

Company Number: 03214426

IMPERIAL BRANDS FINANCE PLC

Interim Financial Statements 2023

Imperial Brands Finance PLC

Interim Management Report

Company Number: 03214426

For the six months ended 31 March 2023

The Directors present their Interim Management Report together with the condensed unaudited Interim Financial Statements of Imperial Brands Finance PLC ("the Company") for the six months ended 31 March 2023.

Business review and performance

The principal activity of the Company is to provide treasury services to Imperial Brands PLC and its subsidiaries ("the Group"). There have been no changes in the composition of the Company in the interim period.

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.

The profit for the six months ended 31 March 2023 was £277 million (2022: loss of £81 million) and is stated after a release of £73 million (2022: charge of £168 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 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 had an impact on the recoverability of one other intragroup loan. The release of the provision is not tax allowable and therefore there is no associated tax credit. Total shareholders' funds as at 31 March 2023 were £2,561 million (2022: £2,232 million).

The directors do not recommend a dividend for the current period. There were no aggregate dividends on the ordinary shares recognised as a charge to shareholders' funds during the six months ended 31 March 2023 (2022: £nil).

Principal risks and uncertainties

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

The principal risks and uncertainties of the Company are discussed in note 20 of the Company's Annual Report and Accounts for the year ended 30 September 2022, which does not form part of this report, but is available at www.imperialbrandsplc.com. These risks and uncertainties remain materially unchanged as at 31 March 2023.

LIBOR

Following the announcement of the discontinuation of GBP LIBOR at the end of 2021 and USD LIBOR discontinuation in 2023, the Company amended its bank facility agreement on 28 September 2021 to stop referencing GBP and USD LIBOR and instead reference the daily risk free rates of SONIA and SOFR respectively. In the first half of the previous fiscal year all GBP LIBOR derivatives were changed to reference SONIA instead of GBP LIBOR. All USD LIBOR derivatives were changed to reference SOFR instead of USD LIBOR by May 2023. There are no changes pending for EUR derivatives.

Imperial Brands Finance PLC

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.

Going concern

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

Directors' responsibility statement

The Board of Directors comprising L J Paravicini, M E Slade and D M Tillekeratne, confirms that:

- the condensed Interim Financial Statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by Rule 4.2.4 of the Disclosure Transparency Rules of the United Kingdom's Financial Conduct Authority ("the DTRs"); and
- the Interim Management Report includes a fair review of the information required by Rule 4.2.7 of the DTRs, namely an indication of important events that have occurred during the six months ended 31 March 2023 and their impact on the condensed set of Interim Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the year.

By order of the Board



M E Slade
Director
1 June 2023



D M Tillekeratne
Director
1 June 2023

Imperial Brands Finance PLC

Income Statement

For the six months ended 31 March 2023

(In £ million)	Notes	Unaudited 6 months ended 31 March 2023	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Other operating income		-	-	1
Administrative expenses		(1)	(1)	(3)
Impairment gain/(loss)		73	(168)	(245)
Operating profit/(loss)		72	(169)	(247)
Investment income	2	1,516	1,040	2,888
Finance costs	3	(1,254)	(932)	(2,618)
Profit/(loss) before taxation		334	(61)	23
Tax on profit	4	(57)	(20)	(52)
Profit/(loss) for the period		277	(81)	(29)

All activities derive from continuing operations.

The Company has no other comprehensive income other than that included above and, therefore, no separate Statement of Comprehensive Income has been presented.

Imperial Brands Finance PLC

Balance Sheet

at 31 March 2023

(In £ million)		Unaudited At 31 March 2023	Unaudited At 31 March 2022	Audited At 30 September 2022
Non-current assets				
Other receivables	7	-	44	44
Derivative financial instruments	6	694	179	985
		694	223	1,029
Current assets				
Other receivables	7	29,988	28,446	28,846
Cash and cash equivalents		28	23	1,161
Derivative financial instruments	6	72	93	54
		30,088	28,562	30,061
Total assets		30,782	28,785	31,090
Current liabilities				
Borrowings		(1,851)	(1,669)	(985)
Derivative financial instruments	6	(579)	(276)	(54)
Trade and other payables		(16,584)	(16,040)	(17,704)
		(19,014)	(17,985)	(18,743)
Non-current liabilities				
Borrowings		(6,977)	(7,139)	(8,110)
Derivative financial instruments	6	(832)	(592)	(1,071)
Other payables		(1,398)	(837)	(882)
		(9,207)	(8,568)	(10,063)
Total liabilities		(28,221)	(26,553)	(28,806)
Net assets		2,561	2,232	2,284
Equity				
Share capital		2,100	2,100	2,100
Retained earnings		461	132	184
Total equity		2,561	2,232	2,284

The notes on pages 6 to 9 form an integral part of these Interim Financial Statements.

The Interim Financial Statements were approved by the Board of Directors on 1 June 2023 and signed on its behalf by:



M E Slade
Director



D M Tillekeratne
Director

Company Number: 03214426

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Statement of Changes in Equity (unaudited)

at 31 March 2023

(In £ million)	Share capital	Retained earnings	Total equity
At 1 October 2022	2,100	184	2,284
Profit for the period	-	277	277
Total comprehensive income	-	277	277
At 31 March 2023	2,100	461	2,561

(In £ million)	Share capital	Retained earnings	Total equity
At 1 October 2021	2,100	213	2,313
Loss for the period	-	(81)	(81)
Total comprehensive loss	-	(81)	(81)
At 31 March 2022	2,100	132	2,232

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Notes to the Interim Financial Statements

For the six months ended 31 March 2023

1. Accounting policies

These condensed Interim 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.

Basis of preparation

The condensed Interim Financial Statements comprise the unaudited results for the six months ended 31 March 2023 and 31 March 2022, together with the audited results for the year ended 30 September 2022.

The information shown for the year ended 30 September 2022 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006, and is an abridged version of the Company's Financial Statements for that year. The Auditors' Report on those Financial Statements was unqualified and did not contain any statements under section 498 of the Companies Act 2006. The Financial Statements for the year ended 30 September 2022 were approved by the Board of Directors on 1 December 2022 and filed with the Registrar of Companies.

This condensed set of Interim Financial Statements for the six months ended 31 March 2023 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and FRS 104 'Interim Financial Reporting' ("FRS 104") as adopted by the Financial Reporting Council ("FRC") using the recognition and measurement requirements of FRS 100 'Application of Financial Reporting Requirements' ("FRS 100") and FRS 101 'Reduced Disclosure Framework' ("FRS 101"). The condensed set of Interim Financial Statements for the six months ended 31 March 2023 should be read in conjunction with the Annual Report and Financial Statements for the year ended 30 September 2022.

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 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.
- the requirements of paragraphs 10(d) and 10(f) of IAS 1 Presentation of Financial Statements.
- the requirements of IAS 7 Statement of Cash Flows.
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures.
- 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 Imperial Brands PLC consolidated financial statements may be found via the investor relations section of the Imperial Brands PLC website at www.imperialbrandsplc.com/investors.

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

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

2. Investment income

	Unaudited 6 months ended 31 March 2023	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
(In £ million)			
Interest receivable from Group undertakings	656	252	487
Interest on bank deposits and other loan receivables	4	-	3
Exchange gains on monetary assets and liabilities	491	100	-
Fair value gains on external derivative financial instruments	365	688	1,483
Fair value gains on intragroup derivative financial instruments	-	-	915
	1,516	1,040	2,888

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Notes to the Interim Financial Statements

For the six months ended 31 March 2023

3. Finance costs

(In £ million)	Unaudited	Unaudited	Audited
	6 months	6 months	Year ended
	ended 31	ended 31	30
	March 2023	March 2022	September
			2022
Interest payable to Group undertakings	282	55	125
Interest on bank loans and other loan payables	181	148	297
Exchange losses on monetary assets and liabilities	-	-	983
Fair value losses on external derivative financial instruments	273	616	1,213
Fair value losses on intragroup derivative financial instruments	518	113	-
	1,254	932	2,618

4. Tax on profit

Analysis of charge in the period:

(In £ million)	Unaudited	Unaudited	Audited
	6 months	6 months	Year ended
	ended 31	ended 31	30
	March 2023	March 2022	September
			2022
UK Corporation tax on profits for the period	57	20	51
Withholding tax	-	-	1
Double taxation relief	-	-	(1)
Adjustments in respect of prior years	-	-	1
Current tax	57	20	52
Total taxation	57	20	52

5. Fair value of financial assets and liabilities

There are no material differences between the carrying value of the Company's financial assets and liabilities and their estimated fair value, with the exception of bonds. The fair value of bonds is estimated to be £7,869 million (2022: £7,963 million) and has been determined by reference to market prices at the balance sheet date. The carrying value of bonds is £8,234 million (2022: £7,899 million). The fair value of all other borrowings is considered to be equal to their carrying amount.

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Notes to the Interim Financial Statements

For the six months ended 31 March 2023

6. Derivative financial instruments

(In £ million)	Unaudited	Unaudited	Audited
	6 months ended 31 March 2023	6 months ended 31 March 2022	Year ended 30 September 2022
Assets			
Interest rate swaps	604	190	686
Foreign exchange contracts	10	21	31
Intragroup forward foreign currency contracts	-	35	-
Cross currency swaps	152	26	322
Total carrying value of derivative financial assets	766	272	1,039
Liabilities			
Interest rate swaps	(621)	(480)	(782)
Foreign exchange contracts	(29)	(16)	(13)
Intragroup forward foreign currency contracts	(414)	(227)	-
Cross currency swaps	(347)	(179)	(342)
Total carrying value of derivative financial liabilities before collateral	(1,411)	(902)	(1,137)
Collateral	-	34	12
Total carrying value of derivative financial liabilities	(1,411)	(868)	(1,125)
Total carrying value of derivative financial instruments	(645)	(596)	(86)
Analysed as:			
Interest rate swaps	(17)	(290)	(96)
Foreign exchange contracts	(19)	5	18
Intragroup forward foreign currency contracts	(414)	(192)	-
Cross currency swaps	(195)	(153)	(20)
Collateral	-	34	12
Total carrying value of derivative financial instruments	(645)	(596)	(86)

The Company's derivative financial instruments are held at fair value. 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, and are consistent with those applied for the year ended 30 September 2022.

All financial assets and liabilities are carried on the balance sheet at amortised cost, other than derivative financial instruments which are carried at fair value. Derivative fair values are determined based on observable market data such as yield curves, foreign exchange rates and credit default swap prices to calculate the present value of future cash flows associated with each derivative at the balance sheet date (Level 2 classification hierarchy per IFRS 7). Market data is sourced through Bloomberg and valuations are validated by reference to counterparty valuations where appropriate. Some of the Company'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 £10 million (2022: £17 million) and would have been a £20 million (2022: £33 million) reduction without considering the early termination options. There were no changes to the valuation methods or transfers between hierarchies during the year. With the exception of capital market issuance, the fair value of all financial assets and financial liabilities is considered approximate to their carrying amount.

7. Other receivables

(In £ million)	Unaudited		Unaudited		Audited	
	6 months ended 31 March 2023		6 months ended 31 March 2022		Year ended 30 September 2022	
	Current	Non-current	Current	Non-current	Current	Non-current
Amounts owed by Group undertakings	29,980	-	28,442	44	28,840	44
Other receivables and prepayments	8	-	4	-	6	-
	29,988	-	28,446	44	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 31 March 2023 £26,738 million (2022: £25,322 million) of the amounts owed by Group undertakings is repayable on a mutually agreed future date (treated as a current receivable) and £3,242 million (2022: £3,164 million) were term loans. There were £29,954 million (2022: £27,847 million) of interest bearing loans and £26 million (2022: £639 million) of non-interest bearing loans. Where loans were subject to interest the rates charged varied from 0.131% to 13.750% (2022: 0.125% to 20.000%).

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 £535 million (2022: £660 million) has been recognised to reflect the credit risk inherent within a number of the current intragroup loans receivable, as follows:

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Notes to the Interim Financial Statements

For the six months ended 31 March 2023

7. Other receivables (continued)

	31 March 2023		
	Gross	ECL	Net
Group undertaking loan receivable balances that are not impaired	29,740	-	29,740
Group undertaking loan receivable balances that are impaired	775	(535)	240
	<u>30,515</u>	<u>(535)</u>	<u>29,980</u>

	31 March 2022		
	Gross	ECL	Net balance
Group undertaking loan receivable balances that are not impaired	28,207	-	28,207
Group undertaking loan receivable balances that are impaired	939	(660)	279
	<u>29,146</u>	<u>(660)</u>	<u>28,486</u>

	30 September 2022		
	Gross	ECL	Net balance
Group undertaking loan receivable balances that are not impaired	28,586	-	28,586
Group undertaking loan receivable balances that are impaired	906	(608)	298
	<u>29,492</u>	<u>(608)</u>	<u>28,884</u>

The released provision in the period was £73 million (2022: charge of £168 million).

8. Related party transactions

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

During the period the Company charged interest and other expenses to Compañía de Distribución Integral Logista S.A.U. to the value of €5 million (2022: €1 million). At 31 March 2023, the Company had an outstanding balance receivable due from Compañía de Distribución Integral Logista SAU totalling €515 million (2022: €442 million).

During the period the Company was charged interest to the value of €19 million by Logista France SAS (2022: €5 million). At 31 March 2023, the Company had an outstanding balance payable to Logista France SAS totalling €1,349 million (2022: €1,419 million).

During the period the Company was charged interest to the value of €15 million by Logista Italia SpA (2022: €4 million). At 31 March 2023, the Company had an outstanding balance payable to Logista Italia SpA totalling €1,057 million (2022: €1,124 million).

During the period the Company provided a temporary loan facility of £320 million to the Imperial Tobacco Pension Fund. £200 million had been drawn down during the first half of October 2022 to support ongoing liquidity requirements within the Fund's Liability Driven Investment holdings during a period of volatility in the UK Government Bond market. The £200 million drawn down has been repaid by 31 March 2023. The Company charged interest to the value of £2 million.