.9%

Volumes, billion stick equivalent (SE)



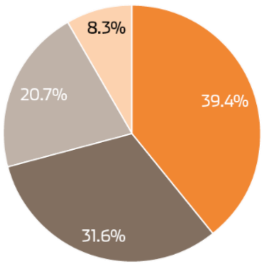
Europe	86.6bn SE
Americas	19.1bn SE
AAACE	84.3bn SE

Tobacco & NGP net revenue (actual FX rate), £ million



Europe	£3,366m
Americas	£2,836m
AAACE	£1,955m

Adjusted operating profit (actual FX rate), £ million



Europe	£1,541m
Americas	£1,235m
AAACE	£811m
Distribution	£324m

SALES PERFORMANCE

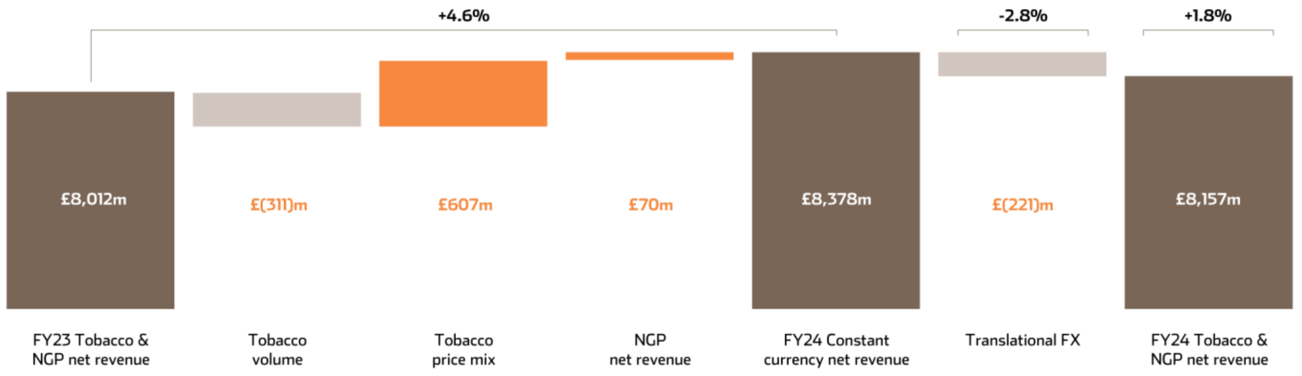
Reported revenue

(0.2%)

Tobacco & NGP

+4.6%

- Reported revenue declined -0.2% reflecting volume declines in high excise markets and adverse foreign exchange, largely offset by growth in NGP and Distribution revenues
- Tobacco & NGP net revenue grew +4.6% at constant currency, comprising +3.8% from tobacco and +26.4% from NGP
- Tobacco volume was down -4.0%, reflecting wider industry market size declines across our footprint
- Aggregate market share growth in our five priority markets of +5bps (FY23 +10bps)
- Tobacco price mix was strong at +7.8% due to positive pricing offsetting a small negative mix
- NGP net revenue increased +26.4% to £335m at constant currency, driven by growth across all geographies with the US region back to growth
- Distribution gross profit grew +4.4%, driven by strong tobacco pricing and benefit of prior year acquisitions
- Translation FX was a headwind at -2.8% due to average sterling strengthening against the dollar and euro



OPERATING PROFIT

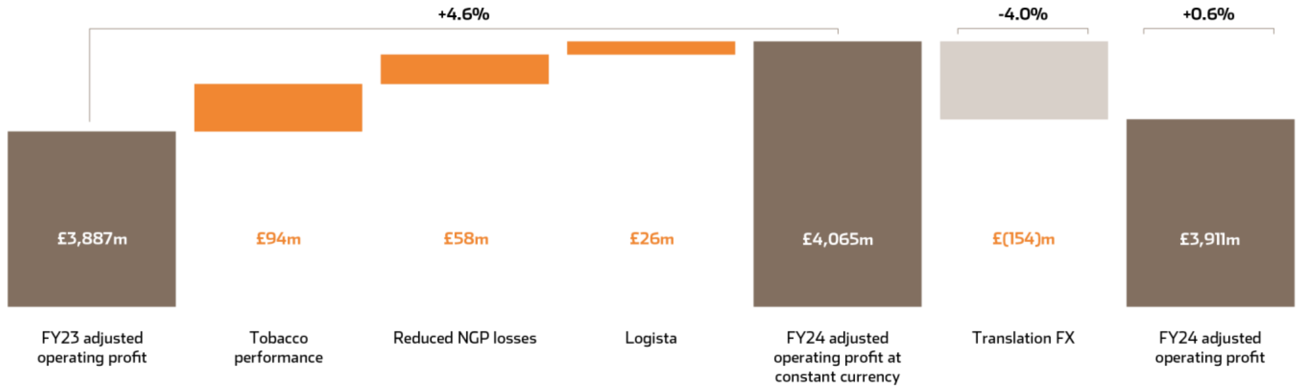
Reported operating profit

+4.5%

Group adjusted operating profit

+4.6%

- Reported Group operating profit of £3,554m increased by +4.5% reflecting strong operating performance, with adverse foreign exchange offset by the non-repeat of charges relating to legal provisions and the write-down of financial assets
- Adjusted Group operating profit increased +4.6% at constant currency, driven by strong tobacco pricing offsetting tobacco volume declines, lower NGP losses and Logista performance
- Tobacco adjusted operating profit increased by +2.5% at constant currency, reflecting strong pricing offsetting volume declines
- NGP losses reduced 43.0% at constant currency to £77m, with improved gross margin and volume growth supporting continued investment in new product launches
- Translation FX on adjusted operating profit of -4.0% reflects average sterling strengthening against the dollar and euro

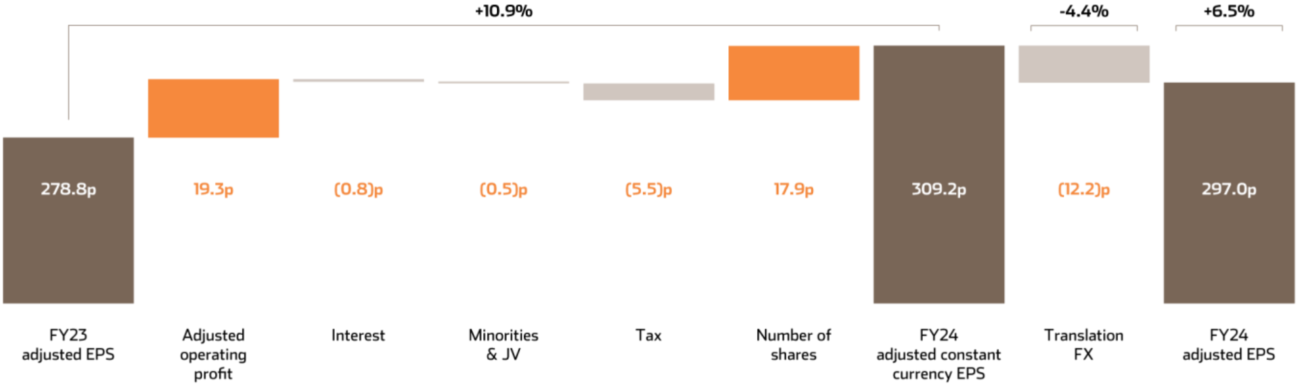


EARNINGS PER SHARE

Reported EPS
+19.1%

Adjusted EPS
+10.9%

- Reported EPS increased +19.1% to 300.7 pence reflecting strong operating performance, lower tax charge and reduced share count, offsetting higher interest costs
- Adjusted EPS was 297.0 pence, up +10.9% at constant currency with adjusted operating profit growth enhanced by the reduced share count due to the ongoing share buyback



SUMMARY CASH FLOW STATEMENT*

£ million	Reported 2024	Reported 2023	Adjusted 2024	Adjusted 2023
Group operating profit	**3,554**	3,402	**3,911**	3,887
Depreciation, amortisation and impairments	**647**	632	**294**	270
EBITDA	**4,201**	4,034	**4,205**	4,157
Loss on disposal of subsidiary	**–**	1	**–**	–
Profit on disposal of assets	**(13)**	(39)	**(13)**	(39)
Other non-cash movements	**(93)**	70	**(54)**	46
Operating cash flows before movement in working capital	**4,095**	4,066	**4,138**	4,164
Working capital	**100**	(347)	**100**	(347)
Tax cash flow	**(888)**	(590)	**(888)**	(590)
Cash flows from operating activities	**3,307**	3,129	**3,350**	3,227
Net capital expenditure	**(321)**	(254)	**(321)**	(254)
Restructuring	**–**	–	**(43)**	(98)
Cash interest	**(416)**	(407)	**(416)**	(407)
Minority interest dividends	**(136)**	(104)	**(136)**	(104)
Free cash flow	**2,434**	2,364	**2,434**	2,364
Acquisitions	**(42)**	(183)	**(42)**	(183)
Acquisition of non-controlling interests	**(49)**	–	**(49)**	–
Shareholder dividends	**(1,299)**	(1,312)	**(1,299)**	(1,312)
Share buyback	**(1,020)**	(1,006)	**(1,020)**	(1,006)
Net cash inflow/(outflow)	**24**	(137)	**24**	(137)
Leases paid	**(93)**	(92)		
Increase in borrowings	**3,848**	1,462		
Repayment of borrowings	**(3,948)**	(1,518)		
Cash flow relating to derivative instruments	**(34)**	(64)		
Net decrease in cash and cash equivalents	**(203)**	(349)		

* See Financial Statements for full Cash Flow Statement

CASH FLOW

Cash flows from operating activities were £3,307 million (2023: £3,129 million).

As anticipated, gross capital expenditure of £371 million was higher than the prior year (2023: £325 million). Capital expenditure net of the proceeds from the sale of assets, or net capital expenditure, was £321 million, and was also higher than the prior year (2023: £254 million). Net capital expenditure is anticipated to remain within an expected range of £300 million to £350 million in 2025. The increased capital expenditure is supporting projects to drive simplified and efficient operations in line with our strategic plan.

Adjusted operating cash conversion was 100% (2023: 92%) on a 12-month basis.

£ million (unless otherwise indicated)	2024	2023
Adjusted operating profit	3,911	3,887
Cash flow from operating activities post capital expenditure pre interest and tax	3,917	3,563
Adjusted operating cash conversion	100%	92%

Free cash flow of £2,434 million (2023: £2,364 million) is above the prior year primarily due to the higher cash flows from operating activities as a result of the working capital inflow compared to the outflow in the prior year, offset by higher cash taxes.

Restructuring cash costs relating to Board-approved restructuring programmes totalled £43 million (2023: £95 million), and comprised three previous programmes: Cost Optimisation Programme I of £8 million (2023: £24 million), Cost Optimisation Programme II of £10 million (2023: £10 million) and the 2021 Strategic Review Programme of £25 million (2023: £61 million). Together, the cumulative cash spend for all three restructuring programmes is £1,389 million to date. The remaining cash spend is ongoing, although not expected to be in excess of the existing provisions.

£ million	2024	2023
Restructuring cash cost	43	98
Cumulative to date	1,389	1,346

The net cash inflow of £24 million (2023: £137 million outflow) improved year on year, reflecting positive working capital movement and lower acquisitions compared to the prior year. Acquisition costs were £42 million (2023: £183 million) and include Imperial's deferred consideration for intellectual property relating to nicotine pouches marketed in the US and Logista's acquisition of Belgium Parcel Service (BPS). Acquisition of non-controlling interests of £49 million relate to Logista's acquisition of the remaining stakes in El Mosca, Speedlink and Carbo Collabatelle. Of the £1.1 billion share buyback announced in October 2023, £1.0 billion was completed in the period with remaining £0.1 billion to be finalised in October. We have announced a further share buyback of up to £1.25 billion of shares during FY25.

RETURN ON INVESTED CAPITAL

Return on invested capital (ROIC) increased by 120 basis points, driven by a reduction in invested capital. ROIC is 19.7% (2023: 18.5%).

Adjusted operating profit increased by £24 million.

Our FY24 invested capital has reduced compared to the prior year mainly due to the foreign exchange impact on intangible assets.

£ million	2024	2023
Reported operating profit	3,554	3,402
Adjusting items (APM section within Supplementary Information)	357	485
Adjusted operating profit	3,911	3,887
Equivalent tax charge	(888)	(871)
Net adjusted operating profit after tax	3,023	3,016
Working capital	(2,772)	(2,567)
Intangible assets	15,938	16,944
Property, plant and equipment	1,561	1,617
Invested capital	14,727	15,994
Average annual invested capital	15,361	16,304
Return on invested capital	19.7%	18.5%

ADJUSTED NET DEBT/EBITDA

Adjusted net debt reduced by £286 million to £7,740 million (2023: £8,026 million) in the year and continued strong cash generation supported additional return of capital to shareholders via a share buyback. Adjusted net debt/EBITDA is 0.1x below prior year at 1.8x.

Reported net debt reduced by £98 million to £8,340 million (2023: £8,438 million). Excluding accrued interest, lease liabilities and the fair value of interest rate derivatives providing commercial hedges of interest risk, Group adjusted net debt was £7,740 million (2023: £8,026 million).

£ million	2024	2023
Reported net debt	(8,340)	(8,438)
Accrued interest	95	125
Lease liabilities	386	349
Fair value of interest rate derivatives	119	(62)
Adjusted net debt	(7,740)	(8,026)
Adjusted EBITDA	4,205	4,157
Adjusted net debt/EBITDA	1.8x	1.9x

RECONCILIATION BETWEEN REPORTED AND ADJUSTED PERFORMANCE MEASURES

	Operating profit		Net finance (costs)/income		Earnings per share (pence)	
£ million unless otherwise indicated	2024	2023	2024	2023	2024	2023
Reported	3,554	3,402	(534)	(298)	300.7	252.4
Russia, Ukraine and associated markets	–	4	–	–	–	0.4
Amortisation and impairment of acquired intangibles	353	347	–	–	40.6	38.0
Fair value adjustment and impairment of other financial assets	–	36	–	–	–	3.4
Loss on disposal of subsidiaries	–	1	–	–	–	0.1
Charges related to legal provisions	–	85	–	–	(0.2)	6.4
Structural changes to defined benefit pension schemes	4	12	–	–	0.5	1.0
Net fair value and exchange movements on financial instruments	–	–	110	(149)	(13.1)	(25.8)
Post-employment benefits net financing cost/(income)	–	–	11	(13)	0.7	(1.4)
Tax interest cost	–	–	10	50	1.3	5.2
Effects of discounting long-term provisions	–	–	1	–	0.1	–
Recognition of deferred tax assets	–	–	–	–	(33.7)	(23.0)
Provision for state aid recoverable	–	–	–	–	(11.6)	–
Uncertain tax positions	–	–	–	–	18.9	22.4
Prior year adjustments	–	–	–	–	(6.6)	–
Adjustments above attributable to non-controlling interests	–	–	–	–	(0.6)	(0.3)
Adjusted	3,911	3,887	(402)	(410)	297.0	278.8

Adjusting items

The main reconciling items of the Group's reported to adjusted operating profit are shown above.

In the period to 30 September 2024 adjusting items relate mainly to amortisation of acquired intangibles of £353 million (2023: £347 million) and fair value movements on derivative financial instruments of £110 million (2023: £(149) million).

Restructuring charges relating to Board-approved restructuring programmes have already been fully recognised in profit and loss in previous years but provisions and cash spend are ongoing. Any further restructuring costs in the financial year have therefore not been recognised as adjusting items in the FY24 results. There will be ongoing cash spend from past restructuring programmes.

During the period factory footprint rationalisation costs were supported by profit on sale of former operational sites and have not been included in adjusted items.

Finance costs

Adjusted net finance costs were lower at £402 million (2023: £410 million), due to savings from swapping our outstanding US dollar bonds to euro in September 2023, a tailwind from a higher GBP/EUR FX rate and lower average adjusted net debt over the course of the year offset by the refinancing of naturally maturing cheaper debt at higher rates in both FY23 and FY24. Reported net finance costs were £534 million (2023: £298 million), incorporating the impact of net fair value and foreign exchange losses on financial instruments of £110 million (2023: £149 million gain), post-employment benefits net financing costs of £11 million (2023: £13 million income) and net tax settlement interest costs of £10 million (2023: £50 million). The net fair value losses of £119 million on financial instruments are primarily due to negative valuation movement of the Group's interest rate derivatives reflecting lower future market interest rate expectations.

Our all-in cost of debt modestly decreased to 4.2% (2023: 4.3%) reflecting the previously mentioned factors.

Our interest cover increased to 10.5x (2023: 10.1x) reflecting the Group's higher adjusted EBITDA and lower adjusted net finance costs for the year.

While interest rates are expected to fall, they are likely to remain higher than they were prior to the start of FY23, meaning we will continue to refinance naturally maturing cheaper debt at higher rates. We therefore still expect upward pressure on finance costs going forward although we have hedging in place for 83% of our expected debt in FY25.

Taxation
Our adjusted effective tax rate is 22.7% (2023: 22.4%) and the reported effective tax rate is 9.3% (2023: 21.1%). The increase in the adjusted effective tax rate on the prior year is driven by upward pressure from a higher UK corporation tax rate offset by reduced negative impacts from the prior year's adjustment of our priority markets. The adjusted tax rate is higher than the reported rate mainly due to the positive outcome in the state aid litigation following the European Court of Justice decision on 19 September 2024 and foreign exchange movements arising on consolidation which are not subject to tax.

We expect our adjusted effective tax rate for the year ended 30 September 2025 to be between 23% to 24%.

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 Cooperation and Development) Base Erosion and Profits 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, due to global pressures to increase CIT tax rates.

Our Group tax strategy is publicly available and can be found in the Governance section of our corporate website.

Exchange rates
Foreign exchange had a negative impact on Group adjusted operating profit and adjusted earnings per share at average exchange rates (4.0% and 4.4%, respectively). Sterling strengthened against the US dollar (3.4%) and against the euro (1.8%). Other major currencies remained broadly flat compared to the prior year.

Dividend payments
The Group paid two interim dividends of 22.45 pence per share in June and September 2024.

The Board has approved a further interim dividend of 54.26 pence per share and will propose a final dividend of 54.26 pence per share bringing the total dividend for the year to 153.42 pence. This represents a 4.5% increase to the amount of 146.82 pence per share paid in the prior year and is in line with the Group's progressive dividend policy.

The annual dividend represents a payout ratio of 51.0% with respect to basic earnings per share.

The third interim dividend will be paid on 31 December 2024 to shareholders registered on 29 November 2024. Subject to AGM approval, the proposed final dividend will be paid on 31 March 2025 to shareholders registered on 21 February 2025.

We have announced a change to the future dividend payment profile to four equal quarterly dividend payments for FY25 onwards. This smoothing of the dividend payment profile will result in more consistent cash returns to shareholders throughout the year, compared to the current 30:70 split. This is enabled by the strong visibility of cash flows from our portfolio following the successful execution of our strategy. The change will also help to reduce our leverage variance within the year, particularly around the half year, which is partly a result of the current dividend phasing.

To create the base for future quarterly payments, we intend to pay two interim cash dividends of 40.08 pence per share in June and September 2025.

Dividend payments	Amount (pence)	Ex-date	Record date	Payment date
FY24 First interim	22.45	23-May-24	24-May-24	28-Jun-24
FY24 Second interim	22.45	22-Aug-24	23-Aug-24	30-Sep-24
FY24 Third interim	54.26	28-Nov-24	29-Nov-24	31-Dec-24
FY24 Final	54.26	20-Feb-25	21-Feb-25	31-Mar-25
FY25 First interim	40.08	22-May-25	23-May-25	30-Jun-25
FY25 Second interim	40.08	21-Aug-25	22-Aug-25	30-Sep-25

Funding/liquidity
During the year, we repaid our £600 million bond which matured in March 2024 and our US$ 1 billion bond which matured in July 2024. In June 2024, we issued bonds totalling US$ 2 billion; US$ 1.25 billion with a coupon of 5.5%, maturing in February 2030, and US$ 750 million with a coupon of 5.875%, maturing in July 2034. Simultaneously, we also repurchased US$ 550 million of the existing US$ 1.5 billion bond maturing in July 2025 via a capped tender offer. We swapped the new US dollar bonds to euro, therefore closing adjusted net debt continues to be materially all euro. As at 30 September 2024, the Group had committed financing in place of around £12.1 billion, which comprised 30% bank facilities and 70% raised from capital markets. During the year, the maturity date of €3,125 million of the Group's existing syndicated multi-currency facility was extended to 30 September 2027. One further tranche of €184 million was not extended and therefore maintains its maturity date of 30 September 2025. In October 2024, the second tranche of €184 million which had not been extended during the year and had a maturity date of 30 March 2026 was sold to another financial institution and the maturity date of that tranche was extended to 30 September 2027. The Group also put in place an additional £700 million of committed bilateral bank facilities with maturity dates in September 2025.

The Group remains fully compliant with all our banking covenants and remains committed to retaining our investment grade ratings.

LIQUIDITY AND GOING CONCERN STATEMENT

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.

The Group recognises there can be uncertainty in the external environment, however, during past periods of disruption (e.g. COVID-19, political uncertainty in Russia and Ukraine and Middle East), the Group effectively managed operations across the world and has proved it has an established mechanism to operate efficiently despite this uncertainty. The Directors consider that a one-off discrete event with immediate cash outflow is of greatest concern to the short-term liquidity of the Group.

The Directors have assessed the emerging and principal risks of the business, including stress testing a range of different scenarios that may affect the business. These included scenarios which examined the implications of:

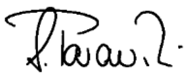
- A one-off discrete event resulting in immediate cash outflow such as unexpected duty and tax payments; and/or other legal and regulatory risks materialising of c.£500 million
- A rapid and lasting deterioration to the Group's profitability because markets become closed to tobacco products or there are sustained failures to our tobacco manufacturing and supply chains. These assumed a permanent reduction in profitability of 10% from 1 October 2024

The scenario planning also considered mitigation actions including reductions to capital expenditure, dividend payments and share buyback programme. There are additional actions that were not modelled but could be taken including other cost mitigations such as staff redundancies, working capital management, retrenchment of leases and discussions with lenders about capital structure.

Under the reverse stress test scenario, after considering mitigation actions including reductions of capital expenditure, dividend payments and share buyback programme, we have modelled that a 37% EBITDA reduction would lead the Group to have sufficient headroom until 30 November 2025.

The Group believes this reverse stress test scenario to be remote given the relatively small impact on our trading performance and bad debt levels during the COVID-19 pandemic and political uncertainty with regard to Ukraine and Russia. In this scenario the Group would implement a number of mitigating actions including revoking the uncommitted dividend, pausing the share buyback and reducing discretionary spend such as capital expenditure.

Based on its review of future cash flows covering the period through to 30 November 2025, 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 their operational needs for a period of twelve months from the date of approval of the financial statements and concludes that it is appropriate to prepare the financial statements on a going concern basis.



Lukas Paravicini
Chief Financial Officer

FINANCIAL STATEMENTS

The figures and financial information for year ended 30 September 2024 do not constitute the statutory financial statements for that year. Those financial statements have not yet been delivered to the Registrar. The auditors have reported on those accounts and their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts. 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 2024

£ million unless otherwise indicated	Notes	2024	2023
Revenue	3	**32,411**	32,475
Duty and similar items		**(13,925)**	(14,398)
Other cost of sales		**(11,707)**	(11,397)
Cost of sales		**(25,632)**	(25,795)
Gross profit		**6,779**	6,680
Distribution, advertising and selling costs		**(2,383)**	(2,338)
Administrative and other expenses		**(842)**	(940)
Operating profit	4	**3,554**	3,402
Investment income	5	**560**	772
Finance costs	5	**(1,094)**	(1,070)
Net finance costs		**(534)**	(298)
Share of profit of investments accounted for using the equity method	15	**9**	7
Profit before tax		**3,029**	3,111
Tax	8	**(282)**	(655)
Profit for the year		**2,747**	2,456
Attributable to:			
Owners of the parent		**2,613**	2,328
Non-controlling interests		**134**	128
Earnings per ordinary share (pence)			
• Basic	10	**300.7**	252.4
• Diluted	10	**299.0**	250.8

Investment income and finance costs for 2023 have been reclassified with no impact to net finance costs. See note 5 for more information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2024

£ million	Notes	2024	2023
Profit for the year		**2,747**	2,456
Other comprehensive income			
Exchange movements		**(602)**	(508)
Hyperinflation adjustment in the year	1	**6**	5
Current tax on hedge of net investments and quasi-equity loans		**(197)**	(115)
Items that may be reclassified to profit and loss		**(793)**	(618)
Net actuarial losses on retirement benefits	24	**(99)**	(376)
Deferred tax relating to net actuarial losses on retirement benefits		**37**	135
Items that will not be reclassified to profit and loss		**(62)**	(241)
Other comprehensive expense for the year, net of tax		**(855)**	(859)
Total comprehensive income for the year		**1,892**	1,597
Attributable to:			
Owners of the parent		**1,783**	1,484
Non-controlling interests		**109**	113
Total comprehensive income for the year		**1,892**	1,597

CONSOLIDATED BALANCE SHEET

at 30 September 2024

£ million	Notes	2024	2023
Non-current assets			
Intangible assets	12	**15,938**	16,944
Property, plant and equipment	13	**1,561**	1,617
Right of use assets	14	**362**	326
Investments accounted for using the equity method	15	**56**	55
Retirement benefit assets	24	**376**	414
Trade and other receivables	17	**118**	63
Derivative financial instruments	21/22	**330**	824
Deferred tax assets	23	**889**	653
		19,630	20,896
Current assets			
Inventories	16	**4,080**	4,522
Trade and other receivables	17	**2,645**	2,490
Current tax assets	8	**249**	112
Cash and cash equivalents	18	**1,078**	1,345
Derivative financial instruments	21/22	**144**	126
		8,196	8,595
Total assets		**27,826**	29,491
Current liabilities			
Borrowings	20	**(1,191)**	(1,499)
Derivative financial instruments	21/22	**(187)**	(174)
Lease liabilities	14	**(86)**	(81)
Trade and other payables	19	**(9,497)**	(9,579)
Current tax liabilities	8	**(412)**	(418)
Provisions	25	**(89)**	(148)
		(11,462)	(11,899)
Non-current liabilities			
Borrowings	20	**(7,506)**	(7,882)
Derivative financial instruments	21/22	**(622)**	(829)
Lease liabilities	14	**(300)**	(268)
Trade and other payables	19	**(86)**	(27)
Deferred tax liabilities	23	**(780)**	(871)
Retirement benefit liabilities	24	**(819)**	(807)
Provisions	25	**(222)**	(266)
		(10,335)	(10,950)
Total liabilities		**(21,797)**	(22,849)
Net assets		**6,029**	6,642
Equity			
Share capital	26	**91**	97
Share premium and capital redemption	26	**5,849**	5,843
Retained earnings		**(479)**	(674)
Exchange translation reserve		**(19)**	755
Equity attributable to owners of the parent		**5,442**	6,021
Non-controlling interests		**587**	621
Total equity		**6,029**	6,642

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2024

£ million	Share capital	Share premium and capital redemption	Retained earnings	Exchange translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 October 2023	**97**	**5,843**	**(674)**	**755**	**6,021**	**621**	**6,642**
Profit for the year	**–**	**–**	**2,613**	**–**	**2,613**	**134**	**2,747**
Exchange movements on retranslation of net assets	**–**	**–**	**–**	**(1,235)**	**(1,235)**	**(25)**	**(1,260)**
Exchange movements on net investment hedges	**–**	**–**	**–**	**540**	**540**	**–**	**540**
Exchange movements on quasi-equity loans	**–**	**–**	**–**	**118**	**118**	**–**	**118**
Hyperinflation adjustment in the year	**–**	**–**	**6**	**–**	**6**	**–**	**6**
Current tax on hedge of net investments and quasi-equity loans	**–**	**–**	**–**	**(197)**	**(197)**	**–**	**(197)**
Net actuarial losses on retirement benefits	**–**	**–**	**(99)**	**–**	**(99)**	**–**	**(99)**
Deferred tax relating to net actuarial losses on retirement benefits	**–**	**–**	**37**	**–**	**37**	**–**	**37**
Other comprehensive expense	**–**	**–**	**(56)**	**(774)**	**(830)**	**(25)**	**(855)**
Total comprehensive income/(expense)	**–**	**–**	**2,557**	**(774)**	**1,783**	**109**	**1,892**
Transactions with owners							
Costs of employees' services compensated by share schemes	**–**	**–**	**45**	**–**	**45**	**–**	**45**
Current tax on share-based payments	**–**	**–**	**4**	**–**	**4**	**–**	**4**
Repurchase of shares	**(6)**	**6**	**(1,115)**	**–**	**(1,115)**	**–**	**(1,115)**
Changes in non-controlling interests	**–**	**–**	**(4)**	**–**	**(4)**	**(7)**	**(11)**
Deferred tax on share-based payments	**–**	**–**	**2**	**–**	**2**	**–**	**2**
Remeasurement of put/call option	**–**	**–**	**5**	**–**	**5**	**–**	**5**
Dividends paid	**–**	**–**	**(1,299)**	**–**	**(1,299)**	**(136)**	**(1,435)**
At 30 September 2024	**91**	**5,849**	**(479)**	**(19)**	**5,442**	**587**	**6,029**
At 1 October 2022	103	5,837	(443)	1,363	6,860	613	7,473
Profit for the year	–	–	2,328	–	2,328	128	2,456
Exchange movements on retranslation of net assets	–	–	–	(942)	(942)	(15)	(957)
Exchange movements on net investment hedges	–	–	–	427	427	–	427
Exchange movements on quasi-equity loans	–	–	–	22	22	–	22
Hyperinflation adjustment in the year	–	–	5	–	5	–	5
Current tax on hedge of net investments and quasi-equity loans	–	–	–	(115)	(115)	–	(115)
Net actuarial gains on retirement benefits	–	–	(376)	–	(376)	–	(376)
Deferred tax relating to net actuarial gains on retirement benefits	–	–	135	–	135	–	135
Other comprehensive expense	–	–	(236)	(608)	(844)	(15)	(859)
Total comprehensive income/(expense)	–	–	2,092	(608)	1,484	113	1,597
Transactions with owners							
Costs of employees' services compensated by share schemes	–	–	41	–	41	–	41
Repurchase of shares	(6)	6	(1,006)	–	(1,006)	–	(1,006)
Changes in non-controlling interests	–	–	1	–	1	(1)	–
Deferred tax on share-based payments	–	–	1	–	1	–	1
Registration of put/call option	–	–	(48)	–	(48)	–	(48)
Dividends paid	–	–	(1,312)	–	(1,312)	(104)	(1,416)
At 30 September 2023	97	5,843	(674)	755	6,021	621	6,642

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September 2024

£ million	2024	2023
Cash flows from operating activities		
Operating profit	3,554	3,402
Dividends received from investments accounted for using the equity method	9	7
Depreciation, amortisation and impairment	647	632
Profit on disposal of non-current assets	(13)	(39)
Loss on disposal of subsidiaries	–	1
Post-employment benefits	(45)	(29)
Share-based payments	46	31
Other non-cash items	(1)	40
Movement in provisions	(102)	21
Operating cash flows before movement in working capital	4,095	4,066
Decrease/(increase) in inventories	205	(551)
(Increase)/decrease in trade and other receivables	(318)	46
Increase in trade and other payables	213	158
Movement in working capital	100	(347)
Tax paid	(888)	(590)
Net cash generated from operating activities	3,307	3,129
Cash flows from investing activities		
Interest received	15	10
Proceeds from the sale of non-current assets	50	71
Purchase of non-current assets	(371)	(325)
Purchase of brands and operations	(42)	(183)
Net cash used in investing activities	(348)	(427)
Cash flows from financing activities		
Acquisition of non-controlling interests	(49)	-
Interest paid	(431)	(417)
Lease liabilities paid	(93)	(92)
Increase in borrowings	3,848	1,462
Repayment of borrowings	(3,948)	(1,518)
Cash flows relating to derivative financial instruments	(34)	(64)
Repurchase of shares	(1,020)	(1,006)
Dividends paid to non-controlling interests	(136)	(104)
Dividends paid to owners of the parent	(1,299)	(1,312)
Net cash used in financing activities	(3,162)	(3,051)
Net decrease in cash and cash equivalents	(203)	(349)
Cash and cash equivalents at start of year	1,345	1,850
Effect of foreign exchange rates on cash and cash equivalents	(64)	(156)
Cash and cash equivalents at end of year	1,078	1,345

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements comprise the results of the Company, a public company limited by shares, incorporated in England and Wales, and its subsidiary undertakings, together with the Group's share of the results of its associates and joint arrangements. The Company's registered number is 3236483 and its registered address is 121 Winterstoke Road, Bristol, BS3 2LL.

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("UK-adopted IAS").

The financial statements have been prepared under the historical cost convention except where fair value measurement is required under IFRS Accounting Standards ("IFRS") as described below in the accounting policies on financial instruments, and on a going concern basis.

The consolidated financial statements are presented in pounds sterling, the presentation currency of the Group, and the functional currency of the Company. All values are rounded to the nearest one million (£1 million) except where otherwise indicated.

Alternative performance measures

Information on Alternative Performance Measures (APMs) is presented within the Supplementary Information section of this document.

Basis for 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.

The Group recognises there can be uncertainty in the external environment, however, during past periods of disruption (e.g. COVID-19, political uncertainty in Russia, Ukraine and the Middle East), the Group effectively managed operations across the world and has proved it has an established mechanism to operate efficiently despite this uncertainty. The Directors consider that a one-off discrete event with immediate cash outflow is of greatest concern to the short-term liquidity of the Group.

The Directors have assessed the emerging and principal risks of the business, including stress testing a range of different scenarios that may affect the business. These included scenarios which examined the implications of:

- A one-off discrete event resulting in immediate cash outflow such as unexpected duty and tax payments; and/or other legal and regulatory risks materialising of c.£500 million
- A rapid and lasting deterioration to the Group's profitability because markets become closed to tobacco products or there are sustained failures to our tobacco manufacturing and supply chains. These assumed a permanent reduction in profitability of 10% from 1 October 2024

The scenario planning also considered mitigation actions including reductions to capital expenditure, dividend payments and share buyback programme. There are additional actions that were not modelled but could be taken including other cost mitigations such as staff redundancies, working capital management, retrenchment of leases and discussions with lenders about capital structure.

Under the reverse stress test scenario, after considering mitigation actions including reductions of capital expenditure, dividend payments and share buyback programme, we have modelled that a 37% EBITDA reduction would lead the Group to have sufficient headroom until 30 November 2025.

The Group believes this reverse stress test scenario to be remote given the relatively small impact on our trading performance and bad debt levels during the COVID-19 pandemic and political uncertainty with regard to Ukraine and Russia. In this scenario the Group would implement a number of mitigating actions including revoking the uncommitted dividend, pausing the share buyback and reducing discretionary spend such as capital expenditure.

Based on its review of future cash flows covering the period through to 30 November 2025, 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 their operational needs from the date of this report for a period of 12 months from the date of approval of the financial statements and concludes that it is appropriate to prepare the financial statements on a going concern basis.

Imperial Brands PLC (the Company) provides guarantees to a number of subsidiaries under section 479A of the Companies Act 2006, whereby the subsidiaries, incorporated in the UK and Ireland, are exempt from the requirements of the Act relating to the audit of individual accounts for the financial year ending 30 September 2024. See note VIII Guarantees of the Imperial Brands PLC financial statements for further details.

An amendment to IAS1 Presentation of Financial Statements requires the disclosure of material accounting policy information as part of the notes to the accounts and these are set out below. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence a decision that the primary users of general purpose financial statements make on the basis of those financial statements.

NOTES TO THE FINANCIAL STATEMENTS *continued*

The material accounting policies, which have been applied consistently other than where new policies (detailed below) have been adopted, are set out below.

Basis of consolidation

Subsidiaries are those entities controlled by the Group. Control exists when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

The acquisition method of accounting is used to account for the purchase of subsidiaries. The excess of the value transferred to the seller in return for control of the acquired business together with the fair value of any previously held equity interest in that business over the Group's share of the fair value of the identifiable net assets is recorded as goodwill.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless costs cannot be recovered.

Material accounting policies

Foreign currency

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the company operates (the functional currency).

The income and cash flow statements of Group companies using non-sterling functional currencies are translated to sterling (the Group's presentational currency) at average rates of exchange in each period. Assets and liabilities of these companies are translated at rates of exchange ruling at the balance sheet date. The differences between retained profits and losses translated at average and closing rates are taken to reserves, as are differences arising on the retranslation of the net assets at the beginning of the year.

Transactions in currencies other than a company's functional currency are initially recorded at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement with exchange differences arising on trading transactions being reported in operating profit, and those arising on financing transactions being reported in net finance costs unless as a result of net investment hedging they are reported in other comprehensive income.

The Group designates as net investment hedges certain external borrowings and derivatives up to the value of the net assets of Group companies that use non-sterling functional currencies after deducting permanent intercompany loans. Gains or losses on these hedges that are regarded as highly effective are transferred to other comprehensive income, where they offset gains or losses on translation of the net investments that are recorded in equity, in the exchange translation reserve.

The Group's financial results are principally exposed to euro and US dollar exchange rates, which are detailed in the table below.

	2024		2023	
	Closing rate	**Average rate**	Closing rate	Average rate
Euro	**1.1985**	**1.1694**	1.1545	1.1487
US dollar	**1.3384**	**1.2681**	1.2214	1.2264

Revenue recognition

For the Tobacco & Next Generation Products (Tobacco & NGP) business, revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts. Revenue is based on the completion of performance obligations that constitute the delivery of goods. The performance obligation is recognised as complete at the point in time when a Group company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

The Group recognises income arising from the licensing of intellectual property, occurring in the ordinary course of business, which is treated as revenue. Licensing revenue will be recognised over the period of the licence. The licences granted are distinct from other promises in the contract.

For the Distribution business, revenue comprises the invoiced value for the sale of goods and services net of sales taxes, rebates and discounts when goods have been delivered or distribution services have been provided. The Distribution business only recognises commission revenue on purchase and sale transactions in which it acts as a commission agent. Distribution and marketing commissions are included in revenue. Revenue is recognised on products on consignment when these are sold by the consignee. The performance obligations associated with distribution services, which include fees for distributing certain third-party products, are linked to the successful distribution of products for customers.

Payments are made to both direct and indirect customers for rebates, discounts and other promotional activities. Direct customers are those to which the Group supplies goods or services. Indirect customers are other entities within the supply chain to the end consumer. Rebates and discounts are deducted from revenue. Where the contract with customers has an entitlement to variable consideration due to the existence of retrospective rebates and discounts, revenue is estimated based on the amount of consideration expected to be received. This estimation is a determination of the most likely amount to be received using all known factors including historic experience. Typically, there is a high degree of certainty over the amount of retrospective rebates/discounts paid due to relatively low year-on-year variations in the volume and pattern of product sales. As the provision of distribution services typically involves product delivery tasks undertaken in a short period of time, revenue and any associated rebates and discounts relating to these services do not normally span an accounting year end.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Payments for promotional activities will also be deducted from revenue where the payments relate to goods or service that are closely related to or indistinct from associated sales of goods or services to that customer. The calculated costs are accrued and accounted for as incurred and matched as a deduction from the associated revenues (i.e. excluded from revenues reported in the Group's consolidated income statement).

Duty and similar items

Duty and similar items includes duty and levies having the characteristics of duty. In countries where duty is a production tax, duty is included in revenue and in cost of sales in the consolidated income statement. Duty is regarded as a sales tax and excluded from revenue where:

- duty becomes payable to the tax authority when the goods are sold;
- there is an obligation to change the sales price when a change in the rate of duty is imposed; and
- there is a requirement to identify the duty separately on sales information such as invoices.

Payments made in the USA under the Master Settlement Agreement are recognised in other cost of sales; for further disclosure see note 30 contingent liabilities.

Taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years. Current tax assets and liabilities are offset to the extent the entity has a legally enforceable right to set off the recognised amounts, and it intends to either settle on a net basis or realise the asset and settle the liability simultaneously.

Uncertain tax positions are assessed and measured on an issue by issue basis within the jurisdictions where we operate using management's estimate of the most likely outcome. Where management determines that a greater than 50% probability exists that the tax authorities would accept the position taken in the tax return, amounts are recognised in the consolidated financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability or asset based on either: management's judgement of the most likely outcome; or, when there is a wide range of possible outcomes, a probability weighted average approach. The Group recognises interest on late paid taxes as part of financing costs. The Group recognises penalties, if applicable, as part of administrative and other expenses.

Deferred tax is provided in full on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax base, except if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be realised. Deferred tax is determined using the tax rates that have been enacted or substantively enacted at the balance sheet date, and are expected to apply when the deferred tax liability is settled or the deferred tax asset is realised.

Deferred tax assets and deferred tax liabilities are offset to the extent the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Dividends

Final dividends are recognised as a liability in the period in which the dividends as approved by the Board of Directors are approved by shareholders, whereas interim dividends as approved by the Board of Directors are recognised in the period in which the dividends are paid.

Intangible assets - goodwill

Goodwill represents the excess of value transferred to the seller in return for control of the acquired business together with the fair value of any previously held equity interest in that business over the Group's share of the fair value of the identifiable net assets.

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the consolidated income statement and cannot be subsequently reversed. If any negative goodwill arises this is recognised immediately in the consolidated income statement. For the purpose of impairment testing, goodwill is allocated to groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Intangible assets - other

Other intangible assets are initially recognised in the consolidated balance sheet at historical cost unless they are acquired as part of a business combination, in which case they are initially recognised at fair value. They are shown in the balance sheet at historical cost less accumulated amortisation and impairment. The Group does not operate a revaluation model and therefore assets are not subject to ongoing revaluations.

NOTES TO THE FINANCIAL STATEMENTS *continued*

These assets consist mainly of acquired trademarks, intellectual property, product development, acquired customer relationships and computer software. The Davidoff cigarette trademark is considered by the Directors to have an indefinite life based on the fact that it is an established international brand with global potential. Trademarks with indefinite lives are not amortised but are reviewed annually for impairment. The carrying value of Davidoff is subject to an annual impairment review under the requirements of IAS 36 as the Group does not currently foresee a limit to the period over which the asset is expected to generate net cash inflows. The most recent assessment indicates that the carrying value is not impaired.

Intellectual property (including trademarks), product development, supply agreements (including customer relationships) and computer software are amortised over their estimated useful lives as follows:

Intellectual property	5 - 30 years	straight line
Supply agreements	3 - 15 years	straight line
Software	3 - 10 years	straight line
Product development	3 - 10 years	straight line

Property, plant and equipment

Property, plant and equipment are recognised in the consolidated balance sheet at historical cost or at their initial fair value where they are acquired as part of an acquisition, subject to depreciation or impairment. The Group does not operate a revaluation model and therefore assets are not subject to ongoing revaluations.

Land is not depreciated and depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on other property, plant and equipment so as to write down the initial cost of each asset to its residual value over its estimated useful life as follows:

Property	up to 50 years	straight line
Plant and equipment	2 - 20 years	straight line/reducing balance
Fixtures and motor vehicles	2 - 15 years	straight line

The assets' residual values and useful lives are reviewed and, if appropriate, adjusted at each balance sheet date.

Financial instruments and hedging

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Receivables held under a hold to collect business model are stated at amortised cost. Receivables held under a hold to sell business model, which are expected to be sold via a non-recourse factoring arrangement, are separately classified as fair value through profit or loss, within trade and other receivables.

The calculation of impairment provisions is subject to an expected credit loss model, involving a prediction of future credit losses based on past loss patterns. The approach involves the recognition of provisions relating to potential future impairments, in addition to impairments that have already occurred. The expected credit loss approach involves modelling of historic loss rates, and consideration of the level of future credit risk. Expected loss rates are then applied to the gross receivables balance to calculate the impairment provision.

Cash and cash equivalents include cash in hand and deposits held on call, together with other short-term highly liquid investments.

Non-derivative financial liabilities, including borrowings and trade payables, are stated at amortised cost. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs. Current liabilities include amounts where the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The Group transacts derivative financial instruments to manage the underlying exposure to foreign exchange and interest rate risks. The Group does not transact derivative financial instruments for trading purposes. Derivative financial instruments are initially recorded at fair value. Derivative financial assets and liabilities are included in the consolidated balance sheet at fair value, and include accrued interest receivable and payable where relevant. However, as the Group has decided (as permitted under IFRS 9) not to cash flow or fair value hedge account for its derivative financial instruments, changes in fair values are recognised in the consolidated income statement in the period in which they arise unless the derivative qualifies and has been designated as a net investment hedging instrument in which case the changes in fair values, attributable to foreign exchange, are recognised in other comprehensive income.

Right of use assets

The Group has lease contracts relating to property and other assets (which predominantly relates to motor vehicles).

The Group recognises right of use assets, at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments which depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments include the exercise of purchase options if determined reasonably certain to be exercised and termination payments if the lease term reflects the exercise of an option to terminate.

NOTES TO THE FINANCIAL STATEMENTS *continued*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate, defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment, at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term in cost of sales or distribution, advertising and selling costs.

Short-term leases, leases of low value assets and practical expedients applied

The Group has applied a number of practical expedients permitted by IFRS 16 Leases. These include:

- the exclusion of leases where the lease term ends within 12 months of the commencement of the lease or date of initial application; and
- the exclusion of leases of low value assets, defined as those of less than US$ 5,000.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory is considered for obsolescence or other impairment issues and an associated provision is booked where necessary.

Leaf tobacco inventory which has an operating cycle that exceeds 12 months is classified as a current asset, consistent with recognised industry practice.

Provisions

A provision is recognised in the consolidated balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle that obligation, and a reliable estimate of the amount can be made.

A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring has either commenced or has been publicly announced, and it is more likely than not that the plan will be implemented, and the amount required to settle any obligations arising can be reliably estimated. Future operating losses are not provided for.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group. Contingent liabilities are not recognised, only disclosed, unless the possibility of a future outflow of resources is considered remote, or where a disclosure would seriously prejudice the position of the Group.

Retirement benefit schemes

For defined benefit schemes, the amount recognised in the consolidated balance sheet is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of the scheme assets to the extent that they are demonstrably recoverable either by refund or a reduction in future contributions. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The service cost of providing retirement benefits to employees during the year is charged to operating profit. Past service costs are recognised immediately in operating profit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time.

All actuarial gains and losses, including differences between actual and expected returns on assets and differences that arise as a result of changes in actuarial assumptions, are recognised immediately in full in the statement of comprehensive income for the period in which they arise. An interest charge is made in the consolidated income statement by applying the rate used to discount the defined benefit obligations to the net defined benefit liability of the schemes. Interest income and costs arising on defined benefit assets and liabilities are presented net in the consolidated income statement. Prior year amounts have been restated having previously presented gross.

For defined contribution schemes, contributions are recognised as an employee benefit expense when they are due.

Treasury shares

When the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted on consolidation from equity attributable to owners of the parent until the shares are reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, increases equity attributable to owners of the parent. When such shares are cancelled they are transferred to the capital redemption reserve.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Where the Group enters into a contract with a third party that contains an obligation to repurchase its own shares for cash or another financial asset, a financial liability is recognised for the present value of the redemption amount. One example is an obligation under a forward contract to repurchase shares in Imperial Brands PLC for cash. The financial liability is recognised initially at the present value of the redemption amount, and is reclassified from equity. Subsequently, the financial liability is measured in accordance with IFRS 9, and is revalued at subsequent reporting points as appropriate. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity.

OTHER ACCOUNTING POLICIES

Joint ventures

The Group applies IFRS 11 Joint Arrangements to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. The financial statements of joint ventures are included in the Group financial statements using the equity accounting method, with the Group's share of net assets included as a single line item entitled "Investments accounted for using the equity method". In the same way, the Group's share of earnings is presented in the consolidated income statement below operating profit entitled "Share of profit of investments accounted for using the equity method".

Share-based payments

The Group applies the requirements of IFRS 2 Share-based Payment to both equity-settled and cash-settled share-based employee compensation schemes. The majority of the Group's schemes are equity-settled.

Equity-settled share-based payments are measured at fair value at the date of grant and are expensed over the vesting period, based on the number of instruments that are expected to vest. For plans where vesting conditions are based on total shareholder returns, the fair value at the date of grant reflects these conditions. Earnings per share and net revenue vesting conditions are reflected in the estimate of awards that will eventually vest. For cash-settled share-based payments, a liability equal to the portion of the services received is recognised at its current fair value at each balance sheet date. Where applicable the Group recognises the impact of revisions to original estimates in the consolidated income statement, with a corresponding adjustment to equity for equity-settled schemes and current liabilities for cash-settled schemes. Fair values are measured using appropriate valuation models, taking into account the terms and conditions of the awards.

The Group funds the purchase of shares to satisfy rights to shares arising under share-based employee compensation schemes. Shares acquired to satisfy those rights are held in Employee Share Ownership Trusts. The Employee Share Ownership Trust is a separate entity which is consolidated within the Group. On consolidation, these shares are accounted for as a deduction from equity attributable to owners of the parent. When the rights are exercised, equity is increased by the amount of any proceeds received by the Employee Share Ownership Trusts.

Hyperinflation

The Turkish economy was designated hyperinflationary from April 2022. The Group has applied IAS 29 Financial Reporting in Hyperinflationary Economies to its Turkish operations with effect from 1 October 2021. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, the comparative figures for the year ended 30 September 2023 have not been modified. The adjustments required by IAS 29 are set out below.

- Adjustment of historical cost non-monetary assets and liabilities from their date of initial recognition to the balance sheet date (1 October 2021) to reflect the changes in purchasing power of the currency caused by inflation, as measured by the official Consumer Price Index (CPI) published by the Turkish Statistical Institute (TurkStat).
- Adjustment of the components of the income statement and cash flow statement for the inflation index since their generation, with a balancing entry in the income statement and a reconciling item in the cash flow statement, respectively.
- Adjustment of the income statement to reflect the impact of inflation on holding monetary assets and liabilities in local currency, where necessary.
- The financial statements of the Group's Turkish operations have been translated into sterling at the closing exchange rate at 30 September 2024.
- The impact of adjustments to non-monetary assets, recognising inflation from the adoption date to the closing balance sheet date, on translation into sterling at the closing balance sheet rate has been recognised within other comprehensive income.

The TurkStat CPI index was 2,526.16 at 30 September 2024 (1,691.04 at 30 September 2023 and 1,046.89 at 30 September 2022). The inflation index for the year is therefore 1.4939 (2023: 1.6153). The impact on the Group's results remains immaterial.

New accounting standards

There have been no changes to accounting standards that have significantly impacted the accounting or disclosures within the financial statements for the year ended 30 September 2024.

New accounting standards that are effective after the year ended 30 September 2024

There are a number of amendments and clarifications to IFRS, effective in future years and, with the exception of IFRS 18 Presentation and Disclosure in Financial Statements, none of these are expected to significantly impact the Group's consolidated results or financial position.

IFRS 18 - Presentation and Disclosure in Financial Statements
This new accounting standard is effective for the year ended 30 September 2028 and will involve a change to the structure of the primary financial statements. This requires entities to classify income and expenses into five categories – operating, investing, financing, income tax and discontinued operations. In addition, certain "non-GAAP" measures – alternative performance measures (APMs) – will now form part of the audited financial statements, and require mandatory definitions and reconciliation to GAAP measures. The Group is presently reviewing the impact of this standard which is expected to fundamentally change the structure of the presentation of the Income statement. The Group already complies with the requirements related to Alternative Performance Measures through the voluntary disclosures that are included within the Supplementary Information section of this report. Therefore, there is expected to be minimal impact related to APM disclosures.

2. 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.

Estimates

Significant estimates
Companies are required to state whether estimates have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year. We have reviewed the items below where estimation uncertainty exists. While a number of these areas do involve estimation of the carrying value of assets or liabilities that are potentially significant within the context of the financial statements, the Group considers the probability of a significant risk of material adjustment to be low. None of these estimates are expected to present a material adjustment to the carrying amount of assets and liabilities in the next financial year. Therefore, no significant estimates are required to be disclosed.

Other estimates
Other estimates involve other uncertainties, such as those carrying lower risk, which have a smaller potential impact or would be expected to crystallise over a longer time frame than a significant estimate. These items, listed below, are only disclosed where this provides material relevant information.

Determination of useful economic life of intangible assets
For non-goodwill intangible assets, there is a need to estimate the useful economic life of each asset. This includes determining whether the asset has an indefinite useful economic life, or not. The Davidoff trademark has a significant market share and positive cash flow growth expectations. There are no regulatory or contractual restrictions on the use of this trademark, and there are no plans to significantly redirect resources elsewhere which would reduce the value of this asset. Consequently, in the view of management, the Davidoff trademark does not have a foreseeable and definite end to its ability to generate future cash flows and hence it is not amortised. The carrying value of Davidoff is subject to an annual impairment review under the requirements of IAS 36. The most recent assessment indicates that the carrying value is not impaired.

Amortisation and impairment of intangible assets
For non-indefinite life assets, which are amortised, the useful economic life and recoverable amounts are estimated based upon the expectation of the time period during which an intangible asset will support future cash flows, and the quantum of those cash flows. Due to estimation uncertainties the useful economic lives and associated amortisation rates have to be reviewed and revised where necessary. In addition, where there are indications that the current carrying value of an intangible asset is greater than its recoverable amount, an impairment to the carrying value of the asset may be required. Factors considered important that could trigger an impairment review of intangible assets include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- significant negative industry or economic trends.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to intangible assets can affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions significantly change it is possible that materially different amounts could be reported in the Group's financial statements in future periods. Indefinite life intangible assets, including goodwill, are subject to annual impairment testing where an assessment of the carrying value of the asset against its recoverable amount is undertaken. There are long-term uncertainties associated with estimating the value of the recoverable amount, particularly with regard to long-term cash flow growth rates which are influenced by the future size and shape of the tobacco sector. While long-term growth rates currently used in impairment assessments are based on current best estimates of future performance, there may be changes in these assumptions when conducting impairment tests in subsequent years. Details of goodwill and intangible asset impairment assessments are included in note 12.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Corporate income taxes

Where tax liabilities have been judged to exist, estimation is often required to determine the potential future tax payments. The Group is subject to tax in numerous jurisdictions and significant estimation is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. Consideration of the valuation estimates related to tax provisions is given in note 8 to these financial statements.

Other legal proceedings and disputes

Where a liability is determined there can be a degree of estimation of the potential level of damages expected. Key areas of estimation uncertainty include consideration as to the expected future amount to be paid out in the event the claim succeeds. In some situations where a probability risk calculation is required to determine the amount of an associated provision, both the quantum of future payments and the probability of those payments crystallising needs to be considered, both factors having a degree of uncertainty. More detail as to the considered position of these claims is given in note 25 and note 30 of the financial statements. To the extent that the Group's assessments at any time do not reflect subsequent developments or the eventual outcome of any claim, its future financial statements may be materially affected, with a favourable or adverse impact upon the Group's operating profit, financial position and liquidity.

Climate change

The Group has a designated programme to manage and mitigate climate-related risks. The effect of climate change is not considered to have a material effect on the estimates in the financial statements. Governmental and societal responses to climate change risks are still developing and consequently financial statements cannot capture all possible future outcomes as these are not yet known or don't have sufficient certainty to be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK-adopted IAS. Please refer to the following sections for further discussion on the impact of climate change relating to going concern assumptions in note 1, intangible assets impairment assumptions in note 12 and recoverability of deferred tax assets in note 23.

Judgements

Paragraph 122 of IAS 1 requires disclosure of judgements made by management in applying an entity's accounting policies, other than those relating to estimation uncertainty. Paragraph 125 of IAS 1 requires more wide-ranging disclosures of judgements that depend on management assumptions about the future, and other major sources of estimation uncertainty ("significant judgements").

Corporate income taxes

Judgement is involved in determining whether the Group is subject to a tax liability or not in line with tax law. The Group is subject to income tax in numerous jurisdictions and significant judgement is required in determining whether there is a liability requiring a provision for tax. Recognition of tax liabilities in situations where there is uncertainty is based on precedent in similar tax cases and external advice as to whether challenges by tax authorities are likely to result in future tax payments being made. The recognition of a tax liability involves consideration of the probability of tax authorities accepting the position taken in the tax return and there is therefore some uncertainty.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the temporary differences, losses and credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Group has determined that it cannot recognise deferred tax assets on the temporary differences, tax losses and tax credits carried forward for certain subsidiaries. Further details of the estimates related to deferred taxes are given in note 23 to these financial statements.

Legal proceedings and disputes

The Group reviews outstanding legal cases following developments in the legal proceedings at each balance sheet date, considering the nature of the litigation, claim or assessment; the legal processes and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought; the progress of the case (including progress after the date of the financial statements but before those statements are issued); the opinions or views of legal counsel and other advisers; experience of similar cases; and any decision of the Group's management as to how it will respond to the litigation, claim or assessment. Judgement is required as to whether a liability exists. A provision will only be recognised where it is probable that the Group will be required to settle a claim.

Control of Logista

A key judgement relates to whether the Group has effective control of Logista sufficient that the Group can consolidate this entity within its Group accounts in line with the requirements of IFRS 10 Consolidated Financial Statements. The Group holds 50.01% of the voting shares. The Group has reviewed its control of Logista and that it is appropriate to consolidate this entity in line with the requirements of IFRS 10 Consolidated Financial Statements. The Group continues to have Director presence on the Board of Logista, representing 5 out of 12 Directors. The Group has powers to control as set out in the Relationship Framework Agreement which specifies certain areas of operation reserved for shareholder approval and through these measures the Group is able to exercise control of Logista. The Group has therefore concluded that it continues to be appropriate to recognise Logista as a fully consolidated subsidiary.

NOTES TO THE FINANCIAL STATEMENTS *continued*

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 associated manufacturers, including Imperial Brands, as well as a wide range of 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.

The function of the 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 the Group's 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.

The Group's reportable segments are Europe, Americas, Africa, Asia, Australasia and Central & Eastern Europe (AAACE) and Distribution. Operating segments are comprised of geographical groupings of business markets. The main Tobacco & NGP business markets within the Europe, Americas and AAACE reportable segments are:

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

Americas – United States.

AAACE – Australia, Saudi Arabia, Taiwan, Poland, Czech Republic, Ukraine, Slovakia, Hungary, Slovenia and African markets including Algeria and Morocco.

Tobacco & NGP

£ million unless otherwise indicated	**2024** Tobacco	**2024** NGP	**2024** Tobacco & NGP	2023 Tobacco	2023 NGP	2023 Tobacco & NGP
Revenue	**21,708**	**376**	**22,084**	22,114	299	22,413
Net revenue	**7,828**	**329**	**8,157**	7,747	265	8,012
Operating profit/(loss)	**3,321**	**(83)**	**3,238**	3,262	(156)	3,106
Adjusted operating profit			**3,587**			3,583
Adjusted operating margin %			**44.0**			44.7

Distribution

£ million unless otherwise indicated	**2024**	2023
Revenue	**11,104**	10,819
Distribution gross profit	**1,503**	1,466
Operating profit	**322**	298
Adjusted operating profit	**330**	306
Adjusted operating margin %	**22.0**	20.9

Revenue

£ million	**2024** Total revenue	**2024** External revenue	2023 Total revenue	2023 External revenue
Tobacco & NGP				
Europe	**12,037**	**11,260**	11,749	10,992
Americas	**3,657**	**3,657**	3,700	3,700
AAACE	**6,390**	**6,390**	6,964	6,964
Total Tobacco & NGP	**22,084**	**21,307**	22,413	21,656
Distribution	**11,104**	**11,104**	10,819	10,819
Eliminations	**(777)**	**–**	(757)	–
Total Group	**32,411**	**32,411**	32,475	32,475

The eliminations all relate to Tobacco & NGP sales to Distribution.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Tobacco & NGP net revenue

£ million	Tobacco	NGP	Total	Tobacco	NGP	Total
			2024			2023
Europe	**3,106**	**260**	**3,366**	3,020	220	3,240
Americas	**2,793**	**43**	**2,836**	2,778	34	2,812
AAACE	**1,929**	**26**	**1,955**	1,949	11	1,960
Total Tobacco & NGP	**7,828**	**329**	**8,157**	7,747	265	8,012

Adjusted operating profit and reconciliation to profit before tax

£ million	2024	2023
Tobacco & NGP		
Europe	**1,541**	1,482
Americas	**1,235**	1,257
AAACE	**811**	844
Total Tobacco & NGP	**3,587**	3,583
Distribution	**330**	306
Eliminations	**(6)**	(2)
Adjusted operating profit	**3,911**	3,887
Russia, Ukraine and associated markets - Tobacco & NGP	**–**	(4)
Amortisation and impairment of acquired intangibles - Tobacco & NGP	**(345)**	(339)
Amortisation of acquired intangibles - Distribution	**(8)**	(8)
Fair value adjustment and impairment of other financial assets - Tobacco & NGP	**–**	(36)
Loss on disposal of subsidiaries - Tobacco & NGP	**–**	(1)
Charges related to legal provisions - Tobacco & NGP	**–**	(85)
Structural changes to defined benefit pension schemes - Tobacco & NGP	**(4)**	(12)
Operating profit	**3,554**	3,402
Net finance costs	**(534)**	(298)
Share of profit of investments accounted for using the equity method	**9**	7
Profit before tax	**3,029**	3,111

Other information

£ million	Additions to property, plant and equipment	Depreciation and software amortisation	Other intangible asset amortisation	Inventory impairments
				2024
Tobacco & NGP				
Europe	**60**	**88**	**7**	**16**
Americas	**30**	**27**	**1**	**4**
AAACE	**51**	**40**	**–**	**11**
Total Tobacco & NGP	**141**	**155**	**8**	**31**
Distribution	**38**	**37**	**–**	**–**
Total Group	**179**	**192**	**8**	**31**

£ million	Additions to property, plant and equipment	Depreciation and software amortisation	Other intangible asset amortisation	Inventory impairments
				2023
Tobacco & NGP				
Europe	69	79	10	30
Americas	36	20	1	3
AAACE	46	41	–	13
Total Tobacco & NGP	151	140	11	46
Distribution	40	41	–	–
Total Group	191	181	11	46

The above tables include items that have been recognised within segment adjusted operating profit. Materiality has been assessed on both a qualitative and quantitative basis.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Additional geographic analysis

External revenue and non-current assets are presented for individually significant countries. The geographical analysis is based on country of origin. The Group's products are sold in over 120 countries.

£ million	2024 External revenue	2024 Non-current assets	2023 External revenue	2023 Non-current assets
UK	**3,781**	**161**	3,926	148
Germany	**4,501**	**3,156**	4,142	3,245
France	**3,374**	**2,282**	3,428	2,350
USA	**3,648**	**4,968**	3,657	5,646
Other	**17,107**	**7,350**	17,322	7,553
Total Group	**32,411**	**17,917**	32,475	18,942

Non-current assets comprise intangible assets, property, plant and equipment, right of use assets and investments accounted for using the equity method.

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

£ million	2024	2023
Raw materials and consumables used	**950**	773
Changes in inventories of finished goods - Tobacco & NGP	**2,516**	2,630
Changes in inventories of finished goods - Distribution	**8,243**	7,994
Depreciation and impairment of fixed assets	**153**	153
Amortisation and impairment of intangible assets and investments accounted for using the equity method	**399**	394
Expenses relating to short-term leases	**10**	4
Expenses relating to low value asset leases	**2**	1
Depreciation and impairment of right of use assets	**95**	85
Net foreign exchange gains	**(3)**	(11)
Write down of inventories	**28**	40
Profit on disposal of non-current assets	**13**	39
Write back of trade receivables	**(3)**	(5)

Analysis of fees payable to Ernst & Young LLP and its associates

£ million	2024	2023
Parent Company and consolidated financial statements	**3.2**	3.1
The Company's subsidiaries	**6.8**	6.5
Total audit fees	**10.0**	9.6
Audit-related assurance services	**0.5**	0.5
Total audit-related fees	**10.5**	10.1
Other assurance services	**1.2**	0.5
Total non-audit fees	**1.2**	0.5
Total auditor's remuneration	**11.7**	10.6

Audit fees for the year ended 30 September 2023 reflect the final amounts paid.

NOTES TO THE FINANCIAL STATEMENTS *continued*

5. INVESTMENT INCOME AND FINANCE COSTS

£ million	2024	2023
Investment income		
Fair value gains on derivative financial instruments	513	707
Net exchange gains on financing activities	9	10
Interest income on net defined benefit assets	22	43
Interest income on bank deposits	16	12
Total investment income	560	772
Finance costs		
Fair value losses on derivative financial instruments	(632)	(568)
Interest cost on net defined benefit liabilities	(33)	(30)
Tax interest cost	(10)	(50)
Interest cost on lease liabilities	(14)	(10)
Interest cost on bank and other loans	(404)	(412)
Effect of discounting on long-term provisions	(1)	–
Total finance costs	(1,094)	(1,070)
Net finance costs	(534)	(298)

Prior year amounts for interest income/(cost) on net defined benefit assets/(liabilities) have been reclassified to be in accordance with IAS19 to show the net amounts per defined benefit scheme, having previously been presented gross. Total investment income and total finance costs have been reclassified accordingly. The effect is offsetting in nature and reduces both amounts by £135 million. There is no impact to net finance costs or the other primary statements.

6. RESTRUCTURING COSTS

	2024		2023	
£ million	Costs	Cash spend	Costs	Cash spend
2021 Strategic review programme	–	25	–	61
Other	–	18	–	37
	–	43	–	98

Restructuring projects involve significant one-off costs that are incurred in integrating acquired businesses and in major rationalisation and optimisation initiatives together with their related tax effects.

As these projects are not part of business as usual, any costs incurred are classified as restructuring costs and are included within administrative and other expenses in the consolidated income statement and treated as adjusting items.

No accounting charges have been recognised in the current period in relation to historic restructuring programmes, however there remain some ongoing cash costs to be incurred which are not expected to be in excess of existing provisions.

NOTES TO THE FINANCIAL STATEMENTS *continued*

7. DIRECTORS AND EMPLOYEES

Employment costs

£ million	2024	2023
Wages and salaries	**923**	882
Social security costs	**202**	186
Other pension costs (note 24)	**29**	41
	1,154	1,109
Share-based payments (note 27)	**32**	31
	1,186	1,140

Operating executive (excluding executive directors)

£ million	2024	2023
Base salary	**4.6**	4.7
Benefits	**0.7**	0.9
Pension salary supplement	**0.6**	0.7
Bonus	**4.9**	4.8
Termination payments	**0.2**	2.1
LTIP annual vesting[1]	**7.2**	7.8
	18.2	21.0

1. Share plans vesting represent the value of LTIP awards (inclusive of Recruitment Awards) where the performance periods ends in the year.

Note: aggregate remuneration paid to or receivable by Executive Directors, Non-Executive Directors and members of the Executive Leadership Team for qualifying services in accordance with IAS 24, which includes National Insurance and similar charges, was £37,049,852 (2023: £39,323,966).

Key management compensation[1]

£ million	2024	2023
Short-term employee benefits	**17.7**	17.0
Termination payments	**0.2**	2.1
Share-based payments (in accordance with IAS 24)	**14.4**	15.0
	32.3	34.1

1. Key management includes Directors, members of the Executive Committee and the Company Secretary.

Details of Directors' emoluments and interests, and of key management compensation which represent related-party transactions requiring disclosure under IAS 24, are provided within the Directors' Remuneration Report. The Directors' Remuneration Report includes details on salary, benefits, pension and share plans. These disclosures form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Number of people employed by the Group during the year

	2024		2023	
	At 30 September	**Average**	At 30 September	Average
Tobacco & NGP	**18,900**	**18,400**	18,800	19,100
Distribution	**6,700**	**6,500**	6,400	6,400
	25,600	**24,900**	25,200	25,500

Number of people employed by the Group by location during the year

	2024		2023	
	At 30 September	**Average**	At 30 September	Average
UK and European Union	**12,400**	**12,100**	12,200	11,900
Americas	**4,900**	**4,700**	4,700	5,100
Rest of the World	**8,300**	**8,100**	8,300	8,500
	25,600	**24,900**	25,200	25,500

8. TAX

The major components of income tax expense for the years ended 30 September 2024 and 2023:

	2024	2023
UK current tax		
Current year credited to the consolidated income statement	**(95)**	(55)
Current year charged to consolidated other comprehensive income	**197**	115
Total current year UK current tax	**102**	60
Adjustments in respect of prior years (credited)/charged to the consolidated income statement	**(80)**	15
Total UK current tax	**22**	75
Overseas current tax		
Current year charged to the consolidated income statement	**704**	620
Total current year overseas current tax	**704**	620
Adjustments in respect of prior years charged to the consolidated income statement	**40**	233
Total overseas current tax	**744**	853
Total current tax charged to the consolidated statement of other comprehensive income	**766**	928

£ million	**2024**	2023
UK current tax		
Current year	**(95)**	(55)
Adjustments in respect of prior years	**80**	15
Overseas current tax		
Current year	**704**	620
Adjustments in respect of prior years	**40**	233
Total current tax	**569**	813
Deferred tax		
Relating to origination and reversal of temporary differences	**(287)**	(158)
Total tax charged to the consolidated income statement	**282**	655

NOTES TO THE FINANCIAL STATEMENTS *continued*

£ million	2024	2023
Tax related to items recognised in consolidated other comprehensive income during the year:		
Current tax on hedge of net investment and quasi-equity loans	**197**	115
Total current tax	**197**	115
Deferred tax on actuarial gains and losses	**(37)**	(135)
Deferred tax on hyperinflation adjustment	**2**	1
Total deferred tax	**(35)**	(134)
Total tax credited to consolidated other comprehensive income	**162**	(19)

£ million	2024	2023
Tax related to items recognised in equity during the year:		
Current tax on share-based payments	**(4)**	–
Deferred tax on share-based payments	**(2)**	(1)
Total tax credited to equity	**(6)**	(1)

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 UK corporation tax rate of 25.0% (2023: 22.0%) as follows:

£ million	2024	2023
Profit before tax	**3,029**	3,111
Tax at the UK corporation tax rate of 25.0% (2023: 22.0%)	**757**	684
Tax effects of:		
Differences in effective tax rates on overseas earnings	**(56)**	24
Movement in provision for uncertain tax positions	**170**	211
Remeasurement of deferred tax balances arising from changes in tax rates	**5**	–
Recognition of deferred tax assets for tax credits	**(293)**	–
Remeasurement of previously recognised deferred tax assets	**(2)**	(6)
Increase in previously unrecognised deferred tax assets	**–**	1
Deferred tax on unremitted earnings	**12**	5
Share of profit of investments accounted for using the equity method	**(2)**	(2)
Non-deductible expenses	**24**	24
Non-taxable gains on net foreign exchange on financial instruments	**(198)**	(122)
Recognition of deferred tax assets	**–**	(212)
Provision for state aid tax recoverable	**(101)**	–
Adjustments in respect of prior years	**(34)**	48
Total tax charged to the consolidated income statement	**282**	655

Differences in effective tax rates on overseas earnings represent the impact of worldwide profits being taxed at rates different from 25.0%.

The remeasurement of deferred tax balances arising from changes in tax rates for the year is £5 million (2023: £nil).

During the year the Group has increased the provision for deferred tax on unremitted earnings by £7 million (2023: £5 million increase). The tax will arise on the distribution of profits through the Group and on planned Group simplification.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Movement on the current tax account

£ million	2024	2023
At 1 October	(306)	27
Charged to the consolidated income statement	(569)	(813)
Charged to other comprehensive income	(197)	(115)
Credited to equity	4	–
Cash paid	888	590
Exchange movements	17	6
Balance sheet reclassification	–	(1)
At 30 September	(163)	(306)

The cash tax paid in the year is £303 million higher than the current tax charge (2023: £223 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.

Analysis of current tax account

£ million	2024	2023
State aid tax recoverable	101	–
Current tax assets	148	112
Current tax liabilities	(412)	(418)
	(163)	(306)

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 and deferred tax liabilities. At 30 September 2024 the total value of these provisions excluding offsetting assets under mutual agreement procedure was £365 million (2023: £261 million excluding offsetting assets). 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. Until matters are finally concluded it is possible that amounts ultimately 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 matters 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 on the results of the Group.

French tax litigation

The Group has an ongoing challenge from the French tax authorities, which is now in litigation, and could lead to total liabilities of £254 million including tax, interest, and penalties. The challenge concerns the valuation placed on the shares of Altadis Distribution France (now known as Logista France) following an intragroup 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 May 2023 the Administrative Tribunal of Montreuil issued its decision, ruling in favour of the French tax authorities. In July 2023 the Group appealed to the Administrative Court of Appeal of Paris, with any hearing not expected until December 2024 at the earliest. Whilst the Group has appealed, in the light of the Administrative Tribunal of Montreuil's decision, and having subsequently reassessed the probability of a successful appeal, the Group determined it was appropriate to maintain the provision for uncertain tax positions, of which £64 million was paid in September 2024, at £111 million (30 September 2023: £180 million).

State aid UK CFC

In April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company (CFC) regime was published. It concluded that the legislation up until December 2018 partially represented state aid. The UK Government (along with a number of UK corporates, that made a similar application) appealed to the European Court seeking annulment of the EU Commission's decision. Based, however, on the Commission's decision and despite the appeals, the UK Government was obliged to recover the purported state aid received. In June 2022 the European General Court rejected the appeals, resulting in a subsequent appeal to the CJEU in January 2024. The CJEU handed down its decision on 19 September 2024, annulling the EU Commission decision and setting aside the judgment of the General Court, ruling that the taxation of a CFC regime did not constitute state aid. In light of the CJEU decision, the Group has now reversed a provision in order to recognise a receivable for c.£101 million state aid (and c.£9 million of interest) previously paid. Noting the recovery of the receivable is pending a change in UK regulations which is required to facilitate the repayment of the previously collected state aid.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Transfer pricing

The Group has been subject to tax audits relating to transfer pricing matters in several jurisdictions, principally UK, France and Germany. The Group holds a provision of £245 million excluding offsetting assets (2023: £68 million excluding offsetting assets) in respect of these items. In December 2021 the Group concluded a transfer pricing audit with the French tax authorities. In September 2022 the Group concluded transfer pricing audits with the UK and German tax authorities. Settlements of the French and UK audits were made during 2022. Settlement of the German audit was made during 2023. In September 2023 an additional separate transfer pricing audit was opened by the German tax authorities. Due to new regulations introduced in FY24 in Germany which could be considered to be of a clarifying nature rather than any new principle, the Group has made additional provision of £155 million considering the range of potential outcomes and the balance of probabilities associated with each potential outcome, the maximum potential exposure being £213 million. The Group believes the total transfer pricing provision held appropriately provides for this and other transfer pricing issues.

9. DIVIDENDS

Distributions to ordinary equity holders

	Pence per share			£ million		
	2024	2023	2022	**2024**	2023	2022
Cash:						
December	**51.82**	49.31	48.47	**461**	464	458
March	**51.82**	49.32	48.49	**453**	457	458
June	**22.45**	21.59	21.27	**193**	196	202
September	**22.45**	21.59	21.27	**192**	195	202
Total	**148.54**	141.81	139.50	**1,299**	1,312	1,320

The dividends note, which previously contained details of both paid and proposed distributions, has been reformatted. The table now aligns the paid dividends with the equivalent amount recorded as a payment to equity shareholders of the Parent Company shown within the Consolidated Statement of Changes in Equity. Details of proposed dividends are given in narrative form below. The change in the format of this note does not constitute a restatement within the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The declared third interim dividend for the year ended 30 September 2024 of 54.26 pence per share amounts to a proposed dividend of £459 million, which will be paid in December 2024. The proposed final dividend for the year ended 30 September 2024 of 54.26 pence per share amounts to a proposed dividend payment of £459 million in March 2025 based on the number of shares ranking for dividend at 30 September 2024, and is subject to shareholder approval. If approved, the total dividend paid in respect of 2024 will be £1,303 million (2023: £1,305 million). The dividend paid during 2024 is £1,299 million (2023: £1,312 million).

10. EARNINGS PER ORDINARY SHARE

Basic earnings per share is based on the profit for the period attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the period 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	**2024**	2023
Earnings: basic and diluted - attributable to owners of the Parent Company	**2,613**	2,328

Millions of shares		
Weighted average number of shares:		
Shares for basic earnings per share	**869.0**	922.5
Potentially dilutive share options	**4.9**	5.7
Shares for diluted earnings per share	**873.9**	928.2

Pence		
Basic earnings per share	**300.7**	252.4
Diluted earnings per share	**299.0**	250.8

NOTES TO THE FINANCIAL STATEMENTS *continued*

11. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Logista

Acquisition of 3 For One SA (Belgium Parcels Service SRL)

In December 2023, Logista Group reached an agreement to acquire 100% ownership of "3 for one SA", the parent company of Belgium Parcels Service SRL. Belgium Parcels Service SRL is a company that offers 24-hour courier services in Belgium and Luxembourg, and 24 to 48 hours delivery in the Netherlands, France and Germany. The Belgian company specialises in the distribution of temperature sensitive products, mainly pharmaceuticals to hospitals and pharmacies.

The total purchase price of these shares amounted to approximately €8 million (£7 million).

As of 30 September 2024, the company had a goodwill of €4 million (£3 million). The valuation of the assets at fair value has been carried out by an independent expert assessing the acquired intangible assets, which include customer relationships of €2 million (£2 million) and trademarks for €1 million (£1 million). Cash of €2 million (£2 million), property, plant and equipment of €1 million (£1 million), and non-current financial liabilities of €2 million (£2 million) were also acquired.

Acquisition of Speedlink Worldwide Express B.V.

On 16 February 2022, the Group's subsidiary Logista acquired 70% of the share capital of Speedlink Worldwide Express B.V. for a purchase consideration of €20 million (£16 million) which has been paid in cash. In May 2024, the remaining 30% of the share capital was acquired for an amount of €10 million (£8 million).

Acquisition of Herinvemol, S.L. (Transportes El Mosca)

On 17 June 2022, the Group's subsidiary Logista announced the acquisition of 60% of the shares of Herinvemol S.L. Herinvemol S.L. is the parent company of a group of companies over which it holds control, trading as "Transportes El Mosca". This acquisition completed on 28 October 2022.

Transportes El Mosca offers national and international intermodal transport services by road, sea and air, as well as frozen or refrigerated transport. The main destination markets for the international road transport activity are the United Kingdom, Germany, Portugal, France, the Netherlands, and Italy, and its clients are mainly producers and large distribution chains in the food sector.

On 3 August 2023, Logista announced the acquisition of an additional 13.33% of equity for a consideration of €23 million (£20 million), increasing its total ownership to 73.33%.

At 30 September 2023, Logista had a purchase option for the remaining 26.67%, which was recorded at fair value as a non-current liability for an amount of €25 million (£22 million) and a current liability for an amount of €25 million (£22 million), with a corresponding adjustment taken to equity reserves.

In July 2024, Logista announced the increase of its stake to 100%, with an additional payment of €44 million (£37 million). The movement, recorded under the heading "Remeasurement of put/call option", amounting to €6 million (£5 million), corresponds to the difference between the payment of the purchase option and its valuation as at 30 September 2023.

Acquisition of Carbó Collbatallé S. L.

In April 2022, the Group's subsidiary Logista reached an agreement for the acquisition of 100% of the shares of Carbó Collbatallé, a company that offers transport and logistics services for refrigerated and frozen foods, which carries out its commercial activity mainly in the Spanish market. This acquisition was completed in October 2022.

The total consideration for the shares acquired was €55 million (£46 million). The valuation of the assets at fair value has been carried out by an independent expert. This valuation includes, as intangible assets, customer relationships for €20 million (£17 million) and trademarks for €1 million (£1 million).

Acquisition of Gramma Farmaceutici, S.R.L.

In July 2023, the Group's subsidiary Logista acquired 100% of the equity shares of Gramma Farmaceutici, S.R.L., a company specialised in logistics services for the pharmaceutical industry in Italy. The total purchase price of these shares amounted to €3 million (£3 million), paid in cash at the time of purchase. As at 30 September 2023, the company had a goodwill of €1 million (£1 million) in the Distribution segment.

The valuation of the assets at fair value has been carried out by an independent expert. This valuation includes, as intangible assets, customer relationships for €2 million (£2 million), property plant and equipment of €2 million (£2 million), trade and other receivables of €4 million (£3 million) and trade and other payables of €5 million (£4 million).

12. INTANGIBLE ASSETS

£ million	Goodwill	Intellectual property and product development	Supply agreements	Software	Total
					2024
Cost					
At 1 October 2023	**13,785**	**13,042**	**1,457**	**630**	**28,914**
Additions	**–**	**115**	**2**	**143**	**260**
Acquisitions	**2**	**1**	**2**	**–**	**5**
Disposals	**–**	**(1)**	**(2)**	**(4)**	**(7)**
Reclassifications	**29**	**–**	**1**	**(30)**	**–**
Exchange movements	**(632)**	**(814)**	**(53)**	**(17)**	**(1,516)**
At 30 September 2024	**13,184**	**12,343**	**1,407**	**722**	**27,656**
Amortisation and impairment					
At 1 October 2023	**1,556**	**8,650**	**1,389**	**375**	**11,970**
Amortisation charge for the year	**–**	**354**	**7**	**38**	**399**
Disposals	**–**	**–**	**–**	**(3)**	**(3)**
Exchange movements	**(56)**	**(525)**	**(50)**	**(17)**	**(648)**
Accumulated amortisation	**–**	**7,940**	**1,346**	**392**	**9,678**
Accumulated impairment	**1,500**	**539**	**–**	**1**	**2,040**
At 30 September 2024	**1,500**	**8,479**	**1,346**	**393**	**11,718**
Net book value					
At 30 September 2024	**11,684**	**3,864**	**61**	**329**	**15,938**

£ million	Goodwill	Intellectual property and product development	Supply agreements	Software	Total
					2023
Cost					
At 1 October 2022	14,228	13,871	1,433	522	30,054
Additions	–	136	1	119	256
Acquisitions	67	5	54	2	128
Disposals	–	(115)	–	(3)	(118)
Reclassifications	–	(2)	–	2	–
Exchange movements	(510)	(853)	(31)	(12)	(1,406)
At 30 September 2023	13,785	13,042	1,457	630	28,914
Amortisation and impairment					
At 1 October 2022	1,587	8,925	1,414	351	12,277
Amortisation charge for the year	–	352	6	34	392
Disposals	–	(109)	–	(3)	(112)
Reclassifications	–	(1)	–	1	–
Exchange movements	(31)	(517)	(31)	(8)	(587)
Accumulated amortisation	–	8,111	1,389	374	9,874
Accumulated impairment	1,556	539	–	1	2,096
At 30 September 2023	1,556	8,650	1,389	375	11,970
Net book value					
At 30 September 2023	12,229	4,392	68	255	16,944
Assets under construction included above:					
At 30 September 2024					**261**
At 30 September 2023					160

Amortisation and impairment of acquired intangibles excluded from adjusted operating profit amounted to £353 million (2023: £347 million); this comprises amortisation on intellectual property of £346 million (2023: £341 million) and amortisation on supply agreements of £7 million (2023: £6 million).

Intellectual property mainly comprises brands acquired in the USA in 2015 and through the purchases of Altadis in 2008 and Commonwealth Brands in 2007.

Supply agreements include Distribution customer relationships acquired as part of the purchases of Altadis, Carbó Collbatallé S.L. and Herinvemol S.L. (Transportes El Mosca) in prior financial years.

Intangible amortisation and impairment are included within cost of sales, distribution, advertising and selling costs, and administrative and other expenses in the consolidated income statement.

Amortisation and impairment in respect of intangible assets other than software and internally generated intellectual propert y are treated as reconciling items between reported operating profit and adjusted operating profit, except to the extent these have been treated as restructuring costs.

During the period ending 30 September 2023, the Group purchased intellectual property relating to tobacco pouches to be marketed within the United States. The purchase consideration was US$ 130 million (£106 million) comprising US$ 50 million (£41 million) which was paid in cash on completion, deferred consideration of US$ 31 million (£25 million) paid in December 2023 and contingent consideration estimated at US$ 49 million (£40 million) payable over a five-year period up until 2028. All deferred and contingent consideration has been discounted at a rate of 13% and a corresponding consideration liability of US$ 81 million (£66 million) has been recognised. The total initial intangible asset value recognised was US$ 130 million (£106 million). During the period additional contingent consideration of US$ 56 million (£41 million) was recognised to reflect the latest sales forecast. As at 30 September 2024, the total intangible asset value recognised was US$ 186 million (£139 million).

Goodwill and intangible asset impairment review

The Group's Cash Generating Unit Groupings (CGUG) are used for annual goodwill impairment testing and are aligned to the Grou p's operating segments, namely Europe, Americas and AAACE for the Tobacco & NGP business, and Distribution. Goodwill is allocated at a CGUG level where components of that grouping are expected to benefit from the business combination in which the goodwill arose. The groupings represent the lowest level at which goodwill is monitored for internal management purposes. A summary of the carrying value of goodwill and intangible assets with indefinite lives is set out below.

	2024		2023	
£ million	**Goodwill**	**Intangible assets with indefinite lives**	Goodwill	Intangible assets with indefinite lives
Europe	**3,919**	**296**	4,123	307
Americas	**3,945**	**–**	4,147	–
AAACE	**2,076**	**156**	2,181	162
Tobacco & NGP	**9,940**	**452**	10,451	469
Distribution	**1,744**	**–**	1,778	–
	11,684	**452**	12,229	469

Goodwill has arisen principally on the acquisitions of Reemtsma in 2002 (all CGUG), Commonwealth Brands in 2007 (USA), Altadis in 2008 (all CGUG) and ITG Brands in 2015 (USA). Intangible assets with indefinite lives relate to the tobacco trademark, Davidof f, which was purchased as part of the acquisition of Reemtsma in 2002.

The Group tests goodwill and intangible assets with indefinite lives for impairment annually, or more frequently if there are any indications that impairment may have arisen. The value of a CGUG is based on value in use calculations. These calculations use cash flow projections derived from financial plans of the business which are based on detailed bottom-up market-by-market forecasts of projected sales volumes for each product line. These forecasts reflect, on an individual market basis, numerous assumptions and estimates regarding anticipated changes in market size, prices and duty regimes, consumer uptrading and downtrading, consumer preferences and other changes in product mix, based on long-term market trends, market data, anticipated regulatory developments, and management experience and expectations. We consider that pricing, market size, market shares and cost inflation are the key assumptions used in our plans.

Growth rates and discount rates used

The compound annual growth rates implicit in these value in use calculations are shown below.

%	2024 Pre-tax discount rate	2024 Initial growth rate	2024 Long-term growth rate	2023 Pre-tax discount rate	2023 Initial growth rate	2023 Long-term growth rate
Europe	**9.9**	**4.1**	**0.2**	10.4	4.5	1.0
Americas	**8.7**	**6.5**	**1.9**	8.9	5.8	2.1
AAACE	**13.3**	**2.0**	**1.9**	12.5	4.3	2.2
Distribution	**12.1**	**4.1**	**1.6**	12.3	5.0	1.6

The calculation to determine the value in use involves a discounted future cash flow forecast model. Nominal cash flows are used in the calculation which will themselves already factor in the effects of inflation. The cash flows are sourced from the Group business plan which considers and factors in the risk of variability of future business performance and hence cash flow variation. A nominal discount rate is used within the model based on the Group's weighted average cost of capital which is calculated using the Capital Asset Pricing Model. As risk has been applied within the undiscounted cash flows no adjustment is made to the discount rate for risk, except for the application of country risk premia over and above the Group's weighted average cost of capital where appropriate.

Country-specific discount rates are used based on the Group's weighted average cost of capital adjusted for country risk premium. The impairment review is undertaken at a CGUG level which involves the aggregation of the individual value in use amounts for the individual countries which constitute each CGUG. Our impairment projections are prepared under the basis set out in IAS 36 which can differ from our internal plans.

Nominal cash flows from the business plan period are used for years one, two and three, then extrapolated out to year five using the implicit growth rate, shown in the table above as the initial growth rate. In certain markets, the extrapolated cash flow growth rate can exceed the long-term growth rate based on the business plan being a better reflection of the anticipated initial growth. Where there are specific indications that the cash flow growth rates for years four and five are lower than those for the earlier years, the lower rates will be used. Estimated long-term weighted average compound growth rates are used beyond year five.

Long-term growth rates are determined as the lower of:

- the nominal GDP growth rates for the country of operation;
- the extrapolation of the initial growth rates as estimated by management for years one to five; and
- the management long-term expectations of growth for a specific market.

Long-term growth rates are based on management's long-term expectations, taking account of industry-specific factors such as the nature of our products, the role of excise in government fiscal policy, and relatively stable and predictable long-term macro trends in the tobacco industry. Year-on-year variations in initial growth rates may result in consequential changes to estimated long-term rates.

Europe's long-term growth rate reduced by 0.8%. This is primarily a reflection of a reduction in the long-term growth outlook for the UK market.

Americas was broadly in line with the prior year growth assumptions for the initial and long-term growth rate. The key change was a 0.7% increase in the initial growth rate driven by improved expectations for product growth, particularly related to NGP.

AAACE had a 2.3% reduction in the initial growth rate primarily driven by the lower expectation for the Australia market with other reductions related to Morocco and Kuwait.

The Distribution initial growth rate reduced by 0.9% compared to prior year reflecting the fact that significant growth has now been delivered in the current financial year.

Goodwill and intangible asset impairment review conclusion

Our impairment testing confirms there are sufficient cash flows to support the current carrying values of the goodwill held at 30 September 2024. Any reasonable movement in the assumptions used in the impairment tests would not result in an impairment. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to intangible assets can affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions significantly change it is possible that materially different amounts could be reported in the Group's financial statements in future periods. There are uncertainties associated with estimating the valuation of the recoverable amount.

At the present time the recoverable amount is significantly in excess of the carrying value of goodwill and other intangible assets. However, given the uncertainties mentioned above this could change in the future.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Consideration of the impact of climate change

The Group has completed an assessment of the impact of climate change which includes how it will vary future costs and therefore cash flows. The review has concluded that there are impacts on future cash flows as a result of climate change, with the most significant being relating to NTM and leaf costs due to increases in the operating costs of suppliers and raw materials. We have factored the additional costs to the Group relating to forecast climate costs into our discounted cash flow forecasts used for impairment testing valuation purposes. The modelled impact for the Group was £504 million (2023: £338 million). This concluded that there continues to be sufficient headroom. There is therefore no impairment recognised as result of incremental climate change costs. However, the Group will continue to review the climate change impact going forward and any future changes in impact assessment could potentially result in changes to the impairment assessment.

Other intangible assets

Other intangible assets are considered for impairment risk. The carrying values of brand intangibles are reviewed against expected future cash flows of associated products. Impairment will only be recognised where there is evidence that the carrying value of the brand cannot be recovered through those cash flows. Included within these reviews is a test to determine the recoverability of the Davidoff indefinite life brand intangible asset. The carrying value of this asset as at 30 September 2024 was £452 million (2023: £469 million). Recoverability of Davidoff has been measured against the net brand contribution which confirms that the carrying value of the brand will be recovered within a two-year period. No impairments (2023: £nil) have been recognised for brand intangibles.

Intellectual property and product development intangible assets have also been reviewed to identify potential impairment triggers. No such impairment triggers were noted in the year ended 30 September 2024 and hence no impairment charge has been incurred (2023: £nil).

No impairment charge (2023: £nil) was incurred in the year relating to software.

NOTES TO THE FINANCIAL STATEMENTS *continued*

13. PROPERTY, PLANT AND EQUIPMENT

£ million	Property	Plant and equipment	Fixtures and motor vehicles	Total
				2024
Cost				
At 1 October 2023	**756**	**2,065**	**484**	**3,305**
Additions	**10**	**127**	**41**	**178**
Acquisitions	**–**	**1**	**–**	**1**
Disposals	**(24)**	**(69)**	**(48)**	**(141)**
Hyperinflation adjustment (note 1)	**1**	**10**	**1**	**12**
Reclassifications	**18**	**(5)**	**(13)**	**–**
Exchange movements	**(25)**	**(81)**	**(15)**	**(121)**
At 30 September 2024	**736**	**2,048**	**450**	**3,234**
Depreciation and impairment				
At 1 October 2023	**177**	**1,203**	**308**	**1,688**
Depreciation charge for the year	**16**	**102**	**36**	**154**
Impairment	**(3)**	**2**	**–**	**(1)**
Disposals	**(12)**	**(47)**	**(46)**	**(105)**
Reclassifications	**–**	**4**	**(4)**	**–**
Exchange movements	**(10)**	**(42)**	**(11)**	**(63)**
At 30 September 2024	**168**	**1,222**	**283**	**1,673**
Net book value				
At 30 September 2024	**568**	**826**	**167**	**1,561**

£ million	Property	Plant and equipment	Fixtures and motor vehicles	Total
				2023
Cost				
At 1 October 2022	806	2,080	455	3,341
Additions	3	130	58	191
Acquisitions	–	5	9	14
Disposals	(22)	(74)	(24)	(120)
Hyperinflation adjustment (note 1)	–	5	–	5
Exchange movements	(31)	(81)	(14)	(126)
At 30 September 2023	756	2,065	484	3,305
Depreciation and impairment				
At 1 October 2022	181	1,200	301	1,682
Depreciation charge for the year	17	98	32	147
Impairment	–	6	–	6
Disposals	(11)	(60)	(15)	(86)
Exchange movements	(10)	(41)	(10)	(61)
At 30 September 2023	177	1,203	308	1,688
Net book value				
At 30 September 2023	579	862	176	1,617

Assets under construction included above:	
At 30 September 2024	**122**
At 30 September 2023	107

NOTES TO THE FINANCIAL STATEMENTS *continued*

14. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The movements in right of use assets in the year were as follows:

£ million	Property	Plant and equipment	Fixtures and motor vehicles	Total
				2024
Net book value				
At 1 October 2023	**256**	**2**	**68**	**326**
Additions and modifications	**82**	**4**	**69**	**155**
Terminations	**(4)**	**(1)**	**(5)**	**(10)**
Depreciation and impairment	**(57)**	**(3)**	**(35)**	**(95)**
Exchange movements	**(10)**	**–**	**(4)**	**(14)**
At 30 September 2024	**267**	**2**	**93**	**362**

The movements in lease liabilities in the year were as follows:

£ million	Lease Liabilities
At 1 October 2023	**349**
Cash flow	**(107)**
Accretion of interest	**14**
New leases, terminations and modifications	**144**
Exchange movements	**(14)**
At 30 September 2024	**386**

The maturity profile and the future minimum lease payments of the carrying amount of the Group's lease liabilities and the contractual cash flows as at 30 September 2024 are disclosed in Note 21.

The following are the amounts recognised in the consolidated income statement:

£ million	**2024**	2023
Expenses relating to short-term leases	**10**	4
Expenses relating to low value asset leases	**2**	1
Depreciation and impairment expense of right of use assets	**95**	85
Interest on lease liabilities	**14**	10

The movements in right of use assets in the year ending 30 September 2023 were as follows:

£ million	Property	Plant and equipment	Fixtures and motor vehicles	Total
				2023
Net book value				
At 1 October 2022	194	3	31	228
Additions and modifications	74	3	35	112
Acquisitions	50	–	34	84
Terminations	(3)	–	(2)	(5)
Depreciation	(53)	(4)	(28)	(85)
Exchange movements	(6)	–	(2)	(8)
At 30 September 2023	256	2	68	326

NOTES TO THE FINANCIAL STATEMENTS *continued*

The movements in lease liabilities in the year ending 30 September 2023 were as follows:

£ million	Lease Liabilities
At 1 October 2022	248
Cash flow	(92)
Accretion of interest	10
New leases, terminations and modifications	106
Acquisitions	84
Exchange movements	(7)
At 30 September 2023	349

The maturity profile and the future minimum lease payments of the carrying amount of the Group's lease liabilities and the contractual cash flows as at 30 September 2023 are disclosed in Note 21.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The principal joint venture during the year was Global Horizon Ventures Limited. Summarised financial information for the Group's joint ventures, which are accounted for using the equity method, is shown below:

	2024		
£ million	**Global Horizon Ventures**	**Others**	**Total**
Revenue	**25**	**40**	**65**
Profit after tax	**17**	**3**	**20**
Non-current assets	**–**	**8**	**8**
Current assets	**60**	**62**	**122**
Total assets	**60**	**70**	**130**
Current liabilities	**(11)**	**(56)**	**(67)**
Non-current liabilities	**–**	**(13)**	**(13)**
Total liabilities	**(11)**	**(69)**	**(80)**
Net assets	**49**	**1**	**50**

	2023		
£ million	Global Horizon Ventures	Others	Total
Revenue	19	28	47
Profit after tax	13	4	17
Non-current assets	–	7	7
Current assets	56	49	105
Total assets	56	56	112
Current liabilities	(7)	(41)	(48)
Non-current liabilities	–	(14)	(14)
Total liabilities	(7)	(55)	(62)
Net assets	49	1	50

Transactions and balances with joint ventures

£ million	**2024**	2023
Purchases from	**9**	4
Accounts payable to	**(4)**	(2)

NOTES TO THE FINANCIAL STATEMENTS *continued*

Movement on investments accounted for using the equity method

£ million	2024	2023
At 1 October	55	56
Share of profit for the year from joint ventures	9	7
Share of profit for the year from associates	1	2
Impairment of investment in associates	–	(2)
Dividends	(9)	(7)
Foreign exchange losses	–	(1)
At 30 September	56	55

16. INVENTORIES

£ million	2024	2023
Raw materials	960	1,159
Work in progress	84	81
Finished inventories	2,887	3,106
Other inventories	149	176
	4,080	4,522

Other inventories mainly comprise duty-paid tax stamps.

Within finished inventories of £2,887 million (2023: £3,106 million) there is excise duty of £1,118 million (2023: £1,192 million).

It is generally recognised industry practice to classify leaf tobacco inventory as a current asset, although part of such inventory, because of the duration of the processing cycle, ordinarily would not be consumed within one year. We estimate that around £204 million (2023: £337 million) of leaf tobacco held within raw materials will not be utilised within a year of the balance sheet date.

17. TRADE AND OTHER RECEIVABLES

	2024		2023	
£ million	Current	Non-current	Current	Non-current
Trade receivables	2,395	1	2,211	3
Less: loss allowance	(64)	(1)	(63)	(3)
Net trade receivables	2,331	–	2,148	–
Other receivables	156	37	149	26
Prepayments	158	81	193	37
	2,645	118	2,490	63

Trade receivables may be analysed as follows:

	2024		2023	
£ million	Current	Non-current	Current	Non-current
Within credit terms	2,194	–	1,996	–
Past due by less than 3 months	111	–	121	–
Past due by more than 3 months	26	–	31	–
Amounts that are impaired	64	1	63	3
	2,395	1	2,211	3

£ million	2024	2023
At 1 October	66	79
Net decrease in provision	(1)	(13)
At 30 September	65	66

Trade receivables are reviewed by their risk profiles and loss patterns to assess credit risk. Historical and forward -looking information is considered to determine the appropriate expected credit loss allowance. Provision levels are calculated on the residual credit risk after consideration of any credit protection which is used by the Group. Expected credit losses (ECLs) are applied to net trade receivables which are measured reflecting lifetime ECLs using the simplified approach.

18. CASH AND CASH EQUIVALENTS

£ million	2024	2023
Cash at bank and in hand	607	683
Short-term deposits and other liquid assets	471	662
	1,078	1,345

NOTES TO THE FINANCIAL STATEMENTS *continued*

£217 million (2023: £135 million) of total cash and cash equivalents is held in countries in which prior approval is required to transfer the funds abroad. Nevertheless, if the Group complies with these requirements such liquid funds are at its disposition within a reasonable period of time, which in all cases is three months or less from the date the transfer is requested.

19. TRADE AND OTHER PAYABLES

	2024		2023	
£ million	**Current**	**Non-current**	Current	Non-current
Trade payables	**1,499**	**–**	1,507	–
Duties payable	**5,156**	**–**	5,297	–
Other taxes and social security contributions	**1,381**	**–**	1,375	–
Other payables	**623**	**–**	526	–
Accruals	**838**	**86**	874	27
	9,497	**86**	9,579	27

20. BORROWINGS

The Group's borrowings, held at amortised cost, are as follows:

£ million	**2024**	2023
Current borrowings		
Bank loans and overdrafts	**34**	49
Capital market issuance:		
European commercial paper (ECP)	**21**	–
£600m 8.125% notes due March 2024	**–**	627
US$ 1,000m 3.125% notes due July 2024	**–**	823
€500m 1.375% notes due January 2025	**421**	–
US$ 950m 4.25% notes due July 2025	**715**	–
Total current borrowings	**1,191**	1,499
Non-current borrowings		
Bank loans	**–**	2
Capital market issuance:		
€500m 1.375% notes due January 2025	**–**	437
US$ 1,500m 4.25% notes due July 2025	**–**	1,236
€650m 3.375% notes due February 2026	**553**	574
US$ 750m 3.5% notes due July 2026	**563**	617
£500m 5.5% notes due September 2026	**500**	500
€750m 2.125% notes due February 2027	**634**	657
US$ 1,000m 6.125% notes due July 2027	**752**	822
US$ 1,000m 3.875% notes due July 2029	**751**	822
US$ 1,250m 5.5% notes due February 2030	**944**	–
€1,050m 5.25% notes due February 2031	**898**	838
£500m 4.875% notes due June 2032	**505**	505
€1,000m 1.75% notes due March 2033	**840**	872
US$ 750m 5.875% notes due July 2034	**566**	–
Total non-current borrowings	**7,506**	7,882
Total borrowings	**8,697**	9,381
Analysed as:		
Capital market issuance	**8,663**	9,330
Bank loans and overdrafts	**34**	51

Current and non-current borrowings include interest payable of £10 million (2023: £33 million) and £102 million (2023: £96 million) respectively as at the balance sheet date.

Interest payable on capital market issuances are at fixed rates of interest and interest payable on bank loans and overdrafts are at floating rates of interest.

On 15 March 2024, £600 million 8.125% notes were repaid. On 5 April 2024, €100 million (£86 million equivalent) 5.25% notes were issued, supplementary to the 15 February 2023 €600 million, and 12 September 2023 €350 million combined issues, listed as €1,050 million 5.25% notes due February 2031 in the above table. On 1 July 2024, US$ 1,250 million (£984 million equivalent) 5.5% notes were issued. On 1 July 2024, US$ 750 million (£591 million equivalent) 5.875% notes were issued. On 11 July 2024, a partial repayment of the US$ 1,500 million 4.25% notes was made; US$ 550 million (£425 million equivalent) was repaid with the remaining US$ 950 million due July 2025. On 26 July 2024, US$ 1,000 million (£777 million equivalent) 3.125% notes were repaid.

All borrowings are unsecured and the Group has not defaulted on any borrowings during the year (2023: no defaults).

The maturity profile of the Group's bonds and the contractual cash flows as at September 2024 are disclosed in note 21.

Fair value of borrowings

The fair value of borrowings as at 30 September 2024 is estimated to be £8,567 million (2023: £8,669 million). £8,533 million (2023: £8,617 million) relates to capital market issuance and has been determined by reference to market prices as at the balance sheet date. A comparison of the carrying amount and fair value of capital market issuance by currency is provided below. The fair value of all other borrowings is considered to equal their carrying amount.

	2024		2023	
£ million	**Balance sheet amount**	**Fair value**	Balance sheet amount	Fair value
GBP	**1,006**	**985**	1,632	1,524
EUR	**3,367**	**3,245**	3,378	2,996
USD	**4,290**	**4,303**	4,320	4,097
Total capital market issuance	**8,663**	**8,533**	9,330	8,617

Undrawn revolving credit facilities

At 30 September the Group had the following undrawn committed facilities:

£ million	**2024**	2023
Amounts maturing:		
In less than one year	**853**	550
Between one and two years	**153**	159
Between two and five years	**2,608**	2,866
	3,614	3,575

During the year the maturity of €3,125 million of the Group's syndicated multicurrency facility of €3,493 million (2023: €3,493 million) was extended to 30 September 2027. One existing syndicate member's participation of €184 million has a maturity date of 30 September 2025. At 30 September another syndicate member's participation of €184 million had a maturity date of 30 March 2026; in October 2024 this participation was sold to a new financial institution, who therefore became a syndicate member, and the maturity date was extended to 30 September 2027.

During the year six new bilateral facilities for a total £700 million were arranged, all maturing in September 2025.

21. FINANCIAL RISK FACTORS

Financial risk management

Overview

In the normal course of business, the Group is exposed to financial risks including, but not limited to, market, credit and liquidity risk. This note explains the Group's exposure to these risks, how they are measured and assessed, and summarises the policies and processes used to manage them, including those related to the management of capital.

The Group operates a centralised treasury function which is responsible for the management of the financial risks of the Group, together with its financing and liquidity requirements. Financial risks comprise, but are not limited to, exposures to funding and liquidity, interest rate, foreign exchange and counterparty credit risk. The treasury function is also responsible for the financial risk management of the Group's global defined benefit pension schemes and management of Group-wide insurance programmes. The treasury function does not operate as a profit centre, nor does it enter into speculative transactions.

The Group's treasury activities are overseen by the Treasury Committee, which meets four times per year and comprises the Chief Financial Officer, the Director of Treasury, the Group Finance Director, the Group General Counsel, the Chief Strategy and Development Officer and three Group Regional Finance Directors. The Treasury Committee operates in accordance with the terms of reference set out by the Board and a policy (the Treasury Operations Policy) which sets out the expectations and boundaries to assist in the effective oversight of treasury activities.

The Board reviews and approves all major treasury decisions.

The Group's management of financial risks covers the following:

(A) Market risk

Price risk

The Group is not exposed to equity securities price risk other than assets held by its pension funds disclosed in note 24. The Group is exposed to commodity price risk in that there may be fluctuations in the price of tobacco leaf. As with other agricultural commodities, the price of tobacco leaf tends to be cyclical as supply and demand considerations influence tobacco plantings in those countries where tobacco is grown. Also, different regions may experience variations in weather patterns that may affect crop quality or supply and so lead to changes in price. The Group seeks to reduce this price risk by sourcing tobacco leaf from a number of different countries and counterparties and by varying the levels of tobacco leaf held. Currently, these techniques reduce the expected exposure to this risk over the short to medium term to levels considered not material and accordingly, no sensitivity analysis has been presented.

Foreign exchange risk

The Group is exposed to movements in foreign exchange rates due to its commercial trading transactions and profits denominated in foreign currencies, as well as the translation of cash, borrowings and derivatives held in non-functional currencies.

The Group's financial results are principally exposed to fluctuations in euro and US dollar exchange rates. Management of the Group's foreign exchange transaction and translation risk is addressed below.

Transaction risk

The Group's material transaction exposures arise on costs denominated in currencies other than the functional currencies of subsidiaries, including the purchase of tobacco leaf, which is sourced from various countries but purchased principally in US dollars, and packaging materials which are sourced from various countries and purchased in a number of currencies. The Group is also exposed to transaction foreign exchange risk on the conversion of foreign subsidiary earnings into sterling to fund the external dividends to shareholders. This is managed by selling euros and US dollars monthly throughout the year. Other foreign currency flows are matched where possible and remaining foreign currency transaction exposures are not hedged.

Translation risk

The Group's currency mix of debt and related derivatives is held with consideration to the currency mix of its net assets and profits, which are primarily euros and US dollars. The Group issues debt in the most appropriate market or markets at the time of raising new finance and has a policy of using cross-currency swap derivative financial instruments to change the currency of debt as required. Borrowings denominated in, or swapped into, foreign currencies to match the Group's investments in overseas subsidiaries are treated as a hedge against the net investment where appropriate.

Foreign exchange sensitivity analysis

The Group's sensitivity to foreign exchange rate movements, which impacts the translation of monetary items held by subsidiary companies in currencies other than their functional currencies, is illustrated on an indicative basis below. The sensitivity analysis has been prepared on the basis that net debt and the proportion of financial instruments in foreign currencies remain constant, and that there is no change to the net investment hedge designations in place at 30 September 2024. The sensitivity analysis does not reflect any change to revenue or non-finance costs that may result from changing exchange rates, and ignores any taxation implications and offsetting effects of movements in the fair value of derivative financial instruments.

£ million	**2024** Increase/ (decrease) in income	2023 Increase/ (decrease) in income
Income statement impact of non-functional currency foreign exchange exposures:		
10% appreciation of sterling against euro (2023: 10%)	**87**	33
10% appreciation of sterling against US dollar (2023: 10%)	**(17)**	(9)
10% depreciation of sterling against euro (2023: 10%)	**(106)**	(41)
10% depreciation of sterling against US dollar (2023: 10%)	**20**	11

Movements in equity in the table below relate to intercompany loans treated as quasi-equity under IAS 21 and hedging instruments designated as net investment hedges of the Group's euro and US dollar denominated assets.

£ million	**2024** Change in equity	2023 Change in equity
Equity impact of non-functional currency foreign exchange exposures:		
10% appreciation of sterling against euro (2023: 10%)	**928**	1,035
10% appreciation of sterling against US dollar (2023: 10%)	**272**	205
10% depreciation of sterling against euro (2023: 10%)	**(1,134)**	(1,265)
10% depreciation of sterling against US dollar (2023: 10%)	**(332)**	(250)

At 30 September 2024, after the effect of derivative financial instruments, approximately 102% of the Group's net debt was denominated in euro and non-US dollar currencies (2023: 111%) and (2)% in US dollars (2023: (11)%).

NOTES TO THE FINANCIAL STATEMENTS *continued*

Interest rate risk

The Group's interest rate risk arises from its borrowings net of cash and cash equivalents, with the primary exposures arising from fluctuations in euro and US dollar interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group manages its exposure to interest rate risk on its borrowings by entering into derivative financial instruments, interest rate swaps, to achieve an appropriate mix of fixed and floating interest rate debt in accordance with the Treasury Operations Policy and Treasury Committee discussions.

As at 30 September 2024, after adjusting for the effect of derivative financial instruments detailed in note 22, approximately 109% (2023: 107%) of reported net debt was at fixed rates of interest and (9)% (2023: (7)%) was at floating rates of interest. After adjusting for cash held in subsidiary bank accounts and cash in transit, accrued interest, the mark to market of the derivative portfolio, finance leases, and the trade receivables that were sold to a financial institution under a non-recourse factoring arrangement, approximately 97% (2023: 94%) of debt was at fixed rates of interest and 3% (2023: 6%) was at floating rates of interest.

Interest rate sensitivity analysis

The Group's sensitivity to interest rates on its euro and US dollar monetary items, which are primarily external borrowings, cash and cash equivalents, is illustrated on an indicative basis below. The impact in the Group's income statement reflects the effect on net finance costs in respect of the Group's net debt and the fixed to floating rate debt ratio prevailing at 30 September 2024, ignoring any taxation implications and offsetting effects of movements in the fair value of derivative financial instruments.

The sensitivity analysis has been prepared on the basis that net debt and the derivatives portfolio remain constant and that there is no net impact on other comprehensive income.

£ million	**2024** **Change in income**	2023 Change in income
Income statement impact of interest rate movements:		
+/- 1% increase in euro interest rates (2023: 1%)	**1**	12
+/- 1% increase in US dollar interest rates (2023: 1%)	**(2)**	(9)

(B) Credit risk

IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets. The expected credit loss model requires the Group to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date. Allowances are measured at an amount equal to the lifetime expected credit losses where the credit risk on the receivables increases significantly after initial recognition. The Group is primarily exposed to credit risk arising from the extension of credit to its customers, on cash deposits and derivatives. The maximum aggregate credit risk to these sources was £3,947 million at 30 September 2024 (2023: £4,507 million).

Trade and other receivables

Policies are in place to manage the risk associated with the extension of credit to third parties to ensure that commercial intent is balanced effectively with credit risk management. Subsidiaries have policies in place that require appropriate credit checks on customers and credit is extended with consideration to financial risk and creditworthiness. If a customer requires credit beyond an acceptable limit, security may be put in place to minimise the financial impact in the event of a payment default. Instruments that may typically be used as security include non-recourse receivables factoring and bank guarantees. At 30 September 2024 the level of trade receivables that were sold to a financial institution under a non-recourse factoring arrangement, and subsequently derecognised, totalled £570 million (2023: £570 million). The total value of trade receivables reclassified as fair value was £53 million at 30 September 2024 (2023: £22 million). There was no valuation difference between amortised cost and fair value. Analysis of trade and other receivables is provided in note 17.

Financial instruments

In order to manage its credit risk to any one counterparty, the Group places cash deposits and enters into derivative financial instruments with a diversified group of financial institutions carrying suitable credit ratings in line with the Treasury Operations Policy. Utilisation of counterparty credit limits is regularly monitored by treasury and ISDA agreements are in place to permit the net settlement of assets and liabilities in certain circumstances.

The table below summarises the Group's largest exposures to financial counterparties as at 30 September 2024. At the balance sheet date management does not expect these counterparties to default on their current obligations.

Counterparty exposure	**2024** **Maximum exposure to credit risk £ million**	2023 Maximum exposure to credit risk £ million
Highest	**253**	311
2nd highest	**134**	104
3rd highest	**50**	84
4th highest	**27**	83
5th highest	**10**	80

These exposures are held with counterparties with investment grade credit ratings or in money market funds with a AAA rating.

NOTES TO THE FINANCIAL STATEMENTS *continued*

(C) Liquidity risk

The Group is exposed to liquidity risk, which represents the risk of having insufficient funds to meet its financing needs in any particular location when needed. To manage this risk the Group has a policy of actively maintaining a mixture of short, medium and long-term committed facilities that are structured to ensure that the Group has sufficient available funds to meet the forecast requirements of the Group over the short to medium term. To prevent over-reliance on individual sources of liquidity, funding is provided across a range of instruments including debt capital market issuance, bank term loans, bank revolving credit facilities and European commercial paper.

The Group primarily borrows centrally in order to meet forecast funding requirements, and the treasury function is in regular dialogue with subsidiary companies to ensure their liquidity needs are met. Subsidiary companies are funded by a combination of share capital and retained earnings, intercompany loans, and in very limited cases through external local borrowings. Cash pooling processes are used to centralise surplus cash held by subsidiaries where possible in order to minimise external borrowing requirements and interest costs. Treasury invests surplus cash in bank deposits and money market funds and uses foreign exchange contracts to manage short term liquidity requirements in line with short-term cash flow forecasts. As at 30 September 2024, the Group held liquid assets of £1,078 million (2023: £1,345 million).

The table below summarises the Group's non-derivative financial liabilities by maturity based on their contractual cash flows as at 30 September 2024. The amounts disclosed are undiscounted cash flows calculated using spot rates of exchange prevailing at the relevant balance sheet date. Contractual cash flows in respect of the Group's derivative financial instruments are detailed in note 22.

£ million	Balance sheet amount	Contractual cash flows total	<1 year	Between 1 and 2 years	Between 2 and 5 years	> 5 years
	2024					
Non-derivative financial liabilities:						
Bank loans	**34**	**34**	**34**	**–**	**–**	**–**
Capital market issuance	**8,663**	**10,218**	**1,497**	**1,911**	**2,752**	**4,058**
Trade payables	**1,499**	**1,499**	**1,499**	**–**	**–**	**–**
Lease liabilities	**386**	**435**	**96**	**82**	**144**	**113**
Total non-derivative financial liabilities	**10,582**	**12,186**	**3,126**	**1,993**	**2,896**	**4,171**

£ million	Balance sheet amount	Contractual cash flows total	<1 year	Between 1 and 2 years	Between 2 and 5 years	> 5 years
	2023					
Non-derivative financial liabilities:						
Bank loans	51	51	49	2	–	–
Capital market issuance	9,330	10,663	1,767	1,951	3,651	3,294
Trade payables	1,507	1,507	1,507	–	–	–
Lease liabilities	349	406	82	70	114	140
Total non-derivative financial liabilities	11,237	12,627	3,405	2,023	3,765	3,434

Capital management

The Group defines capital as adjusted net debt and equity and manages its capital structure through an appropriate balance of debt and equity in order to drive an efficient mix for the Group. Besides the minimum capitalisation rules that may apply to subsidiaries in certain countries, the Group's only externally imposed capital requirements are interest cover and gearing covenants contained within its core external bank debt facilities, with which the Group was fully compliant during the current and prior periods and expects to be so going forward. Management have assessed that the likelihood of a future covenant breach is remote.

The Group continues to manage its capital structure to maintain investment grade credit ratings which it monitors by reference to a number of key financial ratios, including ongoing consideration of the return of capital to shareholders via regular dividend payments and share buybacks and in on-going discussions with the relevant rating agencies.

As at 30 September 2024 the Group was rated Baa3/positive outlook by Moody's Investor Service Ltd, BBB/A-2/stable outlook by Standard and Poor's Credit Market Services Europe Limited and BBB/F2/stable outlook by Fitch Ratings Limited.

The Group regards its total capital as follows.

£ million	**2024**	2023
Adjusted net debt	**7,740**	8,026
Equity attributable to the owners of the parent	**5,442**	6,021
Total capital	**13,182**	14,047

Hedge accounting

The Group has investments in foreign operations which are consolidated in its financial statements and whose functional currencies are euros or US dollars. Where it is practicable and cost effective to do so, the foreign exchange rate exposures arising from these investments are hedged through the use of cross-currency swaps, foreign exchange swaps and foreign currency denominated debt.

NOTES TO THE FINANCIAL STATEMENTS *continued*

The Group only designates the undiscounted spot element of the cross-currency swaps, foreign exchange swaps and foreign currency debt as hedging instruments. Changes in the fair value of the cross-currency swaps and foreign exchange swaps attributable to changes in interest rates and the effect of discounting are recognised directly in profit or loss within the "Net finance costs" line. These amounts are, therefore, not included in the hedge effectiveness assessment.

Net investment gains and losses are reported in exchange movements within other comprehensive income and the hedging instrument foreign currency gains and losses deferred to the foreign currency revaluation reserve are detailed in the statement of changes in equity.

The Group establishes the hedging ratio by matching the notional balance of the hedging instruments with an equal notional balance of the net assets of the foreign operation. Given that only the undiscounted spot element of hedging instruments is designated in the hedging relationship, no ineffectiveness is expected unless the notional balance of the designated hedging instruments exceeds the total balance of the foreign operation's net assets during the reporting period. The foreign currency risk component is determined as the change in the carrying amount of designated net assets of the foreign operation arising solely from changes in spot foreign currency exchange rates.

All net investment hedges were fully effective at 30 September 2024.

The following table sets out the maturity profile of the hedging instruments used in the Group's net investment hedging strategies:

	2024				
		Maturity			
£ million	**Total notional balance**	**<1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**> 5 years**
Bonds	**(4,595)**	**(438)**	**(1,103)**	**(2,120)**	**(934)**
Cross-currency swaps	**(5,501)**	**(1,715)**	**(1,099)**	**(1,581)**	**(1,106)**
	(10,096)	**(2,153)**	**(2,202)**	**(3,701)**	**(2,040)**

	2023				
		Maturity			
£ million	Total notional balance	<1 year	Between 1 and 2 years	Between 2 and 5 years	> 5 years
Bonds	(3,897)	–	(433)	(2,645)	(819)
Cross-currency swaps	(5,986)	(1,447)	(1,214)	(1,971)	(1,354)
Foreign exchange swaps	(541)	(541)	–	–	–
	(10,424)	(1,988)	(1,647)	(4,616)	(2,173)

NOTES TO THE FINANCIAL STATEMENTS *continued*

The following table contains details of the hedging instruments and hedged items used in the Group's net investment hedging strategies:

£ million	Notional balance	Carrying amount: Assets	Carrying amount: Liabilities	Balance sheet line item	2024 Changes in fair value used for calculating hedge in-effectiveness
Hedging instrument:					
Bonds	**4,595**	**–**	**4,584**	**Borrowings**	**321**
Cross-currency swaps	**5,501**	**118**	**76**	**Derivative financial instruments**	**213**
Foreign exchange swaps	**–**	**–**	**–**	**Derivative financial instruments**	**6**
Hedged item:					
Investment in a foreign operation	**n/a**	**10,096**	**–**		**540**

£ million	Notional balance	Carrying amount: Assets	Carrying amount: Liabilities	Balance sheet line item	2023 Changes in fair value used for calculating hedge in-effectiveness
Hedging instrument:					
Bonds	3,897	–	3,929	Borrowings	338
Cross-currency swaps	5,986	–	249	Derivative financial instruments	75
Foreign exchange swaps	541	1	–	Derivative financial instruments	14
Hedged item:					
Investment in a foreign operation	n/a	10,424	–		427

Reconciliation of changes in the value of net investment hedges:

£ million	2024 At the beginning of the year	Income statement	Other comprehensive income	Designations/(de-designations)	At the end of the year
Derivatives in net investment hedges of foreign operations	**(248)**	**71**	**219**	**–**	**42**
Bonds in net investment hedges of foreign operations	**(3,929)**	**42**	**321**	**(1,018)**	**(4,584)**
Total	**(4,177)**	**113**	**540**	**(1,018)**	**(4,542)**

£ million	2023 At the beginning of the year	Income statement	Other comprehensive income	Designations/(de-designations)	At the end of the year
Derivatives in net investment hedges of foreign operations	(338)	1	89	–	(248)
Bonds in net investment hedges of foreign operations	(5,414)	(3)	338	1,150	(3,929)
Total	(5,752)	(2)	427	1,150	(4,177)

The Group also treats certain permanent intragroup loans that meet relevant qualifying criteria under IAS 21 as part of its net investment in foreign operations where appropriate. Intragroup loans with a notional value of €3,714 million (£3,099 million equivalent) (2023: €3,714 million (£3,217 million equivalent)) were treated as part of the Group's net investment in foreign operations at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Fair value estimation and hierarchy

All financial assets and liabilities are carried on the balance sheet at amortised cost, other than derivative financial instruments which are carried at fair value. Derivative fair values are determined based on observable market data such as yield curves, foreign exchange rates and credit default swap prices to calculate the present value of future cash flows associated with each derivative at the balance sheet date (Level 2 classification hierarchy per IFRS 7). Market data is sourced from a reputable financial data provider and valuations are validated by reference to counterparty valuations where appropriate. Some of the Group's derivative financial instruments contain early termination options and these have been considered when assessing the element of the fair value related to credit risk. On this basis the reduction in reported net derivative liabilities due to credit risk is £12 million (2023: £2 million) and would have been a £15 million (2023: £5 million) reduction without considering the early termination options. There were no changes to the valuation methods or transfers between hierarchies during the year. With the exception of capital market issuance, the fair value of all financial assets and financial liabilities is considered approximate to their carrying amount.

Netting arrangements of financial instruments

The following tables set out the Group's financial assets and financial liabilities that are subject to netting and set-off arrangements.

£ million	Gross financial assets/ (liabilities)	Net financial assets/ (liabilities) per balance sheet	Related amounts not set-off in the balance sheet	Net
				2024
Assets				
Derivative financial instruments	**474**	**474**	**(462)**	**12**
Liabilities				
Derivative financial instruments	**(809)**	**(809)**	**462**	**(347)**

£ million	Gross financial assets/ (liabilities)	Net financial assets/ (liabilities) per balance sheet	Related amounts not set-off in the balance sheet	Net
				2023
Assets				
Derivative financial instruments	950	950	(817)	133
Liabilities				
Derivative financial instruments	(1,003)	(1,003)	817	(186)

The table below sets out the Group's accounting classification of each class of financial assets and liabilities:

£ million	Fair value through income statement	Fair value through other comprehensive income	Assets and liabilities at amortised cost	Total	Current	Non-current
						2024
Trade and other receivables	**–**	**–**	**2,524**	**2,524**	**2,487**	**37**
Cash and cash equivalents	**–**	**–**	**1,078**	**1,078**	**1,078**	**–**
Derivatives	**356**	**118**	**–**	**474**	**144**	**330**
Total financial assets	**356**	**118**	**3,602**	**4,076**	**3,709**	**367**
Borrowings	**–**	**–**	**(8,697)**	**(8,697)**	**(1,191)**	**(7,506)**
Trade and other payables	**–**	**–**	**(8,659)**	**(8,659)**	**(8,659)**	**–**
Derivatives	**(733)**	**(76)**	**–**	**(809)**	**(187)**	**(622)**
Lease liabilities	**–**	**–**	**(386)**	**(386)**	**(86)**	**(300)**
Total financial liabilities	**(733)**	**(76)**	**(17,742)**	**(18,551)**	**(10,123)**	**(8,428)**
Total net financial assets/(liabilities)	**(377)**	**42**	**(14,140)**	**(14,475)**	**(6,414)**	**(8,061)**

NOTES TO THE FINANCIAL STATEMENTS *continued*

£ million	Fair value through income statement	Fair value through other comprehensive income	Assets and liabilities at amortised cost	Total	Current	Non-current
						2023
Trade and other receivables	–	–	2,323	2,323	2,297	26
Cash and cash equivalents	–	–	1,345	1,345	1,345	–
Derivatives	949	1	–	950	126	824
Total financial assets	949	1	3,668	4,618	3,768	850
Borrowings	–	–	(9,381)	(9,381)	(1,499)	(7,882)
Trade and other payables	–	–	(8,705)	(8,705)	(8,705)	–
Derivatives	(754)	(249)	–	(1,003)	(174)	(829)
Lease liabilities	–	–	(349)	(349)	(81)	(268)
Total financial liabilities	(754)	(249)	(18,435)	(19,438)	(10,459)	(8,979)
Total net financial assets/(liabilities)	195	(248)	(14,767)	(14,820)	(6,691)	(8,129)

Derivatives classified as fair value through other comprehensive income relate to cross-currency swaps and foreign exchange swaps designated as hedges of foreign currency denominated net investments. The Group only designates the undiscounted foreign exchange spot element of these derivative instruments and the changes in fair value related to this element are posted to other comprehensive income. Changes in the fair value of these derivative instruments attributable to changes in interest rates and the effect of discounting are recognised in the income statement. The Group also designates certain external borrowings as hedges of foreign currency denominated net investments and the foreign exchange revaluation of those external borrowings is recognised in other comprehensive income. The carrying value at 30 September 2024 of those external borrowings included in the above table is £4,639 million (2023: £3,929 million). All of the Group's net investment hedges remain effective.

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

£ million	**2024** Assets	**2024** Liabilities	**2024** Net fair value	2023 Assets	2023 Liabilities	2023 Net fair value
Current derivative financial instruments:						
Interest rate swaps	**65**	**(54)**	**11**	30	(66)	(36)
Foreign exchange contracts	**1**	**(4)**	**(3)**	12	(5)	7
Cross-currency swaps	**78**	**(129)**	**(51)**	84	(103)	(19)
Total current derivatives	**144**	**(187)**	**(43)**	126	(174)	(48)
Non-current derivative financial instruments:						
Interest rate swaps	**240**	**(365)**	**(125)**	745	(652)	93
Cross-currency swaps	**90**	**(257)**	**(167)**	79	(177)	(98)
Total non-current derivatives	**330**	**(622)**	**(292)**	824	(829)	(5)
Total carrying value of derivative financial instruments	**474**	**(809)**	**(335)**	950	(1,003)	(53)
Analysed as:						
Interest rate swaps	**305**	**(419)**	**(114)**	775	(718)	57
Foreign exchange contracts	**1**	**(4)**	**(3)**	12	(5)	7
Cross-currency swaps	**168**	**(386)**	**(218)**	163	(280)	(117)
Total carrying value of derivative financial instruments	**474**	**(809)**	**(335)**	950	(1,003)	(53)

The classification of these derivative assets and liabilities under the IFRS 7 fair value hierarchy is provided in note 21.

Maturity of obligations under derivative financial instruments

Derivative financial instruments have been classified in the balance sheet as current or non-current on an undiscounted contractual basis based on spot rates as at the balance sheet date. For the purposes of the above and following analysis, maturity dates have been based on the likelihood of any early termination options being exercised with consideration to counterparty expectations and market conditions prevailing as at 30 September 2024.

The table below summarises the Group's derivative financial instruments by maturity based on their remaining contractual cash flows as at 30 September 2024. The amounts disclosed are the undiscounted cash flows calculated using interest rates and spot rates of exchange prevailing at the relevant balance sheet date. Contractual cash flows in respect of the Group's non-derivative financial instruments are detailed in note 21.

						2024
£ million	**Balance sheet amount**	**Contractual cash flows total**	**<1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**>5 years**
Net settled derivatives	**(114)**	**194**	**10**	**1**	**117**	**66**
Gross settled derivatives	**(221)**	**–**	**–**	**–**	**–**	**–**
• receipts	**–**	**20,719**	**6,490**	**2,730**	**5,762**	**5,737**
• payments	**–**	**(20,770)**	**(6,497)**	**(2,719)**	**(5,772)**	**(5,782)**
	(335)	**143**	**3**	**12**	**107**	**21**

						2023
£ million	Balance sheet amount	Contractual cash flows total	<1 year	Between 1 and 2 years	Between 2 and 5 years	>5 years
Net settled derivatives	57	200	(3)	34	143	26
Gross settled derivatives	(110)	–	–	–	–	–
• receipts	–	17,822	5,429	4,010	5,283	3,100
• payments	–	(17,675)	(5,374)	(3,941)	(5,247)	(3,113)
	(53)	347	52	103	179	13

Derivatives as hedging instruments

As outlined in note 21, the Group hedges its underlying interest rate exposure and foreign currency translation exposures in an efficient, commercial and structured manner, primarily using interest rate swaps and cross-currency swaps. Foreign exchange contracts are used to manage the Group's short-term liquidity requirements in line with short-term cash flow forecasts as appropriate.

The Group does not apply cash flow or fair value hedge accounting, as permitted under IFRS 9, which results in fair value gains and losses attributable to derivative financial instruments being recognised in net finance costs unless they are designated as hedges of a net investment in foreign operations, in which case they are recognised in other comprehensive income.

Interest rate swaps

To manage interest rate risk on its borrowings, the Group issues debt in the market or markets that are most appropriate at the time of raising new finance with regard to currency, interest denomination or duration, and then uses interest rate swaps to re-base the debt into the appropriate proportions of fixed and floating interest rates. Interest rate swaps are also transacted to manage and re-profile the Group's interest rate risk over the short, medium and long term in accordance with the Treasury Operations Policy as approved by the Treasury Committee. Fair value movements are recognised in net finance costs in the relevant reporting period.

As at 30 September 2024, the notional amount of interest rate swaps outstanding that were entered into to convert fixed rate borrowings into floating rates of interest at the time of raising new finance was £6,349 million equivalent (2023: £8,111 million equivalent) with a fair value of £339 million liability (2023: £714 million liability). The fixed interest rates vary from 1.3% to 5.4% (2023: 1.3% to 7.9%), and the floating rates are based on EURIBOR, SONIA and SOFR.

As at 30 September 2024, the notional amount of interest rate swaps outstanding that were entered into to convert the Group's debt into the appropriate proportion of fixed and floating rates to manage and re-profile the Group's interest rate risk was £12,119 million equivalent (2023: £11,622 million equivalent) with a fair value of £225 million asset (2023: £771 million asset). The fixed interest rates vary from 3.1% receivable to 4.0% payable (2023: 3.1% receivable to 4.0% payable), and the floating receivable rates reference EURIBOR and SOFR. This includes forward starting interest rate swaps with a total notional amount of £4,719 million equivalent (2023: £4,055 million equivalent) with tenors between 1 and 10 years, starting between October 2024 and May 2032.

Cross-currency swaps

The Group enters into cross-currency swaps to convert the currency of debt into the appropriate currency with consideration to the underlying assets of the Group as appropriate. Fair value movements are recognised in net finance costs in the relevant reporting period unless the swaps are designated as hedges of a net investment in foreign operations, in which case the fair value movement attributable to changes in foreign exchange rates are recognised in other comprehensive income.

As at 30 September 2024, the notional amount of cross-currency swaps entered into to convert sterling debt into the desired currency was £1,000 million (2023: £1,600 million) and the fair value of these swaps was £76 million net liability (2023: £111 million net liability); the notional amount of cross-currency swaps entered into to convert US dollar debt into the desired currency was US$ 6,950 million (2023: US$ 5,250 million) and the fair value of these swaps was £142 million net liability (2023: £6 million net liability). This includes forward starting cross-currency swaps with a total notional amount of US$ 1,250 million equivalent (2023: no forward starting cross-currency swaps) with tenors of 4.5 years, starting in July 2025.

Foreign exchange contracts

The Group enters into foreign exchange contracts to manage short-term liquidity requirements in line with cash flow forecasts. As at 30 September 2024, the notional amount of these contracts was £842 million equivalent (2023: £2,020 million equivalent) and the fair value of these contracts was a net liability of £3 million (2023: £7 million net asset).

Hedges of net investments in foreign operations

As at 30 September 2024, cross-currency swaps with a notional amount of €6,593 million (2023: €6,910 million) were designated as hedges of net investments in foreign operations. During the year, foreign exchange translation gains amounting to £213 million (2023: £75 million gains) were recognised within exchange movements in other comprehensive income in respect of cross-currency swaps designated as hedges of a net investment in foreign operations. No hedging ineffectiveness occurred during the year (2023: £nil).

As at 30 September 2024, foreign exchange swaps with a notional amount of €nil (2023: €624 million) were designated as hedges of net investments in foreign operations. During the year, foreign exchange translation gains amounting to £6 million (2023: £14 million gains) were recognised within exchange movements in other comprehensive income in respect of foreign exchange swaps that had been designated as hedges of a net investment in foreign operations. No hedging ineffectiveness occurred during the year (2023: £nil).

The movements in other comprehensive income due to net investment hedging in the period were as follows:

£ million	**2024**	2023
Foreign exchange gains on borrowings	**321**	338
Foreign exchange gains on derivative financial instruments	**219**	89
	540	427

23. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax relates to the following:

£ million	**Consolidated income statement 2024**	Consolidated income statement 2023	**Consolidated balance sheet 2024**	Consolidated balance sheet 2023
Temporary differences on depreciation and amortisation	**(53)**	164	**(711)**	(716)
Retirement benefits	**(5)**	(9)	**48**	30
Tax credits and losses	**393**	6	**579**	282
Accruals, provisions and other temporary differences	**(48)**	(3)	**193**	186
Deferred tax benefit	**287**	158		
Net deferred tax assets/(liabilities)			**109**	(218)

Reflected in the consolidated balance sheet as follows

£ million	**2024**	2023
Deferred tax assets	**889**	653
Deferred tax liabilities	**(780)**	(871)
	109	(218)

NOTES TO THE FINANCIAL STATEMENTS *continued*

Reconciliation of net deferred tax liabilities

£ million	2024	2023
At 1 October	(218)	(522)
Credited to the income statement	287	158
Credited to other comprehensive income	36	134
Credited to equity	2	1
Acquisitions	–	(15)
Exchange movements	2	22
Other movements	(16)	4
As at 30 September	109	(218)

Unrecognised deferred tax assets

£ million	Gross 2024	Net 2024	Gross 2023	Net 2023
Tax losses	245	64	235	62
Tax credits	806	282	15	15
Other temporary differences	77	22	84	24
	1,128	368	334	101

Analysis of unrecognised deferred tax assets by expiry date

£ million	Gross 2024	Net 2024	Gross 2023	Net 2023
Tax losses expiring:				
No expiry	245	64	235	62
	245	64	235	62
Tax credits expiring:				
Within 1 year	–	–	15	15
No expiry	806	282	–	–
	806	282	15	15
Other temporary differences expiring:				
No expiry	77	22	84	24
	77	22	84	24

In December 2021, the OECD issued model rules for a new global minimum tax framework (Pillar Two), applicable for multinational enterprise groups with global revenue over €750 million. The legislation implementing the rules in the UK was substantively enacted on 20 June 2023 and will apply to the Group from the financial year ending 30 September 2025 onwards. The Group has applied the mandatory exception under IAS 12 in relation to the accounting for deferred tax assets and liabilities arising from the implementation of the Pillar Two model rules.

Based on the assessments carried out so far, although additional tax liabilities are expected to be incurred, the Group does not expect any significant exposure to Pillar Two income taxes in those jurisdictions where the minimum tax requirement is not met, based predominantly on the data for the year ended 30 September 2023. The Group is continuing to review this legislation and monitors the status of implementation of the model rules outside of the UK to assess the potential impact.

Included within net deferred tax liabilities are deferred tax assets recognised of £213 million (2023: £257 million) for tax credits arising in the Group's Spanish business. These tax credits have no time expiry. Utilisation of these tax credits is restricted to 50% of the Spanish business's taxable profits arising in any given year; those tax law restrictions extend the period over which the deferred tax assets would otherwise be recovered. The Group considers there to be forecast future taxable profits which support the recognition of these long-term deferred tax assets. The period over which these deferred tax assets are utilised is sensitive to forecasting assumptions about future growth rates (which may be influenced by the future effects of climate change) and regulatory changes. Any material effects of climate change in the long term could extend the period over which the deferred tax asset will be recovered but as the tax credits do not expire, the Group considers there is positive evidence that sufficient future taxable profits would still be available. Based on a range of forecast scenarios modelling sensitivities (including the future effects of climate change) these deferred tax assets are expected to be utilised over a period of 16 years.

Included within net deferred tax liabilities are deferred tax assets recognised for retirement benefits of £98 million (2023: £88 million) arising in the Group's German business. These deferred tax assets are expected to be recovered both by way of utilisation against the reversal of deferred tax liabilities of £49 million (2023: £40 million) arising in the Group's German business and by way of utilisation against future taxable profits. The Group considers there to be forecast future taxable profits which support the recognition of these long-term deferred tax assets. Based on a range of forecast scenarios modelling sensitivities these deferred tax assets are expected to be recovered over a period of 20-40 years corresponding to the life of the pension scheme. The period over which these deferred tax assets are utilised is sensitive to forecasting assumptions about future growth rates of the underlying business (which may be influenced by the future effects of climate change) and regulatory changes.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Included within net deferred tax liabilities are deferred tax assets recognised for intangibles of £179 million (2023: £199 million) arising in the Group's Dutch business. These deferred tax assets are expected to be recovered by way of utilisation against future taxable profits. The Group considers there to be forecast future taxable profits which support the recognition of these long-term deferred tax assets. The period over which these deferred tax assets are utilised is sensitive to forecasting assumptions about future growth rates (which may be influenced by the future effects of climate change) and regulatory changes. These deferred tax assets are expected to be recovered over a period of 15 years corresponding to the life of the intangibles.

Included within net deferred tax liabilities are deferred tax assets recognised of £293 million (2023: £0 million) in relation to tax credits brought forward within the Group's Maltese treasury centre, recognised as a result of clarifying tax guidance issued by the tax authorities during FY24 and the resulting intention to utilise these brought forward tax credits against taxable income arising from long-term loans of a fixed term tenure, which were refinanced during the financial year. The period over which these deferred tax assets are utilised is sensitive to forecasting assumptions about future growth rates of the underlying business (which may be influenced by the future effects of climate change) and regulatory changes. The Group considers there is positive evidence that sufficient future taxable profits would still be available. Based on a range of forecast scenarios modelling sensitivities these deferred tax assets are expected to be utilised over a period of 5-10 years. Tax losses arising within the Maltese group in periods prior to the formation of tax fiscal units, are kept in abeyance and therefore unavailable for utilisation within the fiscal unit and no deferred tax asset has been recognised thereon, but amounts are included within unrecognised deferred tax.

We have reviewed the recoverability of deferred tax assets in overseas territories in the light of forecast business performance. In 2024 we have recognised deferred tax assets of £3 million that were previously unrecognised (2023: recognised deferred tax assets of £6 million that were previously unrecognised) on the basis that it is more likely than not that these are recoverable.

A deferred tax liability of £46 million (2023: £43 million) is recognised in respect of taxation expected to arise on the future distribution of unremitted earnings totalling £2.17 billion (2023: £2 billion).

The temporary differences associated with investments in the Group's subsidiaries, associates and joint ventures for which a deferred tax liability has not been recognised in the periods presented, aggregate to £1,472 million (2023: £1,477 million) for which a deferred tax liability of £37 million (2023: £38 million) has not been recognised. No liability has been recognised because the Group is in a position to control the timing of the reversal of those temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24. RETIREMENT BENEFIT SCHEMES

The Group operates a number of retirement benefit schemes for its employees, including both defined benefit and defined contribution schemes. The Group's three principal schemes are defined benefit schemes and are operated by Imperial Tobacco Limited (ITL) in the UK, Reemtsma Cigarettenfabriken GmbH in Germany and ITG Brands in the USA; these schemes represent 66%, 16% and 7% of the Group's total defined benefit obligations (2023: 64%, 15% and 9%) and 0%, 41% and 11% of the current service cost (2023: 22%, 32% and 8%) respectively.

Imperial Tobacco Pension Fund

The UK scheme, the Imperial Tobacco Pension Fund ("ITPF"), was closed to future accrual on 30 September 2023. All active members are now enrolled into the defined contribution scheme as of 1 October 2023 alongside all new employees that have joined since 1 October 2010. Former active members of the defined benefit section of the ITPF are now deferred members who are able to draw their pension in the same way as an existing deferred member and are in receipt of annual inflationary increases as existing deferred members. The impact of the closure to future accrual was reported in the 2023 consolidated income statement. A further cost of £5.6 million is reported in the 2024 consolidated income statement due to a legal ruling in the year which has become applicable to ITL. The ruling required some elements of the compensation paid in 2023 to be subject to income tax and national insurance which ITL agreed to cover for impacted members if such a ruling were made. The ITPF defined benefit obligation comprises 78% in respect of pensioners and dependants, 22% in respect of deferred members and has a weighted average maturity of 12 years.

The ITPF operates under trust law and is managed and administered by the Trustees on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The ITPF assets are held by the trust.

The main risk for the company in respect of the ITPF is that additional contributions are required if the assets are not expected to be sufficient to pay for the benefits. The investment portfolio is subject to a range of risks typical of the asset classes held, such as liquidity to manage the Liability Driven Investment (LDI) portfolio, credit exposure within investment funds and exposure to the property market. The ITPF holds a buy-in policy with Standard Life as an asset; this covers around 61% of the pensioner defined benefit obligation. The buy-in eliminates investment return, longevity, inflation and funding risks in respect of those benefits covered. The ITPF also has access to a loan facility to provide short-term liquidity to support the LDI portfolio in the event of significant changes in government bond yields.

The main uncertainties affecting the level of benefits payable under the ITPF are future inflation levels, as these impact increases to pensions, and the actual longevity of the membership.

The contributions paid to the ITPF are set by the ITPF Scheme Actuary every three years. The Scheme Actuary is an external consultant, appointed by the Trustees. Principal factors that the Scheme Actuary will have regard to include the covenant offered by the company, the level of risk in the ITPF, the expected return on assets, the results of the funding assessment on the Technical Provisions basis and the expected cost of securing benefits if the ITPF were to be wound up.

The latest valuation agreed at 31 March 2022 reported a 118% funding ratio on the Technical Provisions basis. ITL and the Trustee agreed to maintain the existing dynamic contribution schedule, which means ITL's annual contributions will reduce or increase depending on the ITPF valuation going forward. The level of ITL's annual contribution to the ITPF was nil for the year to 31 March 2024, although £8.4 million was paid into an escrow account over this period. ITL does not expect to pay any contributions to the ITPF or the escrow account for the year to 31 March 2025. Further contributions were agreed to be paid by ITL in the event of a downgrade of the Group's credit rating to non-investment grade by either Standard & Poor's or Moody's, if a funding deficit were to exist. In addition, a surety guarantee with a total value of £120 million and a parental guarantee from Imperial Brands PLC remains in place. In certain circumstances, surplus funds in the defined benefit section of the ITPF may be used to finance defined contribution section contributions on ITL's behalf with company contributions reduced accordingly.

The IAS 19 measurement of the defined benefit obligation is sensitive to the assumptions made about future inflation as well as the assumptions made about life expectancy. It is also sensitive to the discount rate, which depends on market yields on sterling denominated AA corporate bonds. The main differences between the Technical Provisions and IAS 19 assumptions are a more prudent longevity assumption for Technical Provisions and a different approach to setting the discount rate. A consequence of the ITPF's investment strategy, with a proportion of the assets invested in return-seeking assets, is that the difference between the market value of the assets and the IAS 19 defined benefit obligation may be relatively volatile.

The ITPF has a pension surplus on the IAS 19 measure and, in line with IFRIC 14, recognition of the net asset on the fund is only appropriate where it can be recovered. The ITPF trust deed gives the company an ability to receive a refund of surplus assets assuming the full settlement of liabilities in the event of a wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up the ITPF or otherwise augment the benefits due to the ITPF's members. Based on these circumstances, any net surplus in the ITPF is recognised in full.

The Reemtsma Cigarettenfabriken Pension Plan

The German scheme, the Reemtsma Cigarettenfabriken Pension Plan (RCPP), is primarily a career average pension plan, though a small group of members have final salary benefits. The RCPP defined benefit obligation comprises 52% in respect of pensioners and dependants, 23% in respect of deferred members and 25% in respect of active members and has a weighted average maturity of 16 years. The RCPP was closed to new members from 1 January 2020, but existing active members at that date continue to accrue benefits.

The RCPP is unfunded and the company pays benefits as they arise. The RCPP obligations arise under a works council agreement and are subject to standard German legal requirements around such matters as the benefits to be provided to employees who leave service, and pension increases in payment. Over the next year Reemtsma Cigarettenfabriken GmbH expects to pay £24 million (2023: £24 million) in respect of benefits.

NOTES TO THE FINANCIAL STATEMENTS *continued*

The main uncertainties affecting the level of benefits payable under the RCPP are future inflation levels, as these impact increases to pensions, and the actual longevity of the membership.

The IAS19 measurement of the defined benefit obligation and the current service cost are sensitive to the assumptions made about the above variables, as well as the discount rate, which depends on market yields on euro denominated AA corporate bonds.

ITG scheme

The main US pension scheme, the ITG Scheme held by ITG Brands, is a defined benefit pension plan that is closed to new entrants. The ITG Scheme defined benefit obligation comprises 79% in respect of pensioners and dependants, 3% in respect of deferred members and 18% in respect of active members and has a weighted average maturity of nine years.

ITG Brands transacted a partial buy-out of some of the pensioner and dependant population during 2024. The buy-out resulted in a 2024 income statement credit of £4.8 million.

The ITG Scheme is funded and benefits are paid from the ITG Scheme assets. Contributions to the plan are determined based on US regulatory requirements. ITG Brands made no contributions this year and is not expected to make any contributions in the next year.

Annual benefits in payment are assumed not to increase from current levels. The main uncertainty affecting the level of benefits payable under the plan is the actual longevity of the membership. Other key uncertainties impacting the plan include investment risk and potential past service benefit changes from future union negotiations.

The IAS19 measurement of the defined benefit obligation and the service cost are sensitive to the assumptions made about the above variables, as well as the discount rate, which depends on market yields on US dollar denominated AA corporate bonds.

Other plans

Other plans of the Group include various pension plans, other post-employment and long-term employee benefit plans in several countries of operation. Some of the plans are funded, with assets backing the obligations held in separate legal vehicles such as trusts, whilst others are operated on an unfunded basis. The benefits provided, the approach to funding and the legal basis of the plans reflect their local territories. IAS 19 requires that the discount rate for calculating the defined benefit obligation and service cost is set according to the level of relevant market yields on corporate bonds where the market is considered "deep", or government bonds where it is not.

For the year ended 30 September 2024 the Group included one new scheme in the IAS19 position.

In Ireland, the Company and Trustees agreed to offer a lump sum to deferred members of the plan which was completed in 2024. In the US, the Company also agreed a partial pensioner buy-out with our smaller defined benefit plan alongside the ITG Scheme and also agreed changes to our post retirement medical plan with the unionised population.

NOTES TO THE FINANCIAL STATEMENTS *continued*

The results of the most recent available actuarial valuations for the various plans have been updated to 30 September 2024 in order to determine the amounts to be included in the Group's consolidated financial statements. The aggregate IAS19 position is as follows:

Defined benefit plans

			2024			2023
£ million	**DBO**	**Assets**	**Total**	DBO	Assets	Total
At 1 October	**(3,370)**	**2,977**	**(393)**	(3,609)	3,541	(68)
Consolidated income statement expense:						
Current service cost	**(18)**	**–**	**(18)**	(25)	–	(25)
Settlements gains/(losses)	**109**	**(107)**	**2**	2	(6)	(4)
Past service income	**12**	**–**	**12**	9	–	9
Cost of termination benefits	**(2)**	**–**	**(2)**	(5)	–	(5)
Net interest (expense)/income on net defined benefit (liability)/asset	**(171)**	**160**	**(11)**	(165)	178	13
Administration costs paid from plan assets	**–**	**(5)**	**(5)**	–	(5)	(5)
Cost recognised in the income statement			**(22)**			(17)
Remeasurements:						
Actuarial gain/(loss) due to liability experience	**13**	**–**	**13**	(132)	–	(132)
Actuarial (loss)/gain due to financial assumption changes	**(161)**	**–**	**(161)**	234	–	234
Actuarial gain due to demographic assumption changes	**1**	**–**	**1**	–	–	–
Return on plan assets excluding amounts included in net interest income/(expense) above	**–**	**44**	**44**	–	(478)	(478)
Remeasurement effects recognised in other comprehensive income			**(103)**			(376)
Cash:						
Employer contributions	**–**	**55**	**55**	–	59	59
Benefits paid directly by the Company	**247**	**(247)**	**–**	265	(265)	–
Net cash			**55**			59
Changes to immaterial benefit plans categorised as an IAS19 obligation recognised in the prior year	**(11)**	**–**	**(11)**	(8)	–	(8)
Exchange movements	**64**	**(33)**	**31**	64	(47)	17
Total other			**20**			9
At 30 September	**(3,287)**	**2,844**	**(443)**	(3,370)	2,977	(393)

Retirement benefit scheme costs charged to operating profit

£ million	**2024**	2023
Defined benefit expense in operating profit	**11**	30
Defined contribution expense in operating profit	**23**	16
Total retirement benefit scheme cost in operating profit	**34**	46

Split as follows in the consolidated income statement:

£ million	**2024**	2023
Cost of sales	**12**	15
Distribution, advertising and selling costs	**13**	20
Administrative and other expenses	**9**	11
Total retirement benefit scheme costs in operating profit	**34**	46

Assets and liabilities recognised in the consolidated balance sheet

£ million	**2024**	2023
Retirement benefit assets	**376**	414
Retirement benefit liabilities	**(819)**	(807)
Net retirement benefit liability	**(443)**	(393)

NOTES TO THE FINANCIAL STATEMENTS *continued*

Key figures and assumptions used for major plans

£ million unless otherwise indicated	2024 ITPF	2024 RCPP	2024 ITG Scheme	2023 ITPF	2023 RCPP	2023 ITG Scheme
Defined benefit obligation (DBO)	**2,157**	**524**	**235**	2,142	496	311
Fair value of scheme assets	**(2,459)**	**–**	**(264)**	(2,481)	–	(337)
Net defined benefit (asset)/liability	**(302)**	**524**	**(29)**	(339)	496	(26)
Current service cost	**–**	**7**	**2**	6	8	2
Employer contributions	**–**	**23**	**–**	–	23	–
Principal actuarial assumptions used (% per annum)						
Discount rate	**5.1**	**3.4**	**4.8**	5.6	4.2	5.7
Future salary increases	**n/a**	**3.1**	**n/a**	n/a	3.5	n/a
Future pension increases	**3.2**	**2.0**	**n/a**	3.4	2.4	n/a
Inflation	**3.1**	**2.0**	**2.3**	3.4	2.4	2.3

2024	ITPF Male	ITPF Female	RCPP Male	RCPP Female	ITG Scheme Male	ITG Scheme Female
Life expectancy at age 65 years:						
Member currently aged 65	**21.2**	**22.6**	**20.9**	**24.3**	**19.8**	**21.9**
Member currently aged 50	**22.0**	**23.9**	**22.9**	**25.9**	**21.0**	**23.0**

2023	ITPF Male	ITPF Female	RCPP Male	RCPP Female	ITG Scheme Male	ITG Scheme Female
Life expectancy at age 65 years:						
Member currently aged 65	21.2	22.5	20.8	24.2	19.7	21.7
Member currently aged 50	21.9	23.8	22.8	25.8	20.8	22.8

Assumptions regarding future mortality experience are set based on advice that uses published statistics and experience in each territory. In particular for the ITPF, SAPS S3 (2023: SAPS S3) tables are used with various adjustments for different groups of members, reflecting observed experience. The largest group of members uses the SAPS S3 All Pensioner Male Amounts Middle table with a 105% multiplier. An allowance for improvements in longevity is made using the 2021 (2023: 2021) CMI improvement rates with a long-term trend of 1.25% per annum.

Sensitivity analysis for key assumptions at the end of the year

Sensitivity analysis is illustrative only and is provided to demonstrate the degree of sensitivity of results to key assumpti ons. Generally, estimates are made by re-performing calculations with one assumption modified and all others held constant.

% increase in DBO	2024 ITPF	2024 RCPP	2024 ITG Scheme	2023 ITPF	2023 RCPP	2023 ITG Scheme
Discount rate: 0.5% decrease	**5.7**	**8.1**	**4.9**	5.6	8.1	4.5
Rate of inflation: 0.5% decrease	**(4.3)**	**(5.6)**	**n/a**	(4.2)	(5.7)	n/a
One-ear increase in longevity for a member currently age 65, corresponding changes at other ages	**3.6**	**4.1**	**4.2**	3.5	4.2	4.4

The sensitivity to the inflation assumption change includes corresponding changes to the future salary increases and future pension increases assumptions, but is assumed to be independent of any change to discount rate.

We estimate that a 0.5% decrease in the discount rate at the start of the year would have increased the consolidated income statement pension expense by approximately £8 million (2023: £12 million).

NOTES TO THE FINANCIAL STATEMENTS *continued*

An approximate split of the major categories of ITPF scheme assets is as follows:

£ million unless otherwise indicated	2024 Fair value	2024 Percentage of ITPF scheme assets	2023 Fair value	2023 Percentage of ITPF scheme assets
Bonds - index linked government / LDI funds	**487**	**19.8**	351	14.1
Property including ground leases	**446**	**18.1**	488	19.7
Secured finance and private debt funds	**463**	**18.8**	620	25.0
Insurance contract (buy-in policy)	**1,035**	**42.1**	1,044	42.1
Other - including cash and short-term loan drawings	**28**	**1.1**	(22)	(0.9)
	2,459	**100.0**	2,481	100.0

The primary investment objective is to invest the ITPF's assets in an appropriate and secure manner such that members' benefit entitlements can be paid as they fall due.

The majority of the assets are non-quoted. The ITPF holds £nil of self-invested assets (2023: £nil).

An approximate split of the major categories of ITG Scheme assets is as follows:

£ million unless otherwise indicated	2024 Fair value	2024 Percentage of ITG scheme assets	2023 Fair value	2023 Percentage of ITG scheme assets
Bonds - government, corporate and other	**122**	**46.2**	203	60.2
Other - including derivatives, commodities and cash	**142**	**53.8**	134	39.8
	264	**100.0**	337	100.0

The majority of the assets are non-quoted.

25. PROVISIONS

£ million	2024 Restructuring	2024 Employment-related claims	2024 Other	2024 Total
At 1 October 2023	**180**	**144**	**90**	**414**
Additional provisions charged to the consolidated income statement	**–**	**14**	**34**	**48**
Amounts used	**(46)**	**(36)**	**(22)**	**(104)**
Unused amounts reversed	**–**	**(3)**	**(30)**	**(33)**
Exchange movements	**(4)**	**(7)**	**(3)**	**(14)**
At 30 September 2024	**130**	**112**	**69**	**311**

Analysed as:

£ million	2024	2023
Current	**89**	148
Non-current	**222**	266
	311	414

Restructuring provisions relate mainly to the 2021 Strategic Review Programme and Cost Optimisation programmes (see note 6).

The restructuring provision is split between the 2021 Strategic Review Programme of £63 million (2023: £88 million) and other programmes of £67 million (2023: £92 million).

Employment-related claims provisions include £23 million (2023: £31 million) relating to local employment requirements including holiday pay and £25 million (2023: £28 million) of distribution requirements relating to employment and duty. An amount of £64 million (2023: £85 million) has been provided for employment-related claims arising from a number of legacy legal disputes. Although the Company continues to appeal a number of these claims, in the current year the Group has resolved to engage with certain counterparties where a valid claim has been established. There are uncertainties relating to the estimation and quantification of this provision and amounts may change in the future, but this provision is expected to be utilised within the next two years.

Other provisions include £29 million (2023: £38 million) relating to various local tax or duty requirements, £8 million (2023: £9 million) of market exit provisions and £12 million for factory closure provisions (2023: £30 million).

The provisions are spread throughout the Group and payment will be dependent on local statutory requirements.

Most of the provisions will also be utilised within the next two years, though certain employee-related and restructuring provisions may be required to be held for a period of up to 10 years where they relate to requirements to provide benefits for defined periods of time after an employee leaves employment.

NOTES TO THE FINANCIAL STATEMENTS *continued*

26. SHARE CAPITAL

	2024		2023	
	Ordinary shares 10p each		Ordinary shares 10p each	
	Number	£ million	Number	£ million
Authorised, issued and fully paid:				
1 October	**968,590,194**	**97**	1,020,697,237	103
Shares cancelled	**(54,087,312)**	**(6)**	(52,107,043)	(6)
30 September	**914,502,882**	**91**	968,590,194	97

On 5 October 2023, the Board approved a £1,100 million share buyback programme in order to return capital to shareholders. The first tranche purchased 30,317,505 shares for a cost of £550 million. Upon completion of the purchase, these shares were cancelled and transferred to the capital redemption reserve. For the second tranche of the programme, the Group has entered into an irrevocable and non-discretionary arrangement to buy back shares up to £550 million. The second tranche commenced on 11 March 2024 and in the period to 30 September 2024 54,087,312 shares have been bought back and cancelled at a cost of £1,020 million. The stamp duty and other tax costs were £12 million and the fees charged for the share repurchase were £1 million. Upon completion of the purchase, these shares were cancelled and transferred to the capital redemption reserve. As at 30 September 2024, the Group has recognised a liability of £90 million for the remaining shares to be purchased.

For the year ended 30 September 2024 the amounts recognised in the share premium and capital redemption reserves were £5,833 million (2023: £5,833 million) and £16 million (2023: £10 million) respectively.

27. SHARE SCHEMES

The Group operates four types of share-based incentive programmes, designed to incentivise staff and to encourage them to build a stake in the Group.

Share Matching Scheme

Awards are made to eligible employees who are invited to invest a proportion of their eligible bonus in shares for a period of three years, after which matching shares are awarded on a 1:1 ratio, plus dividend equivalents.

Long-Term Incentive Plan (LTIP)

Awards of shares under the LTIP are made to the Executive Directors and senior executives at the discretion of the Remuneration Committee. They vest three years after grant and are subject to performance criteria. Dividend equivalents accrue on vested shares.

Sharesave Plan

Options are granted to eligible employees who participate in a designated savings scheme for a three-year period.

Discretionary Share Awards Plan (DSAP)

Under the DSAP, one-off conditional awards are made to individuals to recognise exceptional contributions within the business. Awards, which are not subject to performance conditions and under which vested shares do not attract dividend roll-up, will normally vest on the third anniversary of the date of grant subject to the participant's continued employment. The limit of an award under the DSAP is capped at 25% of the participant's salary at the date of grant. Shares used to settle awards under the DSAP will be market purchased.

Further details of the schemes including additional criteria applying to Directors and some senior executives are set out in the Directors' Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Analysis of charge to the consolidated income statement

£ million	2024	2023
Share Matching Scheme	**2**	2
Long-Term Incentive Plan	**28**	27
Sharesave Plan	**1**	1
Discretionary Share Awards Plan	**1**	1
	32	31

The awards are predominantly equity settled. The balance sheet liability in respect of cash-settled schemes at 30 September 2024 was £3.5 million (2023: £3.4 million).

Reconciliation of movements in awards/options

					2024
Thousands of shares unless otherwise indicated	**Share Matching Scheme awards**	**LTIP awards**	**Sharesave options**	**DSAP awards**	**Sharesave weighted average exercise price £**
Outstanding at 1 October 2023	**453**	**8,502**	**1,686**	**173**	**13.72**
Granted	**172**	**4,341**	**445**	**73**	**15.96**
Cancelled/forfeited/lapsed	**(20)**	**(1,608)**	**(138)**	**(11)**	**13.61**
Exercised	**(234)**	**(2,670)**	**(453)**	**(24)**	**13.10**
Outstanding at 30 September 2024	**371**	**8,565**	**1,540**	**211**	**14.78**
Exercisable at 30 September 2024	**–**	**–**	**42**	**–**	**13.09**

					2023
Thousands of shares unless otherwise indicated	Share Matching Scheme awards	LTIP awards	Sharesave options	DSAP awards	Sharesave weighted average exercise price £
Outstanding at 1 October 2022	486	8,120	1,934	120	13.21
Granted	161	3,853	862	67	13.24
Cancelled/forfeited/lapsed	(18)	(2,402)	(90)	(11)	12.63
Exercised	(176)	(1,069)	(1,020)	(3)	12.38
Outstanding at 30 September 2023	453	8,502	1,686	173	13.72
Exercisable at 30 September 2023	–	–	264	–	12.37

The weighted average Imperial Brands PLC share price at the date of exercise of awards and options was £20.06 (2023: £18.28). The weighted average fair value of Sharesave options granted during the year was £3.40 (2023: £3.26).

NOTES TO THE FINANCIAL STATEMENTS *continued*

Summary of awards/options outstanding at 30 September 2024

Thousands of shares unless otherwise indicated	Number of awards/options outstanding	Vesting period remaining in months	Exercise price of options outstanding £
Share Matching Scheme			
2022	**128**	**5**	**n/a**
2023	**122**	**17**	**n/a**
2024	**121**	**29**	**n/a**
Total awards outstanding	**371**		
Long-Term Incentive Plan			
2022	**2,313**	**5**	**n/a**
2023	**2,675**	**17**	**n/a**
2024	**3,577**	**29**	**n/a**
Total awards outstanding	**8,565**		
Sharesave Plan			
2021	**42**	**–**	**13.09**
2022	**244**	**10**	**14.56**
2023	**815**	**22**	**14.29**
2024	**439**	**34**	**15.96**
Total options outstanding	**1,540**		
Discretionary Share Awards Plan			
2022	**74**	**5**	**n/a**
2023	**65**	**18**	**n/a**
2024	**72**	**29**	**n/a**
Total options outstanding	**211**		

The vesting period is the period between the grant of awards or options and the earliest date on which they are exercisable. The vesting period remaining and the exercise price of options outstanding are weighted averages. Participants in the Sharesave Plan have six months from the maturity date to exercise their options. Participants in the LTIP generally have seven years from the end of the vesting period to exercise their options. The exercise price of the options is fixed over the life of each option.

Pricing

For the purposes of valuing options to calculate the share-based payment charge, the Black-Scholes option pricing model has been used for the Share Matching Scheme, Sharesave Plan, Discretionary Share Awards Plan and one Long-Term Incentive Plan with no market conditions. A summary of the assumptions used in the Black-Scholes model for 2024 and 2023 is as follows:

	2024		
	Share Matching Scheme	Sharesave	DSAP
Risk-free interest rate %	**4.2**	**4.3**	**4.2**
Volatility (based on 3-year history) %	**25.0**	**24.1**	**25.0**
Expected lives of options granted years	**3.0**	**3.0**	**3.0**
Dividend yield %	**7.6**	**7.6**	**7.6**
Fair value £	**14.56**	**3.40**	**14.55**
Share price used to determine exercise price £	**18.31**	**19.80**	**18.31**
Exercise price £	**n/a**	**15.96**	**n/a**

	2023		
	Share Matching Scheme	Sharesave	DSAP
Risk-free interest rate %	4.0	4.4	4.1
Volatility (based on 3-year history) %	33.1	27.7	33.2
Expected lives of options granted years	3.0	3.0	3.0
Dividend yield %	8.2	8.2	8.2
Fair value £	16.04	3.30	14.72
Share price used to determine exercise price £	20.53	17.88	18.84
Exercise price £	n/a	14.29	n/a

Market conditions were incorporated into the Monte Carlo method used in determining the fair value of LTIP awards at grant date. Assumptions in 2024 and 2023 are given in the following table:

%	**2024**	2023
Future Imperial Brands share price volatility	**18.1**	23.3
Future Imperial Brands dividend yield	**–**	–
Share price volatility of the tobacco and alcohol comparator group	**15.4-23.1**	15.9-63.5
Correlation between Imperial Tobacco and the alcohol and tobacco comparator group	**18.9**	21.4

Employee Share Ownership Trusts

The Imperial Tobacco Group PLC Employee and Executive Benefit Trust and the Imperial Tobacco Group PLC 2001 Employee Benefit Trust (the Trusts) have been established to acquire ordinary shares in the Company to satisfy rights to shares arising on the exercise and vesting of options and awards. The purchase of shares by the Trusts has been financed by a gift of £19.2 million and an interest free loan of £147.5 million. In addition, the Group has gifted treasury shares to the Trusts. None of the Trusts' shares has been allocated to employees or Executive Directors as at 30 September 2024. All finance costs and administration expenses connected with the Trusts are charged to the consolidated income statement as they accrue. The Trusts have waived their rights to dividends and the shares held by the Trusts are excluded from the calculation of basic earnings per share.

Shares held by Employee Share Ownership Trusts

Millions of shares	**2024**	2023
At 1 October	**1.6**	3.7
Gift of shares from Treasury	**2.0**	–
Distribution of shares held by Employee Share Ownership Trusts	**(3.3)**	(2.1)
At 30 September	**0.3**	1.6

The shares in the Trusts are accounted for on a first in first out basis and comprise nil shares acquired in the open market (2023: nil) and 0.3 million (2023: 1.6 million) treasury shares gifted to the Trusts by the Group. 2.0 million shares (2023: no shares) were gifted to the Trusts in the financial year 2024.

28. TREASURY SHARES

Subject to authorisation by special resolution, the Group may purchase its own shares in accordance with the Companies Act. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of Group's issued share capital. Shares held in treasury do not qualify for dividends. Shares purchased under the share buyback programme initiated on 5 October 2023 were cancelled immediately on completion of the purchase. During the financial year 2.0 million shares were gifted to Employee Share Ownership Trusts (2023: no movements).

	2024		2023	
£ million unless otherwise indicated	**Millions of shares (number)**	**Value £**	Millions of shares (number)	Value £
At 1 October	**70.3**	**2,183**	70.3	2,183
Gifted to Employee Share Ownership Trusts	**(2.0)**	**–**	–	–
At 30 September	**68.3**	**2,183**	70.3	2,183
Percentage of issued share capital	**7.5**	**n/a**	7.3	n/a

29. COMMITMENTS

Capital commitments

£ million	2024	2023
Contracted but not provided for:		
Property, plant and equipment and software	**207**	97

30. CONTINGENT LIABILITIES

The following summary includes updates to matters that have developed since the 2023 Annual Report and Accounts.

USA state settlement agreements

In November 1998, the major United States cigarette manufacturers, including Reynolds and Philip Morris, entered into the Master Settlement Agreement ("MSA") with 52 US states and territories and possessions. These cigarette manufacturers previously settled four other cases, brought by Mississippi, Florida, Texas and Minnesota, by separate agreements with each state (collectively with the MSA, the "State Settlement Agreements", with Mississippi, Florida, Texas and Minnesota known collectively as the "Previously Settled States"). ITG Brands (ITGB) is a party to the MSA and to the Mississippi, Minnesota, and Texas State Settlement Agreements.

In connection with its 12 June 2015 acquisition of four cigarette brands (Winston, Salem, Kool and Maverick, referred to as the "Acquired Brands") from Reynolds and Lorillard, ITGB has been involved in litigation and other disputes with the Previously Settled States, Philip Morris, and Reynolds in their state courts.

Delaware

ITGB is involved in litigation with Reynolds in the Delaware court that has jurisdiction over disputes under the Asset Purchase Agreement (APA) for the Acquired Brands. The current case in progress involves Reynolds' claim to indemnity for Florida settlement payments. The issue in this case is whether ITGB has satisfied its obligations to use "reasonable best efforts" to join the settlement with Florida under the APA and whether regardless of that "reasonable best efforts" requirement ITGB is required to indemnify Reynolds for amounts the Florida Court has required Reynolds to pay.

On 30 September 2022, the trial court granted summary judgment to Reynolds and denied summary judgment to ITGB. It held that the Florida court's determination that ITGB did not assume payments under the Florida settlement unless it agreed to do so was not binding on the Delaware courts under principles of issue preclusion. It further held that as a matter of law the contract provisions were unambiguous and no evidence was required, and that ITGB had assumed and was required to indemnify Reynolds for Florida settlement payments. The Court did not determine the amount of Reynolds' damages but left that question open for further proceedings.

On 2 October 2023 the Court issued an initial order on damages. The court rejected ITGB's claim that no damages could be assessed but declined to decide the amount of damages and other issues until after a trial. A trial was held on 8-9 July 2024 and a decision is now pending. After trial court proceedings on damages are completed, ITGB will have the right to appeal (including from the court's earlier determinations) to the Delaware Supreme Court.

Reynolds' claim for indemnification in Delaware is limited at most to the amounts it has been required to pay under the Florida determination described above, plus interest and attorney's fees. ITGB continues to deny that indemnity is appropriate and intends to appeal that determination. ITGB further contends that Reynolds' damages should be substantially reduced by the amount by which Reynolds' settlement payments have been reduced through operation of the "profit adjustment" by reason of ITGB not becoming a party to the Florida settlement as well as by reason of Reynolds' and third-parties' conduct. On 31 October 2023 Philip Morris USA moved to intervene in the damages determination on the theory that any profit adjustment gain belongs to Philip Morris, not ITGB or Reynolds. On 1 April 2024 the court denied intervention.

Amounts at issue range up to US$ 250 million through 2023, plus future payments of up to US$ 27 million annually going forward plus interest of approximately US$ 68 million and attorney fees. Based on the current facts and circumstances it is currently unclear as to what level of damages will become payable in this case.

MSA Previously Settled States Reduction

The MSA contains a downward adjustment, called the Previously Settled States Reduction, which reduces aggregate payments made by Philip Morris, Reynolds, and ITGB by a specified percentage each year. The State of California, later joined by the remainder of the MSA states and by Philip Morris, challenged the application of that Reduction to ITGB for every year from 2016 forward, claiming that it cannot apply to ITGB since it is not making settlement payments to Florida, Minnesota, or Texas under their settlements. The Independent Auditor to the MSA, which initially addresses disputes related to payments, has rejected that challenge every year. It is possible that one of the parties making the challenge may seek to arbitrate the claim under the MSA. The PSS Reduction provides annual MSA payment reductions of c. US$ 65 million.

Overall summary of liability position associated with USA state settlement agreements

The Group's legal advice is that it has a strong position on pending claims related to the Acquired Brands and the Group therefore considers that no provision is required for these matters.

Product liability investigations

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 defences 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. This assessment of the probability of economic outflows at the year-end is a judgement which has been taken by management. Consequently, the Group has not provided for any amounts in respect of these cases in the financial statements. There have been no material updates to matters in any product liability investigations in the period since the 2023 Annual Report and Accounts.

Competition authority investigations

Spain

On 12 April 2019 the Spanish National Commission on Markets and Competition (CNMC) announced penalties against Philip Morris Spain, Altadis, JT International Iberia and Logista. Altadis and Logista received fines of €11.4 million and €20.9 million, respectively, from the CNMC. According to the decision, Altadis and Logista are alleged to have infringed competition law by participating in an exchange of sales volume data between 2008 and February 2017. The CNMC considers that this conduct had the effect of restricting competition in the Spanish tobacco market. Both companies believe that the arguments made by the CNMC that define this conduct as anti-competitive are flawed. In June 2019, both Altadis and Logista commenced appeals to the CNMC's decision, and the fines imposed in the Spanish High Court where they believe they will be successful, a decision supported by external legal counsel. In September 2019 Altadis and, separately, Logista arranged bank guarantees for the full amount of the fines with the result that payment of the fines had been suspended pending the outcome of the appeals. Therefore, provision for these amounts is not considered appropriate.

In both the Altadis and Logista appeals, the parties have concluded their submissions to the Court and a judgment is awaited in 2024/2025

In parallel to the main proceedings against the CNMC decision, on 28 February 2023, the Supreme Court annulled the unannounced inspection carried out by the CNMC officials on Altadis' premises in February 2017 for lack of consent by Altadis. Therefore, all the documents and evidence seized by the CNMC during Altadis' inspection have to be returned to the company and should be struck out from the CNMC decision. It remains to be seen the impact of this Court decision on the main proceedings.

Other litigation

US Helms-Burton litigation

Imperial Brands PLC has been named as a defendant in a civil action in federal court in Miami, Florida under Title III of the Cuban Liberty and Democratic Solidarity Act of 1996 ("Helms-Burton") filed on 6 August 2020. Title III provides United States nationals with a cause of action and a claim for treble damages against persons who have "trafficked" in property expropriated by the Cuban government. Although the filed claim is for unquantified damages, we understand the claim could potentially reach approximately US$ 365 million, based on the claimants' claim to own 90% of the property, which they value at US$ 135 million (and then treble based on the claimants' interpretation of the legislation). The claim is based on allegations that Imperial, through Corporación Habanos S.A. (a joint venture between one of Imperial's now former subsidiaries and the Cuban government), has "trafficked" in a factory in Havana, Cuba that the Cuban government confiscated from the claimants' ancestor in the early 1960s, by using the factory to manufacture, market, sell, and distribute Habanos cigars.

At the time the claim was filed against Imperial and up until the conclusion of the Brexit "transition period" on 31 December 2020, Imperial was subject to an EU law known as the EU Blocking Statute (Regulation (EC) No. 2271/96), which conflicts with Helms-Burton, protected Imperial against the impact of Title III, and impacted how Imperial might respond to the threatened litigation. The EU Blocking Statute has been transposed into domestic law with only minimal changes. Accordingly, on 10 January 2021, Imperial submitted an application to the UK Department for International Trade for authorisation from the Secretary of State for International Trade to defend the action or, at a minimum, to file and litigate a motion to dismiss the action and this was granted on 8 February 2021.

Following a lengthy motion to dismiss proceedings, on 28 November 2023, a magistrate issued a recommended ruling, and recommended dismissal of the case in its entirety as against Imperial on three separate grounds. On 8 April 2024, the judge adopted the magistrate's recommendation that the case be dismissed for lack of personal jurisdiction and entered an order dismissing and closing the case.

The Claimants filed an appeal against the judge's dismissal of the claim on 7 May 2024. The claimants' appeal submissions were filed on 16 August 2024 and the Group response was submitted on 16 October 2024. The appellate court has not scheduled a hearing in the appeal, however it is likely that a hearing will be held in spring 2025. A decision on the appeal will follow the hearing. No provision has been made for potential liabilities related to this claim.

UK

In June 2020, the Group responded to a claimant law firm's allegation of human rights issues in the Malawian tobacco supply chain, which included allegations relating to child and forced labour. In December 2020, a claim was filed in the English High Court against Imperial Brands plc, Imperial Tobacco Limited and four of its subsidiaries (the Imperial Defendants) and two entities in the British American Tobacco (the BAT Defendants) group by a group of Malawian tobacco farm workers. The Imperial Defendants have acknowledged service and confirmed to the claimants that they intend to defend the claim in full.

The Imperial Defendants have not yet been required to file their defence. The deadline for the Imperial and BAT Defendants to do so has been postponed pending other case management actions and will be determined at a subsequent case management hearing after the completion of a matching exercise (which will seek to establish whether the claimants worked for farmers who grew tobacco purchased by either Defendant group). That hearing is not likely to take place before 2025. The claim is unquantified and given the early stage of the litigation a provision would not be appropriate.

NOTES TO THE FINANCIAL STATEMENTS *continued*

31. NET DEBT

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

£ million	Current borrowings	Lease liabilities	Non-current borrowings	Derivative financial instruments	Liabilities from financing activities	Cash and cash equivalents	Total
At 1 October 2023	**(1,499)**	**(349)**	**(7,882)**	**(53)**	**(9,783)**	**1,345**	**(8,438)**
Reallocation of current borrowings from non-current borrowings	**(1,673)**	**–**	**1,673**	**–**	**–**	**–**	**–**
Cash flow	**1,760**	**107**	**(1,660)**	**34**	**241**	**(203)**	**38**
Change in accrued interest	**37**	**(14)**	**(21)**	**12**	**14**	**–**	**14**
Change in fair values	**–**	**–**	**–**	**(119)**	**(119)**	**–**	**(119)**
New leases, terminations and modifications	**–**	**(144)**	**–**	**–**	**(144)**	**–**	**(144)**
Exchange movements	**184**	**14**	**384**	**(209)**	**373**	**(64)**	**309**
At 30 September 2024	**(1,191)**	**(386)**	**(7,506)**	**(335)**	**(9,418)**	**1,078**	**(8,340)**

£ million	Current borrowings	Lease liabilities	Non-current borrowings	Derivative financial instruments	Liabilities from financing activities	Cash and cash equivalents	Total
At 1 October 2022	(1,011)	(248)	(8,996)	(87)	(10,342)	1,850	(8,492)
Reallocation of current borrowings from non-current borrowings	(1,536)	–	1,536	–	–	–	–
Cash flow	891	92	(835)	64	212	(349)	(137)
Change in accrued interest	2	(10)	(24)	1	(31)	–	(31)
Change in fair values	–	–	–	139	139	–	139
New leases, terminations and modifications	–	(106)	–	–	(106)	–	(106)
Acquisitions	–	(84)	–	–	(84)	–	(84)
Exchange movements	155	7	437	(170)	429	(156)	273
At 30 September 2023	(1,499)	(349)	(7,882)	(53)	(9,783)	1,345	(8,438)

Average reported net debt during the year was £10,037 million (2023: £10,072 million).

Analysis by denomination currency

£ million	GBP	EUR	USD	Other	2024 Total
Cash and cash equivalents	**356**	**179**	**129**	**414**	**1,078**
Total borrowings	**(1,014)**	**(3,383)**	**(4,291)**	**(9)**	**(8,697)**
	(658)	**(3,204)**	**(4,162)**	**405**	**(7,619)**
Effect of cross-currency swaps	**1,022**	**(5,532)**	**4,292**	**–**	**(218)**
	364	**(8,736)**	**130**	**405**	**(7,837)**
Lease liabilities	**(39)**	**(265)**	**(47)**	**(35)**	**(386)**
Derivative financial instruments					**(117)**
Net debt					**(8,340)**

NOTES TO THE FINANCIAL STATEMENTS *continued*

£ million	GBP	EUR	USD	Other	2023 Total
Cash and cash equivalents	177	405	324	439	1,345
Total borrowings	(1,631)	(3,417)	(4,319)	(14)	(9,381)
	(1,454)	(3,012)	(3,995)	425	(8,036)
Effect of cross-currency swaps	1,576	(6,016)	4,323	–	(117)
	122	(9,028)	328	425	(8,153)
Lease liabilities	(43)	(247)	(26)	(33)	(349)
Derivative financial instruments					64
Net debt					(8,438)

32. RECONCILIATION OF CASH FLOW TO MOVEMENT IN NET DEBT

£ million	2024	2023
Decrease in cash and cash equivalents	**(203)**	(349)
Cash flows relating to derivative financial instruments	**34**	64
Repayment of lease liabilities	**107**	92
Increase in borrowings	**(3,848)**	(1,462)
Repayment of borrowings	**3,948**	1,518
Change in net debt resulting from cash flows	**38**	(137)
Other non-cash movements including revaluation of derivative financial instruments	**(105)**	108
Lease liabilities	**(144)**	(190)
Exchange movements	**309**	273
Movement in net debt during the year	**98**	54
Opening net debt	**(8,438)**	(8,492)
Closing net debt	**(8,340)**	(8,438)

The increase in borrowings and repayment of borrowings reflect the cash flow movements relating to borrowings outstanding at the start and at the end of each financial year; cash flows relating to short-term borrowings drawn down and repaid within the year are not included in this analysis.

33. NON-CONTROLLING INTERESTS

Material non-controlling interests

Detailed below is the summarised financial information of Logista, being a subsidiary where the non-controlling interest of 49.99% is considered material to the Group.

Summarised balance sheet
at 30 September

Euro million	2024	2023
Current assets	**6,290**	6,246
Current liabilities	**(6,990)**	(6,983)
Current net liabilities	**(700)**	(737)
Non-current assets	**1,790**	1,816
Non-current liabilities	**(449)**	(482)
Non-current net assets	**1,341**	1,334
Net assets	**641**	597

Summarised statement of comprehensive income
for the year ended 30 September

Euro million	2024	2023
Revenue	**12,986**	12,428
Profit for the year	**308**	274
Other comprehensive income	**–**	3
Total comprehensive income	**308**	277

NOTES TO THE FINANCIAL STATEMENTS *continued*

Summarised cash flow statement
for the year ended 30 September

Euro million	2024	2023
Cash flows from operating activities	**397**	308
Cash flows from investing activities	**(51)**	(83)
Cash flows from financing activities	**(370)**	(250)
Net decrease in cash and cash equivalents	**(24)**	(25)

34. POST BALANCE SHEET EVENTS

Share buybacks

On 5 October 2023 Imperial Brands PLC ('the Company') announced a share buyback programme to repurchase up to £1.1 billion of shares. This programme completed on 29 October 2024 with the Company having repurchased 4,010,463 million shares for a total consideration of £90 million in the period from 1 October 2024 to 29 October 2024.

On 8 October 2024 Imperial Brands PLC ("the Company") announced the start of a new ongoing share buyback programme, to initially repurchase up to £1.25 billion of shares in the period to 29 October 2025. On 30 October 2024, in order to execute the first tranche of this buyback, the Company announced it had had entered into an irrevocable and non-discretionary arrangement with its broker Morgan Stanley & Co. International Plc to buy back up to £625 million of its shares commencing from 30 October 2024 and expected to end no later than 29 April 2025.

35. RELATED UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates, and joint ventures, the principal activity, the full registered address and the effective percentage of equity owned by Imperial Brands PLC, as at 30 September 2024, are provided in the entity financial statements of Imperial Brands PLC. There are no material related parties other than Group companies.

ALTERNATIVE PERFORMANCE MEASURES

Use of alternative performance measures

Management believes that non-GAAP or alternative performance measures provide an important comparison of business performance and reflect the way in which the business is controlled. The alternative performance measures seek to remove the distorting effects of a number of significant gains or losses arising from transactions which are not directly related to the ongoing underlying performance of the business and may be non-recurring events or not directly within the control of management.

Accordingly, alternative performance measures exclude, where applicable, amortisation and impairment of acquired intangibles, profit/loss on disposal of subsidiaries, Russia, Ukraine and associated market costs, restructuring costs, business acquisition and disposal costs, fair value adjustment and impairment of other financial assets, charges related to legal provisions, structural changes to defined benefit pension schemes, fair value and exchange gains and losses on financial instruments, post-employment benefits net financing cost/income, and related tax effects and tax matters. Other significant gains or losses which are not representative of the underlying business may also be treated as adjusting items where there is appropriate justification. The alternative performance measures in this report are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies. The alternative performance measures that are used by the Group are defined and reconciled back to the associated IFRS metrics as detailed below.

Summary of key adjusting items

The items excluded from adjusted performance results are those which are one-off in nature or items which arose due to acquisitions and are not influenced by the day-to-day operations of the Group, and the movements in the fair value of financial instruments which are marked to market and not naturally offset. Adjusted net finance costs also excludes all post-employment benefit net finance cost/income since pension assets and liabilities and redundancy and social plan provisions do not form part of adjusted net debt. This allows comparison of the Group's cost of debt with adjusted net debt. The adjusted performance measures are used by management to assess the Group's financial performance and aid comparability of results year on year.

Consolidated income statement adjusting items

The following tables summarise the key items recognised within the consolidated income statement that have been treated as adjusting items:

Adjusting items recognised within administrative and other expenses

£ million	**2024**	2023
Russia, Ukraine and associated markets	**–**	(4)
Amortisation and impairment of acquired intangibles	**(353)**	(347)
Fair value adjustment and impairment of other financial assets	**–**	(36)
Loss on disposal of subsidiaries	**–**	(1)
Charges related to legal provisions	**–**	(85)
Structural changes to defined benefit pension schemes	**(4)**	(12)
Total adjusting administrative and other expenses	**(357)**	(485)
Total non-adjusting administrative and other expenses	**(485)**	(455)
Administrative and other expenses	**(842)**	(940)

Amortisation and impairment of acquired intangibles

Acquired intangibles are amortised over their estimated useful economic lives where these are considered to be finite. Acquired intangibles considered to have an indefinite life are not amortised. Any negative goodwill arising is recognised immediately in the income statement. The Group excludes from adjusted performance measures the amortisation and impairment of acquired intangibles, other than software and internally generated intangibles, and the deferred tax associated with amortisation of acquired intangibles.

It is recognised that there may be some correlation between the amortisation charges derived from the acquisition value of acquired intangibles, and the subsequent future profit streams arising from sales of associated branded products. However, the amortisation of intangibles is not directly related to the operating performance of the business. Conversely, the level of profitability of branded products is directly influenced by day-to-day commercial actions, with variations in the level of profit derived from branded product sales acting as a clear indicator of performance. Given this, the Group's view is that amortisation and impairment charges do not clearly correlate to the ongoing variations in the commercial results of the business and are therefore excluded to allow a clearer view of the underlying performance of the organisation. The deferred tax arising on intangibles which are either being amortised or are fully amortised is excluded on the basis that amortisation of intangibles is not directly related to the operating performance of the business. The related current cash tax benefit is retained in the adjusted measure to reflect the ongoing tax benefit to the Group.

Total amortisation and impairment for the year is £399 million (2023: £392 million) of which £353 million (2023: £347 million) relates to acquired intangibles and is adjusting and £46 million (2023: £45 million) relates to internally generated intangibles and is non adjusting. In the year ended 30 September 2024 adjusting items all relate to amortisation. £345 million (2023: £339 million) is attributable to Tobacco & NGP and £8 million (2023: £8 million) is attributable to Distribution.

Fair value adjustment and impairment of other financial assets

As the movement in the fair value of loan receivables associated with the investment in Auxly Cannabis Group Inc. has the potential to be significant and does not show a fair representation of the day-to-day operational performance of the asset, it is treated as an adjusting item. No fair value adjustments have been recognised in the year ended 30 September 2024. The fair value adjustment in the prior year includes changes in the carrying value of certain financial assets held by ITG Brands.

Charges related to legal provisions

The adjusting item relates to legal provisions that the Group has provided for (see note 25). These are potential liabilities arising from a number of legacy legal disputes across the Group that have been in the courts for several years and which the Group have considered as being unrelated to ongoing business performance and therefore adjusted. The final settlement and agreement of these cases still remain uncertain but future outflows are still expected.

Structural changes to defined benefit pension schemes

These are non-recurring pension scheme restructuring costs (see note 24). These comprise £6 million of costs following a tax legal ruling that became applicable in relation to the closure of a defined benefit retirement scheme in the UK during the prior year, £4 million of settlement losses in relation to a lump sum offered to deferred members of a defined benefit retirement scheme in Ireland, and £6 million of settlement gains following the partial buy-out of some of the pensioner and dependent population of defined benefit retirement schemes in the USA.

The prior year included £8 million of net costs related to the closure of the UK defined benefit retirement scheme to future accrual and a £4 million settlement charge on the full closure of the New Zealand defined benefit scheme.

Adjusting items recognised within share of profit of investments accounted for using the equity method

£ million	**2024**	2023
Share of profit of investments accounted for using the equity method	**9**	7

Adjusting items recognised within tax

£ million	**2024**	2023
Deferred tax on amortisation of acquired intangibles	**–**	(4)
Tax on net foreign exchange and fair value gains and losses on financial instruments	**224**	89
Tax on post-employment benefits net financing cost	**5**	–
Tax on charges relating to legal provisions	**2**	26
Tax on structural changes to defined benefit pension schemes	**–**	3
Tax on fair value adjustment and impairment of other financial assets	**–**	5
Tax on interest settlements	**(1)**	2
Recognition of deferred tax assets	**293**	212
Provision for state aid tax recoverable	**101**	–
Uncertain tax positions	**(164)**	(207)
Prior year adjustments	**57**	–
Total adjusting taxation charges	**517**	126
Other non-adjusting taxation charges	**(799)**	(781)
Reported tax	**(282)**	(655)

Tax adjustments related to other pre-tax adjusting items

The adjusted tax charge has been calculated to include the tax effects of a number of pre-tax adjusting items including the amortisation of acquired intangibles, net foreign exchange gains and losses, fair value movements on financial instruments, restructuring costs and post-employment benefits net financing cost.

Significant one-off tax charges or credits

The adjusted tax charge also excludes significant one-off tax charges or credits arising from:

- prior period tax items (including re-measurement of deferred tax balances on a change in tax rates); or
- a provision for uncertain tax items not arising in the normal course of business; or
- newly enacted taxes in the year; or
- tax items that are closely related to previously recognised tax matters, and are excluded from our adjusted tax charge to aid comparability and understanding of the Group's performance.

The recognition and utilisation of deferred tax assets relating to tax losses and tax credits not historically generated in the normal course of business are excluded on the same basis.

Recognition of deferred tax assets

Significant one-off tax charges or credits arising from prior period items, and arising due to a change of facts and circumstances in the current year, are excluded from the adjusted tax charge. The recognition of a deferred tax asset in relation to tax credits brought forward within the Group's Maltese treasury centre, has been recognised as a result of clarifying tax guidance issued by the tax authorities during the year ended 30 September 2024 and the resulting intention to utilise these brought forward tax credits against forecast taxable income relating to loans refinanced for a further fixed term tenure during the financial year.

Provision for state aid tax recoverable

Significant one-off tax charges or credits arising from prior period items are excluded from the adjusted tax charge. The receivable booked for the state aid tax recoverable is therefore excluded from the adjusted tax charge on this basis.

Uncertain tax positions

Significant one-off tax charges or credits arising from a provision for uncertain tax items not arising in the normal course of business are excluded from the adjusted tax charge.

Prior period tax items

Significant one-off tax charges or credits arising from prior period items are excluded from the adjusted tax charge. A review of the historic current tax position of Imperial Tobacco International GmbH was undertaken resulting in a prior year adjustment of £53 million. In line with the policy, the relevant tax effect has been adjusted out.

Tax on unrecognised losses

The recognition and utilisation of deferred tax assets relating to losses not historically generated in the normal course of business are excluded from the adjusted tax charge.

DEFINITIONS AND RECONCILIATIONS OF ALTERNATIVE PERFORMANCE MEASURES

A) Tobacco & NGP net revenue

Tobacco & Next Generation Products (NGP) net revenue comprises associated revenue less duty and similar items, excluding peripheral products. Management considers this an important measure in assessing the performance of Tobacco & NGP operations.

The Group recognises revenue on sales to Logista, a Group company, within its reported Tobacco & NGP revenue figure. As the revenue calculation includes sales made to Logista from other Group companies but excludes Logista's external sales, this metric differs from revenue calculated under IFRS accounting standards. For the purposes of alternative performance measures on net revenue the Group treats Logista as an arm's length distributor on the basis that contractual rights are in line with other Third Party suppliers to Logista. Variations in the amount of inventory held by Logista results in a different level of revenue compared to that which is included within the income statement. For tobacco product sales, inventory level variations are normally not significant.

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

			2024			2023
£ million	**Tobacco**	**NGP**	**Total**	Tobacco	NGP	Total
Revenue	**21,708**	**376**	**22,084**	22,114	299	22,413
Duty and similar items	**(13,877)**	**(47)**	**(13,924)**	(14,364)	(34)	(14,398)
Sale of peripheral products	**(3)**	**–**	**(3)**	(3)	–	(3)
Net revenue	**7,828**	**329**	**8,157**	7,747	265	8,012

B) Distribution gross profit

Distribution gross profit comprises the Distribution segment revenue less the cost of distributed products. Management considers this an important measure in assessing the performance of Distribution operations.

Reconciliation from Distribution revenue to Distribution gross profit

£ million	**2024**	2023
Distribution revenue	**11,104**	10,819
Distribution cost of sales	**(9,601)**	(9,353)
Distribution gross profit	**1,503**	1,466

C) Adjusted operating profit

Adjusted operating profit is calculated as operating profit amended for a number of adjustments; the principal changes are detailed below. This measure is separately calculated and disclosed for Tobacco, NGP and Distribution where appropriate.

Reconciliation from profit before tax to adjusted operating profit

£ million	**2024**	2023
Profit before tax	**3,029**	3,111
Net finance costs	**534**	298
Share of profit of investments accounted for using the equity method	**(9)**	(7)
Operating profit	**3,554**	3,402
Russia, Ukraine and associated markets	**–**	4
Amortisation and impairment of acquired intangibles	**353**	347
Fair value adjustment and impairment of other financial assets	**–**	36
Loss on disposal of subsidiaries	**–**	1
Charges related to legal provisions	**–**	85
Structural changes to defined benefit pension schemes	**4**	12
Total adjustments	**357**	485
Adjusted operating profit	**3,911**	3,887

Reconciliation from Tobacco & NGP operating profit to adjusted operating profit

	2024			2023		
£ million	**Tobacco**	**NGP**	**Total**	Tobacco	NGP	Total
Operating profit/(loss)	**3,321**	**(83)**	**3,238**	3,262	(156)	3,106
Russian, Ukraine and associated markets	**–**	**–**	**–**	4	–	4
Amortisation and impairment of acquired intangibles	**341**	**4**	**345**	334	5	339
Fair value adjustment and impairment of other financial assets	**–**	**–**	**–**	20	16	36
Loss on disposal of subsidiaries	**–**	**–**	**–**	1	–	1
Charges related to legal provisions	**–**	**–**	**–**	85	–	85
Structural changes to defined benefit pension schemes	**4**	**–**	**4**	12	–	12
Adjusted operating profit/(loss)	**3,666**	**(79)**	**3,587**	3,718	(135)	3,583

Reconciliation from Distribution operating profit to Distribution adjusted operating profit

£ million	**2024**	2023
Distribution operating profit	**322**	298
Amortisation of acquired intangibles	**8**	8
Distribution adjusted operating profit	**330**	306

See note 12 for details on amortisation and impairment and note 24 for details on structural changes to defined benefit pension schemes.

D) Adjusted operating profit margin

Adjusted operating profit margin is adjusted operating profit divided by net revenue expressed as a percentage (see note 3). This measure is separately calculated and disclosed for the Tobacco & NGP and Distribution businesses where appropriate. There is no reconciliation required for this metric.

E) Adjusted net finance costs

Adjusted net finance costs excludes the movements in the fair value of financial instruments which are marked to market and not naturally offset. This measure also excludes all post-employment benefit net finance costs since pension assets and liabilities and redundancy and social plan provisions do not form part of adjusted net debt. This allows comparison of the Group's cost of debt with adjusted net debt.

IFRS 9 requires that all derivative financial instruments are recognised in the consolidated balance sheet at fair value, with changes in the fair value being recognised in the consolidated income statement unless the instrument satisfies the hedge accounting rules under IFRS and the Group chooses to designate the derivative financial instrument as a hedge.

The Group hedges underlying exposures in an efficient, commercial and structured manner. However, the strict hedging requirements of IFRS 9 may lead to some commercially effective hedge positions not qualifying for hedge accounting. As a result, and as permitted under IFRS 9, the Group has decided not to apply cash flow or fair value hedge accounting for its derivative financial instruments. However, the Group does apply net investment hedging, designating certain borrowings and derivatives as hedges of the net investment in the Group's foreign operations, as permitted by IFRS 9, in order to reduce income statement volatility.

The Group excludes fair value gains and losses on derivative financial instruments and exchange gains and losses on borrowings from adjusted net finance costs. Fair value gains and losses on the interest element of derivative financial instruments are excluded as there is no direct natural offset between the movements on derivatives and the interest charge on debt in any one period, as the derivatives and debt instruments may be contracted over different periods, although they will reverse over time or are matched in future periods by interest charges. The fair value gains on derivatives are excluded as they can introduce volatility in the finance charge for any given period.

Fair value gains and losses on the currency element of derivative financial instruments and exchange gains and losses on borrowings are excluded as the relevant foreign exchange gains and losses on the instruments in a net investment hedging relationship are accumulated as a separate component of other comprehensive income in accordance with the Group's policy on foreign currency.

Fair value movements arising from the revaluation of contingent consideration liabilities are adjusted out where they represent one-off acquisition costs that are not linked to the current period underlying performance of the business. Fair value adjustments on loans receivable measured at fair value are excluded as they arise due to counterparty credit risk changes that are not directly related to the underlying commercial performance of the business.

The net interest on defined benefit assets or liabilities, together with the unwind of discount on redundancy, social plans and other long-term provisions, are reported within net finance costs. These items together with their related tax effects are excluded from our adjusted earnings measures, as they primarily represent charges associated with historic employee benefit commitments, rather than the ongoing current period costs of operating the business.

Reconciliation from reported net finance costs to adjusted net finance costs

£ million	2024	2023
Reported net finance costs	**534**	298
Fair value gains on derivative financial instruments	**513**	707
Fair value losses on derivative financial instruments	**(632)**	(568)
Exchange gains on financing activities	**9**	10
Net fair value and exchange (losses)/gains on financial instruments	**(110)**	149
Interest income on net defined benefit assets	**22**	43
Interest cost on net defined benefit liabilities	**(33)**	(30)
Post-employment benefits net financing (cost)/income	**(11)**	13
Tax interest cost	**(10)**	(50)
Effect of discounting on long-term provisions	**(1)**	–
Adjusted net finance costs	**402**	410
Comprising:		
Interest income on bank deposits	**(16)**	(12)
Interest cost on lease liabilities	**14**	10
Interest cost on bank and other loans	**404**	412
Adjusted net finance costs	**402**	410

F) Adjusted tax charge

The adjusted tax charge is calculated by amending the reported tax charge for significant one-off tax charges or credits, as detailed in the table below. The adjusted tax rate is calculated as the adjusted tax charge divided by the adjusted operating profit before tax.

Reconciliation from reported tax to adjusted tax

£ million	2024	2023
Reported tax	**282**	655
Deferred tax on amortisation of acquired intangibles	**–**	(4)
Tax on net foreign exchange and fair value gains and losses on financial instruments	**224**	89
Tax on post-employment benefits net financing cost	**5**	–
Tax on charges relating to legal provisions	**2**	26
Tax on structural changes to defined benefit pension schemes	**–**	3
Tax on fair value adjustment and impairment of other financial assets	**–**	5
Tax on interest settlements	**(1)**	2
Recognition of deferred tax assets	**293**	212
Provision for state aid tax recoverable	**101**	–
Uncertain tax positions	**(164)**	(207)
Prior year adjustments	**57**	–
Adjusted tax charge	**799**	781

G) Adjusted earnings per share

Adjusted earnings is calculated by amending the reported basic earnings for all of the adjustments recognised in the calculation of the adjusted operating profit, adjusted finance costs and adjusted tax charge metrics as detailed above. Adjusted earnings per share is calculated by dividing adjusted earnings by the weighted average number of shares.

Reconciliation from reported to adjusted earnings and earnings per share

£ million unless otherwise indicated	2024 Earnings per share (pence)	2024 Earnings	2023 Earnings per share (pence)	2023 Earnings
Reported basic	**300.7**	**2,613**	252.4	2,328
Russia, Ukraine and associated markets	**-**	**-**	0.4	4
Amortisation and impairment of acquired intangibles	**40.6**	**353**	38.0	351
Fair value adjustment and impairment of other financial assets	**-**	**-**	3.4	31
Loss on disposal of subsidiaries	**-**	**-**	0.1	1
Charges related to legal provisions	**(0.2)**	**(2)**	6.4	59
Structural changes to defined benefit pension schemes	**0.5**	**4**	1.0	9
Net fair value and exchange movements on financial instruments	**(13.1)**	**(114)**	(25.8)	(238)
Post-employment benefits net financing cost/(income)	**0.7**	**6**	(1.4)	(13)
Tax interest cost	**1.3**	**11**	5.2	48
Effect of discounting on long-term provisions	**0.1**	**1**	–	–
Recognition of deferred tax assets	**(33.7)**	**(293)**	(23.0)	(212)
Provision for state aid tax recoverable	**(11.6)**	**(101)**	–	–
Uncertain tax positions	**18.9**	**164**	22.4	207
Prior year adjustments	**(6.6)**	**(57)**	–	–
Adjustments above attributable to non-controlling interests	**(0.6)**	**(4)**	(0.3)	(3)
Adjusted	**297.0**	**2,581**	278.8	2,572
Adjusted diluted	**295.3**	**2,581**	277.1	2,572

H) Return on invested capital (ROIC)

Return on invested capital measures the effectiveness of capital allocation and is calculated by dividing adjusted operating profit after tax by the annual average of: intangible assets, property, plant and equipment, net assets held for sale, inventories, trade and other receivables and trade and other payables. The equivalent tax charge is calculated by multiplying the adjusted effective tax rate for the Group by adjusted operating profit.

The annual average is defined as the average of the opening and closing balance sheet values.

£ million unless otherwise stated	2024	2023	2022
Reported operating profit	**3,554**	3,402	2,683
Adjusting items (see section C)	**357**	485	1,011
Adjusted operating profit	**3,911**	3,887	3,694
Equivalent tax charge	**(888)**	(871)	(827)
Net adjusted operating profit after tax	**3,023**	3,016	2,867
Working capital	**(2,772)**	(2,567)	(2,823)
Intangibles	**15,938**	16,944	17,777
Property, plant and equipment	**1,561**	1,617	1,659
Invested capital	**14,727**	15,994	16,613
Average annual invested capital	**15,361**	16,304	16,240
Return on invested capital (%)	**19.7**	18.5	17.7

I) Constant currency

Constant currency removes the effect of exchange rate movements on the translation of the results of our overseas operations. The Group translates current year results at prior year foreign exchange rates. An analysis of all key metrics can be found in the Group Financial Review.

J) Adjusted net debt

Management monitors the Group's borrowing levels using adjusted net debt which excludes interest accruals, lease commitments and the fair value of derivative financial instruments providing commercial hedges of interest rate risk. The adjusted net debt metric is used in monitoring performance against various debt management obligations including covenant compliance.

Adjusted net debt calculation

£ million	2024	2023
Reported net debt	**(8,340)**	(8,438)
Accrued interest	**95**	125
Lease liabilities	**386**	349
Fair value of interest rate derivatives	**119**	(62)
Adjusted net debt	**(7,740)**	(8,026)

Average adjusted net debt during the year was £9,506 million (2023: £9,574 million).

K) Adjusted net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) multiple

This is defined as adjusted net debt divided by adjusted EBITDA. Adjusted net debt is measured at balance sheet foreign excha nge rates, with a full reconciliation shown in table J above. Adjusted EBITDA is calculated as adjusted operating profit plus amortisation, depreciation and impairments. An analysis of all key metrics can be found in the Group Financial Review. The reconciliation from adjusted operating profit to adjusted EBITDA is shown below.

£ million	2024	2023
Adjusted operating profit (see section C above)	**3,911**	3,887
Depreciation, amortisation and impairments	**294**	270
Adjusted EBITDA	**4,205**	4,157

L) Adjusted operating cash conversion

Adjusted operating cash conversion is calculated as cash flow from operations pre-restructuring and before interest and tax payments less net capital expenditure relating to property, plant and equipment, software and intellectual property rights as a percentage of adjusted operating profit.

Adjusted operating cash conversion calculation

£ million unless otherwise stated	2024	2023
Net cash flows generated from operating activities	**3,307**	3,129
Tax	**888**	590
Net capital expenditure	**(321)**	(254)
Restructuring	**43**	98
Cash flow post capital expenditure pre interest and tax	**3,917**	3,563
Adjusted operating profit	**3,911**	3,887
Adjusted operating cash conversion	**100%**	92%

M) Free cash flow

Free cash flow is operating profit adjusted for certain cash and non-cash items. The principal adjustments are depreciation, working capital movements, net capex, restructuring cash flows, tax cash flows, cash interest and minority interest dividends.

Net cash flows generated from operating activities to free cash flow

£ million	2024	2023
Net cash generated from operating activities	**3,307**	3,129
Net capital expenditure	**(321)**	(254)
Cash interest	**(416)**	(407)
Minority interest dividends	**(136)**	(104)
Free cash flow	**2,434**	2,364

GLOSSARY

Financial terms

Adjusted closing net debt	Adjusted closing net debt is measured at balance sheet foreign exchange rates, with a full reconciliation shown within section J of the supplementary information.
Adjusted earnings per share	This is an alternative performance measure which is defined within section G of the supplementary information.
Adjusted EBITDA	Adjusted EBITDA is calculated as adjusted operating profit plus amortisation, depreciation and impairments.
Adjusted net debt	This is an alternative performance measure which is defined within section J of the supplementary information.
Adjusted net debt to EBITDA multiple	This is an alternative performance measure. Adjusted net debt is defined within section J of the supplementary information. EBITDA is defined within section K of the supplementary information
Adjusted net finance costs	This is an alternative performance measure which is defined within section E of the supplementary information.
Adjusted (Non-GAAP)	Non-GAAP measures provide a useful comparison of performance from one period to the next.
Adjusted operating cash conversion	This is an alternative performance measure which is defined within section L of the supplementary information.
Adjusted operating profit	This is an alternative performance measure which is defined within section C of the supplementary information.
Adjusted operating profit margin	Adjusted operating profit margin is calculated as adjusted operating profit divided by net revenue.
Adjusted tax charge	This is an alternative performance measure which is defined within section F of the supplementary information.
Aggregate priority market share	Aggregate weighted market volume share, based on our five priority markets (USA, Germany, UK, Spain and Australia). Market volume share is calculated based on a 12-month moving annual total (MAT) volume share position from October to September. The market volume size used in the weighting calculation is based on a constant prior year end actual market size.
All in cost of debt	Adjusted net finance costs divided by the average net debt in the year.
Cash conversion	Cash conversion is calculated as cash flow from operations pre-restructuring and before interest and tax payments less net capital expenditure relating to property, plant and equipment, software and intellectual property rights as a percentage of adjusted operating profit.
Constant currency	Removes the effect of exchange rate movements on the translation of the results of our overseas operations. The Group translates current year results at prior year foreign exchange rates.
Dividend per share	Dividend per share represents the total annual dividends, being the sum of the paid interim dividend and the proposed final dividend for the financial year.
DBO	Defined Benefit Obligation
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
EPS	Earnings per share
GAAP	Generally accepted accounting principles.
Market share	Market share data is presented as a 12-month moving average weighted across the markets in which we operate.
Net debt to EBITDA	Adjusted closing net debt divided by adjusted EBITDA.
Reported (GAAP)	Reported (GAAP) complies with UK-adopted International Accounting Standards and the relevant legislation.
Return on invested capital	This is an alternative performance measure which is defined within section H of the supplementary information.
Stick equivalent volumes	Stick equivalent volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes but exclude any NGP volume such as heated tobacco, modern oral nicotine and vapour.
Tobacco & NGP net revenue/Distribution gross profit	This is an alternative performance measure which is defined within sections A and B of the supplementary information.
Total shareholder return	Total shareholder return is the total investment gain to shareholders resulting from the movement in the share price and assuming dividends are immediately reinvested in shares.

GLOSSARY *continued*

Other

AAACE	Africa, Asia and Australasia and Central & Eastern Europe.
BERG	Business Employee Resource Groups
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO_2E	Carbon Dioxide Equivalent
CSRD	The Corporate Sustainability Reporting Directive
DEI	Diversity, Equity and Inclusion
Distribution	Logistics Segment
ECLT	Eliminating Child Labour in Tobacco Growing Foundation
EFRAG	European Financial Reporting Advisory Group
ELT	Executive Leadership Team
EPR	Extended Producer Responsibility Scheme
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
EVP	Electronic Vape Products
EY	Ernst & Young LLP
FCT	Fine Cut Tobacco
FDA	US Food and Drug Administration
FMC	Factory Made Cigarettes
FMCG	Fast Moving Consumer Goods
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GWh / KWh	Gigawatt-Hour / Kilowatt-Hour
HRIA	Human Rights Impact Assessment
HT	Heated Tobacco
HTP	Heated Tobacco Products
ILO	International Labour Organization
IOSH	Institution of Occupational Safety and Health
IPM	Integrated Pest Management
ISAE	International Standard for Assurance Engagements
ISO	International Organization for Standardization
IVMS	In Vehicle Monitoring System
KPI	Key Performance Indicators
LCWG	Leaf Compliance Working Group
Leaf CARE	Leaf Compliance and Response Programme
LGBTQ+	Lesbian, Gay, Bisexual, Transgender, Queer or Questioning, Intersex, Asexual, and More
LTA	Lost Time Accident
LTIP	Long Term Incentive Plans
MMC	Mass Market Cigars
MOND	Modern Oral Nicotine Delivery
MPI	Manufacturer's Price Increase
MSCI	Morgan Stanley Capital International index
NGOs	Non-Government Organisation
NGP	Next Generation Products
NTM	Non-Tobacco Materials
OHSE	Occupational Health Safety and Environment
OND	Oral Nicotine Delivery Category
PDCA	Plan Do Check Act

Other *continued*

PG&S	Purchased Goods and Services
PGS Committee	People, Governance and Sustainability Committee
PPE	Personal Protective Equipment
Priority markets	Top 5 combustible markets USA, Germany, UK, Spain and Australia
PSHG	Product Stewardship and Health Group
RECs	Renewable Energy Certificates
SASB	Sustainable Accounting Standards Board
SBTi	Science Based Targets initiative
SCIA	Supply Chain Impact Assessments
SDGs	Sustainable Development Goals
SE	Stick Equivalent volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes
SECR	Streamlined Energy and Carbon Reporting
SER	Supplier Engagement Rating
STP	Sustainable Tobacco Programme
T&Cs	Terms and Conditions
TCFD	Task Force on Climate-Related Financial Disclosures
Tobacco & NGP	Tobacco & Next Generation Products
UK	United Kingdom
UN SDGs	United Nations Sustainable Development Goals
WDI	Workforce Disclosure Initiative