Company Number: 03214426

IMPERIAL BRANDS FINANCE PLC

Annual Report and Financial Statements 2023

Imperial Brands Finance PLC

Board of Directors

L J Paravicini
M E Slade
D M Tillekeratne

Company Secretary

J M Downing	(resigned on 30 June 2023)
E J Carey	(appointed on 30 June 2023)

Registered Office

121 Winterstoke Road
Bristol
BS3 2LL

Independent Auditors

Ernst & Young
1 More London Place
London
SE1 2AF

Strategic Report

For the year ended 30 September 2023

The Directors present their Strategic Report together with the audited financial statements of Imperial Brands Finance PLC (the "Company") for the year ended 30 September 2023.

Principal activity and principal risks and uncertainties of the Company

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

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. Financial risks comprise, but are not limited to, market, credit and liquidity risk. A summary of the Company's policies in respect of foreign exchange, interest, credit and liquidity risks is included in note 13.

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. Given the nature of the Company's activities and that the overall management is within the Group framework, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the treasury operations of the Group, which includes the Company, are discussed in note 20 of the Imperial Brands PLC Annual Report ("Imperial Brands Annual Report") which does not form part of this report, but is available at www.imperialbrandsplc.com. Financial risk management disclosures can be found in note 13.

Global economic situation

The Company'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 of the Group. The Directors recognise that the current environment brings uncertainty due to global economic challenges including those caused by the situation in Russia and Ukraine, low global economic growth and inflationary pressure. However, the Group has effectively managed operations across the world, and has proved it has an established mechanism to operate efficiently despite the uncertainty caused.

There is an ongoing risk that failure to maintain cash flows could impact the Group's and therefore the Company's ability to pay down debt, impacting covenants, credit ratings, bank, bond, and investor confidence. In addition, a downgrade in our credit ratings would raise the cost of our existing committed funding and is likely to raise the cost of future funding and affect our ability to raise debt. However, the Group has a strong focus on cash generation supported by robust governance processes. Cash flows, financing requirements and key rating agency metrics are regularly forecasted and updated in line with performance and expectations to manage future financing needs and optimise cost and availability. The Company has investment grade credit ratings from the main credit rating agencies, which supports it to access financing in the global debt capital markets.

Climate Change

As a subsidiary of the Imperial Brands Group, the Company adheres to the Group's climate related strategy. The ESG review is discussed on pages 38 to 43 of the Imperial Brands Annual Report. Details of the Group's climate-related financial disclosures consistent with the recommendations and disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) are discussed on pages 70 to 81 of the Imperial Brands Annual Report. For this reason, the Company's Directors consider further detail of the assessment of climate related risks in this report is not necessary.

LIBOR

Following the announcement of the discontinuation of GBP LIBOR at the end of 2021 and US$ LIBOR discontinuation in 2023, the Company amended its bank facility agreement on 28 September 2021 to stop referencing GBP and US$ LIBOR and instead reference the daily risk free rates of SONIA and SOFR respectively. The Company amended all GBP LIBOR derivatives to reference the daily risk free rate of SONIA instead of GBP LIBOR and all US$ LIBOR derivatives were amended to reference the daily risk free rate of SOFR instead of US$ LIBOR. There are no changes pending for EUR derivatives.

Review of the business

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. While the Company remains the principal financing entity for the Imperial Brands Group, another Group entity, Imperial Brands Financing Netherlands BV, incorporated in 2020, is also involved in Group financing activity.

The profit for the financial year was £393 million (2022: loss of £29 million) and is stated after a release of £25 million (2022: charge of £116 million) arising on a decrease in the expected credit loss provision against the carrying value of certain loans made to entities within the Imperial Brands Group. The release of £25 million was largely due to a corporate restructure that reduced the loan receivable exposure, offset by increased exposures due to higher interest rates. The expected loss provision arises due to the assessment of credit risk associated with the future repayment of the loans. The decision to exit operations in Russia during the 2022 fiscal year has impacted the recoverability of one other intragroup loan, with the other provision relating to investments entities associated with Next Generation Products (NGP). The release of the provision is not tax allowable and therefore there is no associated tax credit.

The Company repaid several bond issuances during the year. On 13 February 2023, $354 million (£292 million equivalent) 3.5% notes were repaid. On 14 August 2023, €750 million (£646 million equivalent) 1.125% notes were repaid. Borrowings disclosures can be found in note 12.

Total equity as at 30 September 2023 was £2,677 million (2022: £2,284 million).

The aggregate dividends on the ordinary shares recognised as a charge to shareholders' funds during the year amount to £nil million (2022: £nil million).

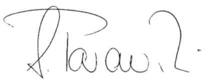
UK Companies Act: Section 172 (1) statement

The Company is part of the Imperial Brands Group and is ultimately owned by Imperial Brands PLC. As set out above the Company's principal activities comprise undertaking transactions to manage the Group's financial risks, together with its financing and liquidity requirements. Under Section 172 (1) of the UK Companies Act 2006 and as part of the Directors' duty to the Company's shareholders to act as they consider most likely to promote the success of the Company, the Directors must have regard to the long term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for business relationships with the Company's wider stakeholders, and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into board decision making and risk assessments throughout the year.

The Company's key stakeholders are financial institutions which it engages in relation to the Company's financial activities and those members of the Imperial Brands Group to which it provides finance-related services. Primary ways in which the Company engages with financial institutions are through meetings, ongoing dialogue and relationship management conducted by the Imperial Brands Group Treasury and Finance teams. There is regular engagement with Imperial Brands PLC on finance related matters, which is taken into account in the Company's decision making. Primary ways in which the Company engages directly or indirectly, as part of the Imperial Brands Group, with its key stakeholders are summarised at pages 32 to 36 of the Imperial Brands Annual Report. This enables the Directors to maintain an effective understanding of what matters to those stakeholders and to draw on these perspectives in Board decision making. During the decision making process the Directors are made aware of the impact of decisions on relevant stakeholders and engagement that has occurred with those stakeholders where applicable.

In accordance with the Imperial Brands Group's overall governance and internal control framework and in support of the Company's purpose as part of the Imperial Brands Group, the Company applies and the Directors have regard to all applicable Imperial Brands Group policies and procedures, including the Group Statement of Delegated Authorities, standards of business conduct, health and safety and environmental policies. Where authority for decision making is delegated to management under the Group delegated authority rules, appropriate regard is given to the likely long term consequences of decisions, the imperative of maintaining high standards of business conduct, employees' interests, business relationships with wider stakeholders, the impact of business operations on the environment and communities, and other relevant factors. The Imperial Brands Group Statement of Delegated Authorities is part of the Imperial Brands Group's governance and internal control framework through which good corporate governance, risk management and internal control is promoted within the Imperial Brands Group and does not derogate from any requirement for Board review, oversight or approval in relation to the Company's activities.

On behalf of the Board



L J Paravicini
Director
13 December 2023

Report of the Directors

For the year ended 30 September 2023

Company Number: 03214426

The Directors submit their report together with the Strategic Report (on page 2) and the audited financial statements of the Company for the year ended 30 September 2023.

Principal activity and financial risk management

As set out in the Strategic Report, the principal activity of the Company is to provide treasury services to the Group. The principal risks and uncertainties facing the Company are outlined in the Strategic Report, with the management of those risks discussed in note 13 to the financial statements.

Financial results and dividends

The financial results of the Company for the year are outlined in the Strategic Report.

The Directors do not recommend the payment of a final dividend for the year (2022: £nil million).

Responsibility statements under the Disclosure and Transparency Rules

Each of the directors confirm that to the best of their knowledge:

• The financial statements, prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101"), give a true and fair view of the assets, liabilities, financial position and profit of the company, and

• The Strategic Report and Report of the Directors report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

Corporate governance

The Company is a wholly owned indirect subsidiary of Imperial Brands PLC and the Directors of the Group manage corporate governance at a Group level. The Group's statement on corporate governance can be found in the corporate governance report in the Imperial Brands Annual Report, which does not form part of this report, but is available at www.imperialbrandsplc.com. Consideration is given to the risk management policies of the Company included in note 13 to the financial statements. For this reason, the Company's Directors consider further detail of corporate governance in this report not necessary.

Financial reporting

The Company has in place internal control and risk management systems in relation to the Company's financial reporting process and the process for the preparation of financial statements. These systems include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparation of monthly management accounts, review of the disclosures within the report and accounts to ensure that the disclosures made appropriately reflect the developments within the Company in the year and meet the requirement of being fair, balanced and understandable.

The above disclosures are made in accordance with the United Kingdom Listing Authority Disclosure and Transparency Rules Section 7.2.5, requiring disclosure of internal control and risk compliance systems.

Insurance

Imperial Brands PLC has purchased Directors' and Officers' liability insurance that has been in force throughout the financial year and is currently in force. The Directors of the Company have the benefit of this insurance, which is a qualifying third party indemnity provision as defined by the Companies Act 2006.

Future outlook

The business activity is expected to continue at levels similar to the current level. The Company will continue to manage the overall liquidity and financial risk management requirements of the Group as they change over time. The Company will manage the Group's financing requirement in combination with other Group entities where it is beneficial to the Group as a whole.

Board of Directors

L J Paravicini
M E Slade
D M Tillekeratne

Report of the Directors (continued)

Company Number: 03214426

For the year ended 30 September 2023

Going concern

The Company has been issued a support letter from its parent company, Imperial Brands PLC, confirming ongoing financial support in meeting liabilities as they fall due from the date of approval of these financial statements to 31 December 2024. Imperial Brands PLC has evaluated its ability to continue as a going concern until 31 March 2025. This evaluation is an extension to the previous assessment that was audited and reported on page 182 of the Imperial Brands Annual Report for the year ended 30 September 2023. The Directors are therefore satisfied there are no uncertainties relating to going concern, and accordingly the Directors considered it appropriate to rely upon this support in making their going concern assessment for these financial statements. The Directors are satisfied that the Company has adequate resources to meet its operational needs from the date of this report through to 31 December 2024 and, therefore concludes that it is appropriate to prepare the financial statements on a going concern basis.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 ‘‘Reduced Disclosure Framework’’, and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

● select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and applying them consistently;

● make judgements and accounting estimates that are reasonable and prudent;

● present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

● provide additional disclosures when compliance with the specific requirements in FRS 101 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company’s financial position and financial performance;

● state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and

● prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditors

Each of the Directors in office as of the date of approval of this report confirms that:

● so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and

● they have each taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

On behalf of the Board

L J Paravicini
Director
13 December 2023

Independent auditor's report to the members of Imperial Brands Finance PLC

Opinion

We have audited the financial statements of Imperial Brands Finance Plc for the year ended 30 September 2023 which comprise Income Statement, the Balance Sheet, the statement of changes in equity and the related notes 1 to 19 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- confirming our understanding of the directors' going concern assessment process, including discussion with management to ensure all key factors were taken into account.

- assessing the appropriateness of the duration of the going concern assessment period to 31 December 2024 and considering the existence of any significant events or conditions beyond this period based on our procedures on the Company's business plan, cash flow forecasts and from knowledge arising from other areas of the audit.

- as the directors' going concern assessment includes reliance on a letter of support provided by Imperial Brands PLC ("the Group"), our evaluation of the ability of the Group to provide the support included the following procedures:

  - reviewing the terms of the letter of support provided to the Company and checking if any caveats or conditions have been included by the Group;
  - verifying inputs against the board-approved business plan, cash flow forecasts and debt facility terms, and reconciling the opening liquidity position to the prior year end assessment;
  - reviewing borrowing facilities to confirm both their availability to the Group and the forecast debt repayments through the going concern assessment period and to validate that there are only two financial covenants in relation to the revolving credit facility;
  - evaluating management's historical forecasting accuracy and the consistency of the going concern assessment with information obtained from other areas of the audit, such as our audit procedures on the business plan and cash flow forecasts;
  - testing the assessment, including forecast liquidity under base and downside scenarios, for clerical accuracy;
  - assessing whether assumptions made were reasonable and in the case of downside scenarios, appropriately severe, in light of the Group's relevant principal risks and uncertainties and our own independent assessment of those risks;
  - assessing Group's management considerations related to material climate change impacts in the going concern period;
  - evaluating the amount and timing of identified mitigating actions available to respond to a severe but plausible downside scenario, and whether those actions are feasible and within the Group's control;
  - performing independent stress testing on management's assumptions including applying incremental adverse cash flow sensitivities. Our sensitivities included the impact of certain severe but plausible scenarios identified in other areas of our audit, including litigation and tax, materialising within the going concern period; and,
  - performing reverse stress testing on management's base case scenario to understand how severe conditions would have to be to breach liquidity or financial covenants and whether the reduction in EBITDA that result in breaches to liquidity or financial covenants has no more than a remote possibility of occurring.

- assessing the appropriateness of the going concern disclosure.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Valuation of derivative financial instruments • Valuation of Expected Credit Loss "ECL" provision for intercompany loan receivables
Materiality	• Overall materiality of £32.6m which represents 1.2% of net assets. • This amount was calculated based on interim balances. Our reassessment of materiality using the final year end balances did not result in the performance of any additional audit procedures.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate Change

There has been increasing interest from stakeholders as to how climate change will impact Imperial Brands Finance plc. The company has determined that there will be no material future impacts from climate change on its operations. This is explained on page 2 in the strategic report which forms part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appear to be materially misstated, in line with our responsibilities on "Other information" as well as assessing Group's management considerations related to material climate change impacts in the going concern period and it's ability to provide the support to the company.

Our audit effort in considering climate change was focused on evaluating management's assessment that there is no impact of climate change risk, both physical and transition, and ensuring that the effect of material climate risks have been appropriately reflected. We also challenged the Directors' considerations of climate change in their assessment of going concern and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the directors
Valuation of derivative financial instruments (£53m net liabilities, **2022:** £86m net liabilities) Refer to the Strategic Report (page 2); Accounting policies (page 14); Note 3 to the financial statements (page 16); and Note 13 of the financial statements (page 20) The company has a portfolio of derivatives including a range of instruments with differing maturity dates, some of which are over five years. The derivatives are reported at their fair value in accordance with IFRS 9 requirements. The fair values are determined based on observable market data such as yield curves and foreign exchange rates to calculate the present value of future cash flows associated with each derivative at the balance sheet date. There is a heightened risk of error in the valuation of the derivative financial instruments due to the judgments used in fair value measurement.	In order to assess the valuation of derivative financial instruments, our audit procedures included: • Understanding the methodology applied by management for derivatives valuation and walking through the controls over the process. • Reading agreements between the company and derivative counterparties. • Obtaining confirmations from all derivative counterparties confirming the existence of derivative instruments outstanding at the balance sheet date. • Involving internal specialists to perform: a) an independent valuation of a sample of the derivative instruments, b) an assessment of the classification of the derivatives, c) an audit of the credit risk adjustment and its movement throughout the period, and d) an assessment of the accounting treatment under IFRS with derivatives being treated at fair value through profit and loss. • We evaluated the disclosures in the financial statements for consistency with the findings of our audit procedures, including a description of the assumptions used in calculating this estimate.	We concluded that derivative financial instruments are fairly stated at 30 September 2023.

Risk	Our response to the risk	Key observations communicated to the directors
Valuation of ECL provision for intercompany loan receivables (£583m, **2022:** £608m) *Refer to the Strategic Report (page 2); Accounting policies (page 14); Note 3 to the financial statements (page 16); and Note 10 to the Financial Statements (page 18)* Under IFRS 9 management is required, at each reporting date, to assess whether the financial instruments are credit impaired using the ECL model. This assessment involves recognition of provisions relating to potential future impairments, in addition to impairments that have already occurred. There is a risk that the ECL provision is misstated given the subjectivity involved in estimating potential future impairments.	In order to assess the recoverability of intercompany loan receivables, our audit procedures included, among others: • Understanding the process undertaken by management to perform the ECL provision assessment, including the evaluation of operational factors impacting the assumptions used by management to determine the probability of default and loss given default in case of default of each of the loans' counterparties. • We tested the clerical accuracy of the model used to assess the recoverability of loan receivables. • We assessed the risk of counterparty default, by reference to, among other things, the nature of the entity (Tobacco or NGP), its operating performance and the presence of guarantee letters provided to the counterparties. • For loans where there were indicators of impairment, we critically assessed management's assertions and key input assumptions by: - Assessing management's estimation of probability of default on the basis of the counterparties' operational performance. - Comparing the net asset/liability position of the counterparties as at 30 September 2023 to the loss given default used in the calculation. • We evaluated the accuracy of the model used to assess the recoverability of loan receivables through looking back at the prior years' assessments against the current performance of those receivables. • We evaluated the disclosures in the financial statements for consistency with the findings of our audit procedures, including a description of the methodology used in calculating this estimate.	We concluded that the expected credit loss provision is fairly stated at 30 September 2023.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £32.6 million (2022: £22.8 million), which is 1.2% (2022: 1%) of net assets. We believe that net assets is reflective of the Company's position and would be the measure of most relevance to the users of the financial statements.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £24.4m (2022: £17.1m). We have set performance materiality at this percentage due to a reduced expectation of material misstatements.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.63m (2022: £1.14m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are:
  - FRS101 and the Companies Act 2006
  - Tax legislation (Governed by HM Revenue and Customs)
- We understood how Imperial Brands Finance PLC is complying with those frameworks by reading internal policies and codes of conduct and assessing the entity level control environment, including the level of oversight of the directors. We made enquiries of the group's legal counsel and internal audit regarding known instances of non-compliance or suspected non-compliance with laws and regulations. We designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraph above. As well as enquiry and attendance at meetings, our procedures involved reading the reporting to the group's tax and treasury committee and board meetings and other committee minutes to identify any non-compliance with laws and regulations. Our procedures also involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries of senior management and evaluating fraud risk factors arising from our understanding of the company and its environment. We planned our audit to identify risks of management override, tested higher risk journal entries and performed audit procedures to address the potential for management bias, particularly over areas involving significant estimation and judgment.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of key management and group's legal counsel, reviewing key policies, inspecting legal registers and reading key management meeting minutes. We also completed procedures to conclude on the compliance of significant disclosures in the Annual Report and Financial Statements with the requirements of the relevant accounting standards and UK legislation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from Imperial Brands PLC audit committee we were appointed by the company on 5 June 2020 to audit the financial statements for the year ending 30 September 2020 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 30 September 2020 to 30 September 2023.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the directors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ernst & Young
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Bilal Raja (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 December 2023

Income Statement

For the year ended 30 September 2023

(In £ million)	Notes	**2023**	2022
Administrative expenses		**(4)**	(3)
Impairment gain/(loss)	10	**25**	(245)
Other operating income		**1**	1
Operating profit/(loss)	*4*	**22**	(247)
Investment income	*5*	**2,671**	2,888
Finance costs	*6*	**(2,194)**	(2,618)
Profit before tax		**499**	23
Tax on profit	*8*	**(106)**	(52)
Profit/(loss) for the financial year		**393**	(29)

The Company has no other comprehensive income other than that included above and, therefore, a separate statement of comprehensive income has not been presented.

Imperial Brands Finance PLC

Balance Sheet
as at 30 September 2023

(In £ million)	Notes	**2023**	2022
Non-current assets			
Other receivables	*10*	**-**	44
Derivative financial instruments	*14*	**824**	985
		824	1,029
Current assets			
Other receivables	*10*	**28,624**	28,846
Cash and cash equivalents		**681**	1,161
Derivative financial instruments	*14*	**126**	54
		29,431	30,061
Total assets		**30,255**	31,090
Current liabilities			
Borrowings	*12*	**(1,450)**	(985)
Derivative financial instruments	*14*	**(174)**	(54)
Other payables	*11*	**(17,245)**	(17,704)
		(18,869)	(18,743)
Non-current liabilities			
Borrowings	*12*	**(6,178)**	(8,110)
Derivative financial instruments	*14*	**(829)**	(1,071)
Other payables	*11*	**(1,702)**	(882)
		(8,709)	(10,063)
Total liabilities		**(27,578)**	(28,806)
Net assets		**2,677**	2,284
Equity			
Share capital	*15*	**2,100**	2,100
Retained earnings		**577**	184
Total equity		**2,677**	2,284

The financial statements on pages 11 to 26 were approved by the Board of Directors on 13 December 2023 and signed on its behalf by:

L J Paravicini
Director

D M Tillekeratne
Director

Company Number: 03214426

Statement of Changes in Equity

For the year ended 30 September 2023

(In £ million)	Notes	Share capital	Retained earnings	Total equity
At 1 October 2022		**2,100**	**184**	**2,284**
Total comprehensive income				
Profit for the financial year		**-**	**393**	**393**
Total comprehensive income for the year		**-**	**393**	**393**
At 30 September 2023		**2,100**	**577**	**2,677**

(In £ million)	Notes	Share capital	Retained earnings	Total equity
At 1 October 2021		2,100	213	2,313
Total comprehensive income				
Loss for the financial year		-	(29)	(29)
Total comprehensive income for the year		-	(29)	(29)
At 30 September 2022		2,100	184	2,284

Notes to the Financial Statements

For the year ended 30 September 2023

1. Authorisation of financial statements and statement of compliance with FRS101

The principal activity of the Company is to provide treasury services to the Group. The Company is a public limited company incorporated and domiciled in England and Wales. The registered address is 121 Winterstoke Road, Bristol, BS3 2LL. The Company is classified as a financial institution as defined by FRS 101.

The financial statements of the Company for the year ended 30 September 2023 were authorised for issue by the Board of Directors on 13 December 2023, and the balance sheet was signed on the Board's behalf by L J Paravicini and D M Tillekeratne.

These financial statements have been prepared on the going concern basis and in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including the Companies Act 2006 and FRS 101. The Company has been issued a support letter from its parent company, Imperial Brands PLC, confirming ongoing financial support in meeting liabilities as they fall due from the date of approval of these financial statements to 31 December 2024. Imperial Brands PLC has evaluated its ability to continue as a going concern until 31 March 2025. This evaluation is an extension to the previous assessment that was audited and reported on page 182 of the Imperial Brands Annual Report for the year ended 30 September 2023. The Directors are therefore satisfied there are no uncertainties relating to going concern, and accordingly the Directors considered it appropriate to rely upon this support in making their going concern assessment for these financial statements. The Directors are satisfied that the Company has adequate resources to meet its operational needs from the date of this report through to 31 December 2024 and, therefore concludes that it is appropriate to prepare the financial statements on a going concern basis.

The Company's financial statements are presented in pounds sterling, its functional currency, and all values are rounded to the nearest million pounds (£ million) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation of financial statements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates and judgements in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Company has taken advantage of the following disclosure exemptions under FRS 101 on the basis that the disclosures are available within the consolidated financial statements of the ultimate parent company, which is Imperial Brands Plc. The disclosures may be found via the investor relations section of the Imperial Brands PLC website at www.imperialbrandsplc.com/investors.

a) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 Presentation of Financial Statements.
b) the requirements of paragraphs 10(d) and 10(f) of IAS 1 Presentation of Financial Statements.
c) the requirements of IAS 7 Statement of Cash Flows.
d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures.
e) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The financial statements have been prepared on an amortised cost or fair value basis as described in the accounting policies on financial instruments below.

New accounting standards and interpretations

From 1 October 2021, as a result of the UK leaving the European Union, the Company has been required to prepare financial statements in line with FRS 101 applying applicable international accounting standards, issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) and endorsed for use in the UK, referred to as 'UK-adopted IFRS'.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform (phase 2) effective from 1 October 2021. Following the announcement of the discontinuation of GBP LIBOR at the end of 2021 and US$ LIBOR discontinuation in 2023, the Company amended its bank facility agreement on 28 September 2021 to stop referencing GBP and US$ LIBOR and instead reference the daily risk free rates of SONIA and SOFR respectively. The Company amended all GBP LIBOR derivatives to reference the daily risk free rate of SONIA instead of GBP LIBOR and all US$ LIBOR derivatives were amended to reference the daily risk free rate of SOFR instead of US$ LIBOR. There are no changes pending for EUR derivatives. There has been no material impact on the Company's results for the year as a result of these changes.

Accounting standards and interpretations not yet in issue

Amendment to IAS 1 - Non-current liabilities with covenants: Under the amendments to IAS 1 Presentation of Financial Statements the classification of certain liabilities as current or non-current may change. This is not expected to impact the Company's results and will only require additional disclosures for liabilities subject to covenants. The amendments will be effective for accounting periods beginning on or after 1 January 2024.

There are a number of other amendments and clarifications to IFRS, effective in future years. None of which are expected to significantly impact the Company's results or financial position.

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

2. Accounting policies (continued)

Interest

Interest payable and receivable is recognised in the income statement using the effective interest method.

The principal activity of the Company is to provide treasury services to the Group. However, the Company has chosen to present interest receivable and payable below operating profit, including foreign exchange gains and losses on financing activities, in order to have a consistent treatment with the format of the consolidated financial statements of the Group. This is considered appropriate since the Company undertakes transactions on behalf of the Group.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into pound sterling at the rates of exchange ruling at the balance sheet date.

Transactions in currencies other than pound sterling 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 are taken to the income statement.

Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in the shareholders' funds, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous periods.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is measured on a non-discounted basis.

Dividends

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

Financial instruments

Receivables held under a hold to collect business model are stated at amortised cost.

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 (where applicable) 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.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument. Financial assets are de-recognised when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is extinguished.

Non-derivative financial liabilities are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method under a hold to collect business model. For borrowings, the carrying value includes accrued interest payable, as well as unamortised transaction costs. Cash and cash equivalents include cash in hand and deposits held on call, together with other short-term highly liquid investments.

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

2. Accounting policies (continued)

Financial instruments (continued)

The Company transacts both intragroup and external derivative financial instruments to manage the Company's and the Group's underlying exposure to foreign exchange and interest rate risks. The Company 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 balance sheet at fair value, and include accrued interest receivable and payable where relevant. The Company has decided (as permitted under FRS 101) not to hedge account for its derivative financial instruments and so changes in fair values are recognised in the income statement in the period in which they arise.

Collateral transferred under the terms and conditions of a credit support annex document under an International Swaps and Derivatives Association ("ISDA") agreement in respect of one derivative is net settled and is, therefore, netted off the carrying value of the derivative in the balance sheet.

3. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. There were no critical judgements involved in the preparation of these financial statements.

Expected credit loss on other receivables

An expected credit loss provision has been recognised against the carrying value of certain trade and other receivables. The provision is a reduction in the carrying value of the asset involved reflecting an assessment of the level of risk that future repayment may default. The loans receivable involved are all loans made to entities within the Imperial Brands Group. The provision has been calculated based on the size of the loan, the probability of default (measured through credit default rates or expected future cashflows) and the loss estimated to arise if a default occurred (considered with regard to the value of the realisable assets of the counterparty). The probability of default rates used vary from 1% up to 100% (2022: 1% up to 100%). The loss given default rates ranged from nil up to 100% (2022: nil up to 100%) for certain entities where the counterparty has insufficient assets that could be realised to repay the loan. All intergroup loans continue to perform at present, are not in default and operate within their loan limits.

There may be circumstances where intragroup guarantees are in place where a Group company accepts the credit risk associated with an intergroup loan between the Company and a further third Group entity. These guarantees are evaluated in terms of their effect on the level of credit risk retained by the Company and therefore the total amount of the expected credit loss provision. Further information as to the sensitivity of expected credit loss risk is disclosed in note 13, B) credit risk.

Derivatives

The fair value of derivatives 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. Those techniques are significantly affected by the assumptions used, including discount rates, estimates of future cash flows, exchange rates and interest rates. The valuation of derivatives is subject to changes in the underlying assumptions used by financial markets in valuing financial instruments. The impact of changes in these assumptions can be significant resulting in volatility in valuations. Further information as to the sensitivity of valuations is disclosed in note 13.

The categorisation within the fair value hierarchy (i.e. level 1, 2 or 3) of the inputs to the fair value measurements of derivatives carried at fair value is set out in note 13.

4. Operating profit

The operating profit includes a release of an expected credit loss provision on loans receivable of £25 million (2022: charge of £116 million). The operating loss in the previous financial year included a loan waiver of £129 million on disposal of the Group's Russian business. There was no such charge in the financial year ended 30 September 2023. It is stated after charging auditors' fees of £194,913 (2022: £170,798) which were met by Imperial Tobacco Limited ("ITL"), a wholly owned indirect subsidiary of Imperial Brands PLC. There were non-audit fees of £29,000 paid during the year (2022: £50,000). The Company has also been recharged office rental costs from another Group company of £30,960 (2022: £30,960).

5. Investment income

(In £ million)	**2023**	2022
Interest receivable from Group undertakings	**1,328**	487
Interest on bank deposits	**6**	3
Exchange gains on monetary assets and liabilities	**630**	-
Fair value gains on external derivative financial instruments	**707**	1,483
Fair value gains on intragroup derivative financial instruments	**-**	915
	2,671	2,888

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

6. Finance costs

(In £ million)	**2023**	2022
Interest payable to Group undertakings	**607**	125
Interest on bank loans and other loans	**349**	297
Exchange losses on monetary assets and liabilities	**-**	983
Fair value losses on external derivative financial instruments	**568**	1,213
Fair value losses on intragroup derivative financial instruments	**670**	-
	2,194	2,618

7. Directors and employees

Employment costs

Employment costs, which do not include pension costs, are paid by ITL and subsequently recharged to the Company. The total salary costs recharged in the year of £766,603 (2022: £896,196) and social security costs of £77,059 (2022: £96,012) are recognised within administrative expenses in the income statement. The average monthly number of employees during the year was 11 (2022: 10).

The emoluments of the Directors are paid by ITL. The Directors' services to the Company and to a number of fellow subsidiaries below the ultimate parent company are of a non-executive nature and their emoluments and retirement benefits are deemed to be wholly attributable to their services to ITL and the Group. Services directly attributable to the Company are a negligible proportion of those provided to the Group, accordingly no emoluments or retirement benefits are disclosed in these financial statements.

8. Tax on profit

Analysis of charge in the year:

(In £ million)	**2023**	2022
UK Corporation tax on profit for the year	**106**	51
Withholding tax	**1**	1
Double taxation relief	**(2)**	(1)
Adjustments in respect of prior years	**1**	1
Current tax	**106**	52
Total tax charge	**106**	52

Tax for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK for the year of 22% (2022: 19%).

The differences are explained as follows:

(In £ million)	**2023**	2022
Profit before taxation	**499**	23
Profit before taxation multiplied by standard rate of corporation tax in the UK of 22% (2022: 19%)	**110**	4
Effects of:		
Non-deductible expected credit loss provision (credit)/charge	**(6)**	47
Adjustments to tax charge in respect of prior years (current tax)	**1**	1
Transfer pricing adjustment	**1**	-
Total tax charge	**106**	52

The corporation tax charge has not been adjusted (2022: has not been adjusted) as the Company paid consideration of £53 million for group relief claimed (2022: £52 million) from other Imperial Brands PLC group subsidiaries.

Movement on current tax account

(In £ million)	**2023**	2022
At 1 October	**111**	93
Charged to the income statement - current year	**106**	52
Cash paid	**(112)**	(34)
At 30 September	**105**	111

Factors that may affect future tax charges

The current year tax rate of 22% arises from profits being taxed at 22% for the year to 30 September 2023.

The Finance Act 2021 received Royal Assent on 10th June 2021, which confirmed that the main rate for UK corporation tax rate will increase to 25% with effect from 1st April 2023.

9. Dividends

No dividend is proposed for the current year (2022: nil)

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

10. Other receivables

	2023		2022	
(In £ million)	**Current**	**Non-current**	Current	Non-current
Amounts owed by Group undertakings	**28,610**	**-**	28,840	44
Other receivables and prepayments	**14**	**-**	6	-
	28,624	**-**	28,846	44

Amounts owed by Group undertakings are unsecured, both interest bearing and non-interest bearing and can be either repayable on a future date to be mutually agreed between the Company and the counterparty borrower or have fixed repayment dates. At 30 September 2023 £25,450 million (2022: £25,619 million) of the amounts owed by Group undertakings were repayable on a mutually agreed future date (treated as a current receivable) and £3,160 million (2022: £3,221 million) were term loans treated as current receivables and £nil million (2022: £44 million) were term loans treated as non-current receivables. There were £28,584 million (2022: £28,192 million) of interest bearing loans and £26 million (2022: £692 million) of non-interest bearing loans. Where loans were subject to interest the rates charged varied from 0.53% to 10.335% (2022: 0.125% to 7.5%).

The Directors have assessed the extent to which amounts owed by the Group companies are impaired. For those balances that are neither overdue nor impaired the Directors have concluded that the expected credit losses (ECL) that are possible from default events over the next twelve months are immaterial and consequently no allowance for impairment has been recognised. For those balances assessed to be impaired, an expected credit loss adjustment of £583 million (2022: £608 million) has been recognised to reflect the credit risk inherent within a number of the current intercompany loans receivable, as follows:

	2023		
	Gross amount	ECL allowance	Net balance
Loan receivable balances that are not impaired	**28,401**	**-**	**28,401**
Loan receivable balances that are impaired	**792**	**583**	**209**
	29,193	**583**	**28,610**

	2022		
	Gross amount	ECL allowance	Net balance
Loan receivable balances that are not impaired	28,586	-	28,586
Loan receivable balances that are impaired	906	608	298
	29,492	608	28,884

11. Other payables

	2023		2022	
(In £ million)	**Current**	**Non-current**	Current	Non-current
Amounts owed to Group undertakings	**17,140**	**1,702**	17,593	882
Corporation tax payable	**105**	**-**	111	-
	17,245	**1,702**	17,704	882

Amounts owed to Group undertakings are unsecured, both interest bearing and non-interest bearing and repayable on a future date to be mutually agreed between the Company and the counterparty lender (treated as a current liability). There were £18,841 million (2022: £16,744 million) of interest bearing loans and £1 million (2022: £1,731 million) of non-interest bearing loans. Where loans were subject to interest the rates charged varied from 0.245% to 13.750% (2022: 0.245% to 13.750%).

Amounts owed to Group undertakings are not included in the borrowings analysis in note 12 of the financial statements which only includes borrowings with external counterparties.

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

12. Borrowings

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

(In £ million)	2023	2022
Current borrowings		
Bank loans and overdrafts	-	-
Capital market issuance:		
$354m 3.5% notes due February 2023	**-**	322
€750m 1.25% notes due August 2023	**-**	663
£600m 8.125% notes due March 2024	**627**	-
$1,000m 3.125% notes due July 2024	**823**	-
Total current borrowings	**1,450**	985
Non-current borrowings		
Bank loans	**8**	5
Capital market issuance:		
£600m 8.125% notes due March 2024	**-**	626
$1,000m 3.125% notes due July 2024	**-**	910
€500m 1.375% notes due January 2025	**437**	445
$1,500m 4.25% notes due July 2025	**1,236**	1,366
€650m 3.375% notes due February 2026	**574**	584
$750m 3.5% notes due July 2026	**617**	682
£500m 5.5% notes due September 2026	**500**	500
€750m 2.125% notes due February 2027	**657**	670
$1,000m 6.125% notes due July 2027	**822**	908
$1,000m 3.875% notes due July 2029	**822**	909
£500m 4.875% notes due June 2032	**505**	505
Total non-current borrowings	**6,178**	8,110
Total borrowings	**7,628**	9,095
Analysed as:		
Capital market issuance	**7,620**	9,090
Bank loans and overdrafts	**8**	5

Current and non-current borrowings include interest payable of £31 million (2022: £3 million) and £61 million (2022: £96 million) respectively as at 30 September 2023.

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. All capital market issuances are listed on the London Stock Exchange.

On 13 February 2023, $354 million (£292 million equivalent) 3.5% notes were repaid. On 14 August 2023, €750 million (£646 million equivalent) 1.125% notes were repaid.

All borrowings are unsecured and the Company has not defaulted on any during the year (2022: no defaults).

Non-current financial liabilities

The maturity profile of non-current financial liabilities outstanding as at 30 September 2023 (including the impact of derivative financial instruments detailed in note 14) is as follows:

	2023			2022		
(In £ million)	**Borrowings and overdrafts**	**Net derivative financial (assets)/ liabilities**	**Total**	Borrowings and overdrafts	Net derivative financial (assets)/ liabilities	Total
Amounts expiring:						
Between one and two years	**1,672**	**(38)**	**1,634**	1,533	18	1,551
Between two and five years	**3,171**	**126**	**3,297**	5,156	147	5,303
In five years or more	**1,335**	**(83)**	**1,252**	1,421	(79)	1,342
	6,178	**5**	**6,183**	8,110	86	8,196

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

12. Borrowings (continued)

Fair value of borrowings

The fair value of borrowings as at 30 September 2023 is estimated to be £7,203 million (2022: £8,419 million). £7,194 million (2022: £8,414 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.

	2023		2022	
(In £ million)	**Balance sheet amount**	**Fair value**	Balance sheet amount	Fair value
GBP	**1,632**	**1,524**	1,631	1,457
EUR	**1,668**	**1,573**	2,363	2,189
USD	**4,320**	**4,097**	5,096	4,768
Total capital market issuance	**7,620**	**7,194**	9,090	8,414

Undrawn borrowing facilities

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

(In £ million)	**2023**	2022
Amounts expiring:		
In less than one year	**550**	-
Between one and two years	**159**	-
Between two and five years	**2,866**	3,091
	3,575	3,091

During the year the maturity of €3,125 million of the Group's syndicated multicurrency facility of €3,493 million (2022 €3,500 million) was extended to 30 September 2026. One syndicate member opted not to extend their participation of €184 million which has a maturity date of 30 September 2025. One syndicate member opted not to extend their participation of €184 million which has a maturity date of 30 March 2026. One syndicate member sold their participation of €125 million and one syndicate member sold their participation of €184 million. Two syndicate members increased their participations from €125 million to €184 million and a new syndicate member joined with a participation of €184 million.

During the year three new bilateral facilities for a total £550 million, all maturing in September 2024, were arranged.

13. Financial risk management

Overview

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. As a result, the Company is exposed to risks including, but not limited to, market, credit and liquidity risk. This note explains the Company'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's treasury activities are overseen by the Treasury Committee, which meets four times a year and comprises the Chief Financial Officer, the Director of Treasury, the Group Finance Director, the Chief Legal and Corporate Affairs Officer, 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 of Directors of Imperial Brands PLC reviews and approves all major Treasury decisions. The treasury function does not operate as a profit centre, nor does it enter into speculative transactions.

The Company's management of financial risks cover the following:

(a) Market risk

Price risk

The Company is not exposed to equity securities price risk.

Foreign exchange risk

The Company is exposed to movements in foreign exchange rates due to the translation of balance sheet items held in non-functional currencies. The Company's financial results are principally exposed to fluctuations in euro and US dollar exchange rates.

Management of the Company's foreign exchange translation risk is addressed below.

Translation risk

The Company has translation risk on cash, borrowings, derivatives and intragroup loans held in non-functional currencies. The Company enters into intragroup derivative contracts to manage some of the Company's exposure to exchange rate movements.

The Company issues debt in the most appropriate market or markets at the time of raising new finance and has a policy of using derivative financial instruments, cross currency swaps, to change the currency of debt as required.

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

13. Financial risk management (continued)

Foreign exchange sensitivity analysis

The Company's sensitivity to foreign exchange rate movements, which impacts the translation of monetary items held by the Company in currencies other than its functional currency, is illustrated on an indicative basis below. The sensitivity analysis has been prepared on the basis that the proportion of cash, borrowings, derivatives and intragroup loans held in non-functional currencies remains constant.

The Company manages its sensitivity to foreign exchange rates through the use of intragroup derivative contracts to reduce foreign exchange gains or losses on the translation of financial instruments. The sensitivity analysis does not reflect any change to 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.

(In £ million)	**2023** (Decrease) in income	2022 (Decrease)/ increase in income
Income Statement impact on non-functional currency foreign exchange exposures:		
10% appreciation of Sterling against Euro (2022: 10%)	**(14)**	(33)
10% appreciation of Sterling against US dollar (2022: 10%)	**(15)**	40

An equivalent depreciation of Sterling against the above currencies would cause an increase in income of £18 million and £19 million for euro and US dollar exchange rates respectively (2022: decrease of £40 million and £48 million respectively).

There is no direct net impact on equity (2022: £nil).

Interest rate risk

The Company'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 Company to cash flow interest rate risk. Borrowings at fixed rates expose the Company to fair value interest rate risk.

The Company 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 decisions.

As at 30 September 2023, after adjusting for the effect of derivative financial instruments detailed in note 14, approximately 107% (2022: 97%) of the Company's borrowings were at fixed rates of interest. This ratio is a result of a high level of fixed rate debt exposures combined with substantial financial assets such as cash which earn interest at floating rates.

Interest rate sensitivity analysis

The Company'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 Company's Income Statement reflects the effect on net finance costs in respect of the Company's net debt and the fixed to floating rate debt ratio prevailing at 30 September 2023, 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 direct net impact on equity (2022: £nil).

The movement in interest rates is considered reasonable for the purposes of this analysis and the estimated effect assumes a lower limit of zero for interest rates where relevant.

(In £ million)	**2023** **Change in income**	2022 Change in income
Income Statement impact of interest rate movements:		
+/- 1% increase in euro interest rates (2022: 1%)	**12**	9
+/- 1% increase in US dollar interest rates (2022: 1%)	**(9)**	(4)

(b) Credit risk

IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets. The ECL model requires the Company 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 Company is exposed to credit risk arising from loans to entities within the Imperial Brands Group, cash deposits, derivatives and other amounts due from external financial counterparties arising on other financial instruments. The maximum credit risk relating to intergroup loans was £28,610 million (2022: £28,884 million). The maximum aggregate credit risk to parties external to the Imperial Brands Group was considered to be £1,631 million at 30 September 2023 (2022: £2,200 million). Intragroup counterparty credit risk may be mitigated where there is control of a counterparty within the Group, allowing the Group to facilitate repayment through realising counterparty assets or through refinancing. At 30 September 2023 an ECL provision of £583 million was recognised relating to the risk of intergroup loans not being repaid (2022: £608 million).

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

13. Financial risk management (continued)

As discussed in the accounting policies note the calculation of the expected credit loss provision is based on management's assessment of the probability of default (PoD) and the percentage loss expected to arise in the event of default (LGD), multiplied by the current size of the loan receivable. The PoD and LGD rates are estimated on a loan by loan basis. Most of the intragroup loan receivables have very low PoD and LGD due to their low credit risk and do not contribute significantly to the overall ECL provision. However, there are a small group of intragroup loan with higher credit risk that contribute most towards the ECL provision and these loans have an average PoD of 75% and LGD of 100%. Management estimates of these rates is judgemental and any changes in estimates would change the amount of ECL recognised. For the higher credit risk loans a 1% increase in the PoD would increase the ECL by approximately £8 million (2022: approximately £8 million). In regards to the LGD estimate a 1% reduction would reduce the ECL by approximately £6 million (2022: approximately £6 million). It is not possible to increase the LGD and therefore there is no risk of the ECL increasing due to this factor.

Trade and other receivables

Policies are in place to manage the risk associated with the extension of credit to third parties, including companies within the Group, to ensure that commercial intent is balanced effectively with credit risk management. Credit is extended with consideration to financial risk and creditworthiness. Analysis of trade and other receivables is provided in note 10.

Financial instruments

In order to manage its credit risk to any one counterparty, the Company 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. During the year the Group terminated one collateralised trade held under an ISDA Credit Support Annex and as at 30 September 2023 had placed collateral of £nil (2022: £12 million) with a third party in order to manage their counterparty risk on the Group under derivative financial instruments.

The table below summarises the Company's largest exposures to financial counterparties as at 30 September 2023. At the balance sheet date management does not expect these counterparties to default on their current obligations.

Counterparty Exposure	**2023** Maximum exposure to credit risk £ million	2022 Maximum exposure to credit risk £ million
Highest	**311**	136
2nd highest	**104**	135
3rd highest	**84**	128
4th highest	**83**	127
5th highest	**80**	114

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

(c) Liquidity risk

The Company is exposed to liquidity risk, which represents the risk of having insufficient funds to meet its financing needs. To manage this risk the Company has a policy of actively maintaining a mixture of short, medium and long-term committed facilities that are structured to ensure that the Company 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 bilateral agreements, bank revolving credit facilities and European commercial paper.

Certain of these borrowings contain cross default provisions and negative pledges. The core committed bank facilities are subject to two financial covenants, these being minimum interest cover ratio of four times and maximum gearing of four times (per the definition within the agreement) and are subject to pari passu ranking and negative pledge covenants. Any non-compliance with covenants underlying the Company's financing arrangements could, if not waived, constitute an event of default with respect to any such arrangements, and any non-compliance with covenants may, in particular circumstances, lead to an acceleration of maturity on certain borrowings and the inability to access committed facilities.

We remain fully compliant with all our banking covenants (2022: fully compliant).

The Group primarily borrows centrally in order to meet forecast funding requirements, and the treasury function is in regular dialogue with subsidiaries in the Group to ensure their liquidity needs are met. Subsidiaries in the Group 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 in the Group 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 2023, the Company held liquid assets of £681 million (2022: £1,161 million).

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

13. Financial risk management (continued)

The table below summarises the Company's non derivative financial liabilities by maturity based on their remaining contractual cash flows as at 30 September 2023. 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 Company's derivative financial instruments are detailed in note 14.

At 30 September 2023 (In £ million)	**Balance sheet amount**	**Contractual cash flows Total**	**<1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**> 5 years**
Non-derivative financial liabilities:						
Bank loans	**8**	**-**	**-**	**-**	**-**	**-**
Capital market issuance	**7,620**	**10,663**	**1,766**	**1,951**	**3,651**	**3,294**
Amounts owed to Group undertakings	**18,842**	**18,030**	**17,147**	**-**	**-**	**883**
Total non-derivative financial liabilities	**26,470**	**28,693**	**18,913**	**1,951**	**3,651**	**4,177**

At 30 September 2022 (In £ million)	Balance sheet amount	Contractual cash flows Total	<1 year	Between 1 and 2 years	Between 2 and 5 years	> 5 years
Non-derivative financial liabilities:						
Bank loans	5	-	-	-	-	-
Capital market issuance	9,090	11,440	1,349	1,830	5,710	2,551
Amounts owed to Group undertakings	18,475	18,462	17,601	-	-	861
Total non-derivative financial liabilities	27,570	29,902	18,950	1,830	5,710	3,412

Amounts owed to the Company by Group undertakings of £28,610 million (2022: £28,884 million) are excluded from the above tables, as disclosure of contractual cash flows is only required for liabilities.

Capital management

The management of the Company's capital structure forms part of the Group's capital risk management, details of which can be found in note 20 of the Imperial Brands Annual Report which does not form part of this report, but is available at www.imperialbrandsplc.com.

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 financial instruments are valued using techniques based significantly on observable market data such as yield curves, foreign exchange rates and credit default swap prices for the Imperial Brands PLC Group as at the balance sheet date (Level 2 classification hierarchy per IFRS 7) as detailed in note 14. 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 as outlined in note 14.

Netting arrangements of financial instruments

The following tables set out the Company's financial assets and financial liabilities that are subject to netting and set-off arrangements. Financial assets and liabilities that are subject to set-off arrangements and disclosed on a net basis in the Company's balance sheet primarily relate to collateral in respect of one derivative financial instrument under an ISDA credit support annex. Amounts which do not meet the criteria for offsetting on the balance sheet but could be settled net in certain circumstances principally relate to derivative transactions executed under ISDA agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

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

	2022				
(In £ million)	Gross financial assets/ liabilities	Gross financial assets/ liabilities set off	Net financial assets/ liabilities per balance sheet	Related amounts not set off in the balance sheet	Net
Assets					
Derivative financial instruments	1,051	(12)	1,039	(948)	91
	1,051	(12)	1,039	(948)	91
Liabilities					
Derivative financial instruments	(1,138)	12	(1,126)	948	(178)
	(1,138)	12	(1,126)	948	(178)

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

13. Financial risk management (continued)

Classification of financial instruments

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

	2023				
	Fair value through income statement	Assets and liabilities at amortised cost	Total	Current	Non-current
Other receivables	**-**	**28,624**	**28,624**	**28,624**	**-**
Cash and cash equivalents	**-**	**681**	**681**	**681**	**-**
Derivatives	**950**	**-**	**950**	**126**	**824**
Total financial assets	**950**	**29,305**	**30,255**	**29,431**	**824**
Borrowings	**-**	**(7,628)**	**(7,628)**	**(1,450)**	**(6,178)**
Other payables	**-**	**(18,947)**	**(18,947)**	**(17,245)**	**(1,702)**
Derivatives	**(1,003)**	**-**	**(1,003)**	**(174)**	**(829)**
Total financial liabilities	**(1,003)**	**(26,575)**	**(27,578)**	**(18,869)**	**(8,709)**
Total net financial (liabilities)/assets	**(53)**	**2,730**	**2,677**	**10,562**	**(7,885)**

	2022				
	Fair value through income statement	Assets and liabilities at amortised cost	Total	Current	Non-current
Other receivables	-	28,890	28,890	28,846	44
Cash and cash equivalents	-	1,161	1,161	1,161	-
Derivatives	1,039	-	1,039	54	985
Total financial assets	1,039	30,051	31,090	30,061	1,029
Borrowings	-	(9,095)	(9,095)	(985)	(8,110)
Other payables	-	(18,586)	(18,586)	(17,704)	(882)
Derivatives	(1,125)	-	(1,125)	(54)	(1,071)
Total financial liabilities	(1,125)	(27,681)	(28,806)	(18,743)	(10,063)
Total net financial (liabilities)/assets	(86)	2,370	2,284	11,317	(9,034)

14. Derivative financial instruments

The Company has the following derivative financial instruments measured at fair value through profit and loss:

Current derivative financial instruments	**2023**		2022	
(In £ million)	**Assets**	**Liabilities**	Assets	Liabilities
Interest rate swaps	**30**	**(66)**	6	(36)
Foreign exchange contracts	**12**	**(5)**	31	(13)
Cross currency swaps	**84**	**(103)**	17	(5)
Total current derivatives	**126**	**(174)**	54	(54)
Non-current derivative financial instruments				
(In £ million)	**Assets**	**Liabilities**	Assets	Liabilities
Interest rate swaps	**745**	**(652)**	680	(746)
Cross currency swaps	**79**	**(177)**	305	(337)
Collateral[1]	**-**	**-**	-	12
Total non-current derivatives	**824**	**(829)**	985	(1,071)
Total carrying value of derivatives financial instruments	**950**	**(1,003)**	1,039	(1,125)
Net liability		**(53)**		(86)
Analysed as:				
Interest rate swaps	**775**	**(718)**	686	(782)
Foreign exchange contracts	**12**	**(5)**	31	(13)
Cross currency swaps	**163**	**(280)**	322	(342)
Collateral[1]	**-**	**-**	-	12
	950	**(1,003)**	1,039	(1,125)
Net liability		**(53)**		(86)

[1] Collateral deposited against derivative financial liabilities under the terms and conditions of an ISDA credit support annex.

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

14. Derivative financial instruments (continued)

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. Market data is sourced from a reputable financial data provider and valuations are validated by comparison 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 £2 million (2022: £3 million) and would have been a £5 million (2022: £8 million) reduction without considering the early termination options. All derivative assets and liabilities are classified under the FRS 101 fair value hierarchy as being level 2.

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 2023. As at 30 September 2022 collateral transferred to counterparties in respect of derivative financial liabilities was classified consistently with the related underlying derivative. No collateralised trades are outstanding as at 30 September 2023.

The table below summarises the Company's derivative financial instruments by maturity based on their remaining contractual cash flows as at 30 September 2023. The amounts disclosed are the undiscounted cash flows calculated using spot rates of exchange prevailing at the relevant balance sheet date. Contractual cash flows in respect of the Company's non derivative financial instruments are detailed in note 13.

At 30 September 2023 (In £ 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**

At 30 September 2022 (In £ 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	(84)	(321)	(71)	(64)	(101)	(85)
Gross settled derivatives	(3)	-	-	-	-	-
Receipts	-	9,890	1,934	3,293	4,059	604
Payments	-	(9,635)	(1,851)	(3,201)	(3,944)	(639)
	(87)	(66)	12	28	14	(120)

Derivatives as hedging instruments

As outlined in note 13, the Company hedges its underlying interest rate exposure and foreign currency translation exposure in an efficient, commercial and structured manner, primarily using interest rate swaps and cross currency swaps. Foreign exchange contracts are used to manage the Company's short term liquidity requirements in line with short term cash flow forecasts as appropriate. The Company 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.

As a result of the discontinuation of GBP LIBOR in December 2021 and US$ LIBOR discontinuation in June 2023, the Company amended all GBP LIBOR derivatives to reference the daily risk free rate of SONIA instead of GBP LIBOR and all US$ LIBOR derivatives were amended to reference the daily risk free rate of SOFR instead of US$ LIBOR. There are no changes pending for EUR derivatives. These changes did not impact the Group's commercial hedging strategy and they did not have a material financial impact.

Interest rate swaps

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

As at 30 September 2023, 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 were £8,111 million (2022: £9,578 million) with a fair value of £714 million liability (2022: £755 million liability). The fixed interest rates vary from 1.3% to 7.9% (2022: 1.1% to 7.9%), and the floating rates are EURIBOR, SONIA and SOFR.

Notes to the Financial Statements (continued)

For the year ended 30 September 2023

14. Derivative financial instruments (continued)

As at 30 September 2023, 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 were £11,622 million (2022: £11,548 million) with a fair value of £771 million asset (2022: £670 million asset). The fixed interest rates vary from 3.1% receivable to 4.0% payable (2022: 0.5% payable to 4.0% payable), and the floating rates are EURIBOR and SOFR. This includes forward starting interest rate swaps with a total notional amount of £4,055 million equivalent (2022: £3,353 million equivalent) with tenors between 1 and 10 years, starting between October 2023 and May 2032.

Cross currency swaps

The Company enters into cross currency swaps to covert 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 investment income and finance costs in the relevant reporting period.

As at 30 September 2023, the notional amount of cross currency swaps entered into to convert floating rate sterling debt into the desired currency at floating rates of interest was £1,600 million (2022: £1,600 million) and the fair value of these swaps was £111 million net liability (2022: £232 million net liability); the notional amount of cross currency swaps entered into to convert floating rate US dollar debt into the desired currency at floating rates of interest was $5,250 million (2022: $2,250 million) and the fair value of these swaps was £6 million net liability (2022: £211 million net asset).

Foreign exchange contracts

The Company enters into foreign exchange contracts to manage short term liquidity requirements in line with cash flow forecasts. As at 30 September 2023, the notional amount of these contracts was £2,020 million (2022: £1,662 million) and the fair value of these contracts was a net asset of £7 million (2022: £19 million net asset).

15. Share capital

(In £ million)	**2023**	2022
Issued and fully paid		
2,100,000,000 ordinary shares of £1 each (2022: 2,100,000,000)	**2,100**	2,100

16. Related party transactions

The Company has taken advantage of the Group exemption under the terms of FRS 101 from disclosing related party transactions with entities that are part of the Group since the Company is a wholly owned indirect subsidiary of Imperial Brands PLC and is included in the consolidated financial statements of the Group, which are publicly available.

17. Guarantees

The Company is party to a cross guarantee of its bank accounts held at HSBC Bank plc against accounts of Imperial Brands PLC and some of its subsidiary companies. At 30 September 2023, the amount drawn under this cross guarantee was £nil million (2022: £1 million). Together with other Group undertakings, the Company guarantees various borrowings and liabilities of other subsidiary companies under this arrangement with HSBC Bank plc.

The Company is party to three counter-indemnity deeds, each dated April 2023, made on substantially the same terms under which certain insurance companies have made available to Imperial Brands PLC, Imperial Tobacco Limited and the Company, a surety bond. In each case issued on a standalone basis but in aggregate forming an amount of £120 million, until December 2028. These surety bonds provide support to the Imperial Tobacco Pension Trustees Ltd, the main UK pension scheme. The Directors have assessed the fair value of the above guarantees and do not consider them to be material. They have, therefore, not been recognised on the balance sheet.

At 30 September 2023, the contingent liability totalled £nil million (2022: £1 million).

18. Number of employees

The average monthly number of employees during the year was 11 (2022: 10).

19. Immediate and ultimate parent undertakings

The ultimate parent undertaking and controlling party of the Company at 30 September 2023 was Imperial Brands PLC, a company incorporated in Great Britain and registered in England and Wales. The smallest and largest group in which the results of the Company are consolidated is that headed by Imperial Brands PLC, whose consolidated financial statements may be obtained from The Company Secretary, Imperial Brands PLC, 121 Winterstoke Road, Bristol, BS3 2LL and are also available in the investors section of the Group website at www.imperialbrandsplc.com.

The immediate parent undertaking of the Company at 30 September 2023 was Imperial Tobacco Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.