

Company Number: 03214426

IMPERIAL BRANDS FINANCE PLC

Interim Financial Statements 2018

Imperial Brands Finance PLC

Interim Management Report

For the six months ended 31 March 2018

Company Number: 03214426

The Directors present their Interim Management Report together with the unaudited Interim Financial Statements of Imperial Brands Finance PLC ("the Company") for the six months ended 31 March 2018.

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 2018 was £117 million (2017: profit £294 million). Total shareholders' funds as at 31 March 2018 were £2,257 million (2017: £3,060 million).

The aggregate dividends on the ordinary shares recognised as a charge to shareholders' funds during the six months ended 31 March 2018 amount to £350 million (2017: £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 Group, which include those of the Company, are discussed in the principal risks and uncertainties section of the Group's Annual Report and Accounts for the year ended 30 September 2017, which does not form part of this report, but is available at www.imperialbrandspc.com.

The principal risks and uncertainties of the Group, which include those of the Company, remain unchanged from those reported at 30 September 2017. The Directors anticipate that these will remain unchanged for the remaining six months of the financial year.

Outlook

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

Going concern

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

Directors' responsibility statement

The Board of Directors comprising J M Jones, O R Tant, T R W Tildesley and M A Wall, confirms that:

- the condensed Interim Financial Statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by Rule 4.2.4 of the Disclosure Transparency Rules of the United Kingdom's Financial Conduct Authority ("the DTRs"); and
- the Interim Management Report includes a fair review of the information required by Rule 4.2.7 of the DTRs, namely an indication of important events that have occurred during the six months ended 31 March 2018 and their impact on the condensed set of Interim Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the year.

By order of the Board



J M Jones
Director
21 May 2018



T R W Tildesley
Director
21 May 2018

Imperial Brands Finance PLC

Income Statement

For the six months ended 31 March 2018

(In £ million)	Notes	Unaudited 6 months ended 31 March 2018	Unaudited 6 months ended 31 March 2017	Audited Year ended 30 September 2017
Other operating income		-	-	1
Administrative expenses		-	-	(17)
Operating loss		-	-	(16)
Investment income	2	1,255	1,279	1,752
Finance costs	3	(1,121)	(959)	(1,404)
Profit before taxation		134	320	332
Tax on profit	4	(17)	(26)	(8)
Profit for the period		117	294	324

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 2018

		Unaudited At 31 March 2018	Unaudited At 31 March 2017	Audited At 30 September 2017
(In £ million)				
Non-current assets				
Trade and other receivables		124	223	324
Derivative financial instruments	7	497	703	583
		621	926	907
Current assets				
Trade and other receivables		33,771	34,979	33,797
Current tax assets		-	50	50
Deferred tax assets		-	-	18
Cash and cash equivalents		28	143	1
Derivative financial instruments	7	42	401	60
		33,841	35,573	33,926
Total assets		34,462	36,499	34,833
Current liabilities				
Borrowings		(3,335)	(2,678)	(2,305)
Derivative financial instruments	7	(378)	(197)	(42)
Trade and other payables		(17,709)	(17,800)	(18,634)
		(21,422)	(20,675)	(20,981)
Non-current liabilities				
Borrowings		(9,718)	(11,694)	(10,196)
Derivative financial instruments	7	(1,065)	(1,070)	(1,166)
		(10,783)	(12,764)	(11,362)
Total liabilities		(32,205)	(33,439)	(32,343)
Net assets		2,257	3,060	2,490
Equity				
Share capital		2,100	2,100	2,100
Retained earnings		157	960	390
Total equity		2,257	3,060	2,490

The notes on pages 5 to 6 form an integral part of these Interim Financial Statements.

The Interim Financial Statements were approved by the Board of Directors on 21 May 2018 and signed on its behalf by:

J M Jones
Director

T R W Tildesley
Director

Company Number: 03214426

Imperial Brands Finance PLC

Statement of Changes in Equity

at 31 March 2018

	Unaudited		
(In £ million)	Share capital	Retained earnings	Total equity
At 1 October 2017	2,100	390	2,490
Profit for the period	-	117	117
Total comprehensive income	-	117	117
Dividends paid	-	(350)	(350)
At 31 March 2018	2,100	157	2,257

	Unaudited		
(In £ million)	Share capital	Retained earnings	Total equity
At 1 October 2016	2,100	666	2,766
Profit for the period	-	294	294
Total comprehensive income	-	294	294
Dividends paid	-	-	-
At 31 March 2017	2,100	960	3,060

Imperial Brands Finance PLC

Notes to the Financial Statements

For the six months ended 31 March 2018

1. Accounting policies

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

Basis of preparation

The Interim Financial Statements comprise the unaudited results for the six months ended 31 March 2018 and 31 March 2017, together with the audited results for the year ended 30 September 2017.

The information shown for the year ended 30 September 2017 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 2017 were approved by the Board of Directors on 23 November 2017 and filed with the Registrar of Companies.

This condensed set of Interim Financial Statements for the six months ended 31 March 2018 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 2018 should be read in conjunction with the Annual Report and Financial Statements for the year ended 30 September 2017.

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 2018	Unaudited 6 months ended 31 March 2017	Audited Year ended 30 September 2017
(In £ million)			
Interest receivable from Group undertakings	444	443	881
Interest on bank deposits	-	-	1
Exchange gains on monetary assets and liabilities	400	-	-
Fair value gains on external derivative financial instruments	411	670	744
Fair value gains on intragroup derivative financial instruments	-	166	126
	1,255	1,279	1,752

3. Finance costs

	Unaudited 6 months ended 31 March 2018	Unaudited 6 months ended 31 March 2017	Audited Year ended 30 September 2017
(In £ million)			
Interest payable to Group undertakings	56	35	69
Interest on bank loans and other loans	245	271	535
Exchange losses on monetary assets and liabilities	-	150	121
Fair value losses on external derivative financial instruments	424	503	679
Fair value losses on intragroup derivative financial instruments	396	-	-
	1,121	959	1,404

4. Tax on profit

Analysis of charge in the period:

	Unaudited 6 months ended 31 March 2018	Unaudited 6 months ended 31 March 2017	Audited Year ended 30 September 2017
(In £ million)			
UK Corporation tax on profits for the period	(1)	-	-
Withholding tax	-	1	1
Current tax	(1)	1	1
Origination and reversal of timing differences	18	25	7
Effect of change in future tax rate	-	-	-
Deferred tax	18	25	7
Total taxation	17	26	8

Imperial Brands Finance PLC

Notes to the Financial Statements

For the six months ended 31 March 2018

5. Dividends

Dividend per share in respect of financial year (In Pence)	Unaudited 2018	Audited 2017	Audited 2016
Final	-	17	29
	-	17	29

Amounts recognised as distributions to ordinary equity holders in the period (In £ million)	Unaudited 6 months ended 31 March 2018	Unaudited 6 months ended 31 March 2017	Audited Year ended 30 September 2017
Final dividend paid in the period in respect of the previous financial year	350	-	600
	350	-	600

6. Fair value of financial assets and liabilities

There are no material differences between the carrying value of the Company's financial assets and liabilities and their estimated fair value, with the exception of bonds. The fair value of bonds is estimated to be £11,783 million (2017 6 months: £13,621 million) and has been determined by reference to market prices at the balance sheet date. The carrying value of bonds is £11,047 million (2017 6 months: £12,456 million).

7. Derivative financial instruments

(In £ million)	Unaudited 6 months ended 31 March 2018	Unaudited 6 months ended 31 March 2017	Audited Year ended 30 September 2017
Assets			
Interest rate swaps	534	732	630
Foreign exchange contracts	3	4	12
Intragroup forward foreign currency contracts	-	366	-
Cross currency swaps	2	2	1
Total carrying value of derivative financial assets	539	1,104	643
Liabilities			
Interest rate swaps	(696)	(846)	(767)
Foreign exchange contracts	(4)	(18)	(9)
Intragroup forward foreign currency contracts	(344)	(138)	-
Cross currency swaps	(480)	(331)	(507)
Total carrying value of derivative financial liabilities before collateral	(1,524)	(1,333)	(1,283)
Collateral	81	66	75
Total carrying value of derivative financial liabilities	(1,443)	(1,267)	(1,208)
Total carrying value of derivative financial instruments	(904)	(163)	(565)
Analysed as:			
Interest rate swaps	(162)	(114)	(137)
Foreign exchange contracts	(1)	(14)	3
Intragroup forward foreign currency contracts	(344)	228	-
Cross currency swaps	(478)	(329)	(506)
Collateral	81	66	75
Total carrying value of derivative financial instruments	(904)	(163)	(565)

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 during the year ended 30 September 2017.

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.