

**Company Number: 03214426**

**IMPERIAL BRANDS FINANCE PLC  
Interim Financial Statements 2017**

## INTERIM MANAGEMENT REPORT

For the six months ended 31 March 2017

The Directors present their Interim Management Report together with the unaudited Interim Financial Statements of Imperial Brands Finance PLC ("the Company") for the six months ended 31 March 2017.

### Business review and performance

The principal activity of the Company is to provide treasury services to Imperial Brands PLC and its subsidiaries ("the Group").

The performance of the Company is dependent on external borrowings and intragroup loans payable and receivable and interest thereon, together with fair value gains and losses on derivative financial instruments providing commercial hedges.

The profit for the six months ended 31 March 2017 was £294 million (2016: profit £149 million). Total shareholders' funds as at 31 March 2017 were £3,060 million (2016: £2,773 million).

The aggregate dividends on the ordinary shares recognised as a charge to shareholders' funds during the six months ended 31 March 2017 amount to £nil (2016: £5,500 million).

### Principal risks and uncertainties

The Company is a wholly owned indirect subsidiary of Imperial Brands PLC, which is the ultimate parent company within the Group, and the Directors of the Group manage operations at a Group level. The Company, as the main financing and financial risk management company for the Group, undertakes transactions to manage the Group's financial risks, together with its financing and liquidity requirements.

The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the principal risks and uncertainties section of the Group's Annual Report and Accounts for the year ended 30 September 2016, which does not form part of this report, but is available at [www.imperialbrandsplc.com](http://www.imperialbrandsplc.com).

The principal risks and uncertainties of the Group, which include those of the Company, remain unchanged from those reported at 30 September 2016. The Directors anticipate that these will remain unchanged for the remaining six months of the financial year.

### Outlook

The business activity is expected to continue at levels similar to the current level. The Company will continue to manage the financing, liquidity and financial risk management requirements of the Group as they change over time.

### Going concern

The Directors are satisfied that the Company has adequate resources to meet its operational needs for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing these Interim Financial Statements.

### Directors' responsibility statement

The Board of Directors comprising J M Jones, D I Resnekov, O R Tant and M A Wall, confirms that:

- the condensed Interim Financial Statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by Rule 4.2.4 of the Disclosure Transparency Rules of the United Kingdom's Financial Conduct Authority ("the DTRs"); and
- the Interim Management Report includes a fair review of the information required by Rule 4.2.7 of the DTRs, namely an indication of important events that have occurred during the six months ended 31 March 2017 and their impact on the condensed set of Interim Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the year.

By order of the Board

J M J Jones  
Director

D I Resnekov  
Director

## FINANCIAL STATEMENTS

For the six months ended 31 March 2017

### Income Statement

(In £ million)	Notes	Unaudited 6 months ended 31 March 2017	Unaudited 6 months ended 31 March 2016	Audited Year ended 30 September 2016
Other operating income		-	-	1
Administrative expenses		-	-	(4)
<b>Operating loss</b>		-	-	(3)
Investment income	2	<b>1,279</b>	2,131	4,688
Finance costs	3	<b>(959)</b>	(1,981)	(4,566)
<b>Profit before taxation</b>		<b>320</b>	150	119
Taxation	4	<b>(26)</b>	(1)	23
<b>Profit for the period</b>		<b>294</b>	149	142

All activities derive from continuing operations.

The Company has no recognised income or costs other than those included above and, therefore, no separate Statement of Comprehensive Income has been presented.

There are no material differences between the profit before taxation and the profit for the six months ended 31 March 2017 stated above and their historical cost equivalents.

## Balance Sheet

(£ million)	Notes	Unaudited 31 March 2017	Unaudited 31 March 2016	Audited 30 September 2016
<b>Non-current assets</b>				
Derivative financial instruments	7	703	905	1,063
<b>Current assets</b>				
Trade and other receivables		35,202	32,688	34,790
Current tax assets		50	-	50
Deferred tax assets		-	1	25
Cash and cash equivalents		143	49	784
Derivative financial instruments	7	401	1,440	46
		<b>35,796</b>	34,178	35,695
<b>Total assets</b>		<b>36,499</b>	35,083	36,758
<b>Current liabilities</b>				
Borrowings		(2,678)	(2,510)	(1,846)
Derivative financial instruments	7	(197)	(178)	(118)
Trade and other payables		(17,800)	(16,782)	(17,988)
		<b>(20,675)</b>	(19,470)	(19,952)
<b>Non-current liabilities</b>				
Borrowings		(11,694)	(11,716)	(12,394)
Derivative financial instruments	7	(1,070)	(1,124)	(1,646)
		<b>(12,764)</b>	(12,840)	(14,040)
<b>Total liabilities</b>		<b>(33,439)</b>	(32,310)	(33,992)
<b>Net assets</b>		<b>3,060</b>	2,773	2,766
<b>Equity</b>				
Share capital		2,100	2,100	2,100
Retained earnings		960	673	666
<b>Total equity</b>		<b>3,060</b>	2,773	2,766

**Statement of Changes in Equity****Unaudited**

£ million	Share capital	Retained earnings	Total equity
<b>At 1 October 2016</b>	<b>2,100</b>	<b>666</b>	<b>2,766</b>
Profit for the period	-	<b>294</b>	<b>294</b>
<b>Total comprehensive income</b>	-	<b>294</b>	<b>294</b>
<b>At 31 March 2017</b>	<b>2,100</b>	<b>960</b>	<b>3,060</b>

	Unaudited Share capital	Retained earnings	Total equity
<b>At 1 October 2015</b>	2,100	6,024	8,124
Profit for the period	-	149	149
<b>Total comprehensive income</b>	-	149	149
Dividends paid	-	(5,500)	(5,500)
<b>At 31 March 2016</b>	2,100	673	2,773

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 March 2017

### 1. Accounting Policies

These Interim Financial Statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the UK and Republic of Ireland.

#### Basis of Preparation

The Interim Financial Statements comprise the unaudited results for the six months ended 31 March 2017 and 31 March 2016, together with the audited results for the year ended 30 September 2016.

The information shown for the year ended 30 September 2016 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006, and is an abridged version of the Company's Financial Statements for that year. The Auditors' Report on those Financial Statements was unqualified and did not contain any statements under section 498 of the Companies Act 2006. The Financial Statements for the year ended 30 September 2016 were approved by the Board of Directors on 8 December 2016 and filed with the Registrar of Companies.

This condensed set of Interim Financial Statements for the six months ended 31 March 2017 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and FRS 104 'Interim Financial Reporting' ("FRS 104") as adopted by the Financial Reporting Council ("FRC") using the recognition and measurement requirements of FRS 100 'Application of Financial Reporting Requirements' ("FRS 100") and FRS 101 'Reduced Disclosure Framework' ("FRS 101"). The condensed set of Interim Financial Statements for the six months ended 31 March 2017 should be read in conjunction with the Annual Report and Financial Statements for the year ended 30 September 2016.

The Company is a wholly owned indirect subsidiary of Imperial Brands PLC and is included in the consolidated Financial Statements of Imperial Brands PLC. Consequently, the Company has taken advantage of the exemption conferred by FRS 101 paragraph 8(h) and not presented a cash flow statement.

### 2. Investment income

(In £ million)	Unaudited 6 months ended 31 March 2017	Unaudited 6 months ended 31 March 2016	Audited Year ended 30 September 2016
Interest receivable from Group undertakings	443	644	1,045
Interest on bank deposits	-	1	1
Fair value gains on external derivative financial instruments	670	216	484
Fair value gains on intragroup derivative financial instruments	166	1,270	3,158
	<b>1,279</b>	<b>2,131</b>	<b>4,688</b>

### 3. Finance costs

(In £ million)	Unaudited 6 months ended 31 March 2017	Unaudited 6 months ended 31 March 2016	Audited Year ended 30 September 2016
Interest payable to Group undertakings	35	42	77
Interest on bank loans and other loans	271	259	512
Exchange losses on monetary assets and liabilities	150	1,251	3,152
Fair value losses on external derivative financial instruments	503	429	825
	<b>959</b>	<b>1,981</b>	<b>4,566</b>

### 4. Taxation

Analysis of charge in the period:

(In £ million)	Unaudited 6 months ended 31 March 2017	Unaudited 6 months ended 31 March 2016	Audited Year ended 30 September 2016
UK Corporation tax on profits for the period	-	-	-
Withholding tax	1	1	1
<b>Current tax</b>	<b>1</b>	<b>1</b>	<b>1</b>
Origination and reversal of timing differences	25	-	(25)
Effect of change in future tax rate	-	-	1
<b>Deferred tax</b>	<b>25</b>	<b>-</b>	<b>(24)</b>
<b>Total taxation</b>	<b>26</b>	<b>1</b>	<b>(23)</b>

## 5. Dividends

### Dividend per share in respect of financial year

(In Pence)	Unaudited 2017	Audited 2016	Audited 2015
Final	-	29	262
	-	29	262

### Amounts recognised as distributions to ordinary equity holders in the period

(In £ million)	Unaudited 6 months ended 31 March 2017	Unaudited 6 months ended 31 March 2016	Audited Year ended 30 September 2016
Final dividend paid in the period in respect of the previous financial year	-	5,500	5,500
	-	5,500	5,500

## 6. Fair value of financial assets and liabilities

There are no material differences between the carrying value of the Company's financial assets and liabilities and their estimated fair value, with the exception of bonds. The fair value of bonds is estimated to be £13,621 million (2016 6 months: £12,338 million) and has been determined by reference to market prices at the balance sheet date. The carrying value of bonds is £12,456 million (2016 6 months: £11,134 million).

## 7. Derivative financial instruments

(In £ million)	Unaudited 6 months ended 31 March 2017	Unaudited 6 months ended 31 March 2016	Audited Year ended 30 September 2016
<b>Assets</b>			
Interest rate swaps	732	885	1,095
Foreign exchange contracts	4	6	9
Intragroup forward foreign currency contracts	366	1,400	-
Cross currency swaps	2	54	5
Total carrying value of derivative financial assets	1,104	2,345	1,109
<b>Liabilities</b>			
Interest rate swaps	(846)	(1,088)	(1,339)
Foreign exchange contracts	(18)	(11)	(11)
Intragroup forward foreign currency contracts	(138)	(75)	-
Cross-currency swaps	(331)	(174)	(548)
Carrying value of derivative financial liabilities before collateral	(1,333)	(1,348)	(1,898)
Collateral	66	46	134
Total carrying value of derivative financial liabilities	(1,267)	(1,302)	(1,764)
Total carrying value of derivative financial instruments	(163)	1,043	(655)
<b>Analysed as:</b>			
Interest rate swaps	(114)	(203)	(244)
Foreign exchange contracts	(14)	(5)	(2)
Intragroup forward foreign currency contracts	228	1,325	-
Cross currency swaps	(329)	(120)	(543)
Collateral	66	46	134
Total carrying value of derivative financial instruments	(163)	1,043	(655)

The Company's derivative financial instruments are held at fair value. Fair values are determined based on observable market data (Level 2 classification hierarchy) and are consistent with those applied during the year ended 30 September 2016.

## 8. Related party transactions

The Company has taken advantage of the Group dispensation permitted under FRS 101 for 100% owned Group subsidiaries, not to disclose intragroup transactions during the period.