

Company Number: 03214426

IMPERIAL BRANDS FINANCE PLC

Interim Financial Statements 2019

Imperial Brands Finance PLC

Interim Management Report

For the six months ended 31 March 2019

Company Number: 03214426

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 2019.

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 2019 was £58 million (2018: profit £117 million). Total shareholders' funds as at 31 March 2019 were £2,357 million (2018: £2,257 million).

There were no aggregate dividends on the ordinary shares recognised as a charge to shareholders' funds during the six months ended 31 March 2019. (2018: £350 million).

Principal risks and uncertainties

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

The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the principal risks and uncertainties section of the Group's Annual Report and Accounts for the year ended 30 September 2018, which does not form part of this report, but is available at www.imperialbrandsplc.com.

The principal risks and uncertainties of the Group, which include those of the Company, remain unchanged from those reported at 30 September 2018. 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 2019 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 A Wall
Director
26 June 2019



T R W Tildesley
Director
26 June 2019

Imperial Brands Finance PLC

Income Statement

For the six months ended 31 March 2019

(In £ million)	Notes	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Other operating income		-	-	1
Administrative expenses		(1)	-	(1)
Operating loss		(1)	-	-
Investment income	2	1,068	1,255	1,504
Finance costs	3	(1,009)	(1,121)	(1,327)
Profit before taxation		58	134	177
Tax on profit	4	-	(17)	(18)
Profit for the period		58	117	159

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 2019

(In £ million)	Unaudited At 31 March 2019	Unaudited At 31 March 2018	Audited At 30 September 2018
Non-current assets			
Trade and other receivables	1,637	124	30
Derivative financial instruments 7	473	497	462
	2,110	621	492
Current assets			
Trade and other receivables	32,118	33,771	33,337
Current tax assets	1	-	-
Cash and cash equivalents	13	28	28
Derivative financial instruments 7	261	42	37
	32,393	33,841	33,402
Total assets	34,503	34,462	33,894
Current liabilities			
Borrowings	(3,274)	(3,335)	(2,369)
Derivative financial instruments 7	(586)	(378)	(105)
Trade and other payables	(17,225)	(17,709)	(18,450)
	(21,085)	(21,422)	(20,924)
Non-current liabilities			
Borrowings	(10,039)	(9,718)	(9,598)
Derivative financial instruments 7	(1,022)	(1,065)	(1,073)
	(11,061)	(10,783)	(10,671)
Total liabilities	(32,146)	(32,205)	(31,595)
Net assets	2,357	2,257	2,299
Equity			
Share capital	2,100	2,100	2,100
Retained earnings	257	157	199
Total equity	2,357	2,257	2,299

The notes on pages 5 to 8 form an integral part of these Interim Financial Statements.

The Interim Financial Statements were approved by the Board of Directors on 26 June 2019 and signed on its behalf by:

M A Wall
Director



T R W Tildesley
Director



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Imperial Brands Finance PLC

Statement of Changes in Equity (unaudited)

at 31 March 2019

(In £ million)	Share capital	Retained earnings	Total equity
At 1 October 2018	2,100	199	2,299
Profit for the period	-	58	58
Total comprehensive income	-	58	58
Dividends paid	-	-	-
At 31 March 2019	2,100	257	2,357

(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

Imperial Brands Finance PLC

Notes to the Financial Statements

For the six months ended 31 March 2019

1. Accounting policies

These condensed 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 condensed Interim Financial Statements comprise the unaudited results for the six months ended 31 March 2019 and 31 March 2018, together with the audited results for the year ended 30 September 2018.

The information shown for the year ended 30 September 2018 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 2018 were approved by the Board of Directors on 6 December 2018 and filed with the Registrar of Companies.

This condensed set of Interim Financial Statements for the six months ended 31 March 2019 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 2019 should be read in conjunction with the Annual Report and Financial Statements for the year ended 30 September 2018.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payments
- b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1 Presentation of Financial Statements
 - ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment
 - iii. paragraph 118(e) of IAS 38 Intangible Assets
- d) the requirements of paragraphs 10(d) and 10(f) of IAS 1 Presentation of Financial Statements
- e) the requirements of IAS 7 Statement of Cash Flows
- f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- h) 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
- i) the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

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.

NEW ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' with effect from 1 October 2018. There have been no other new standards or amendments which became effective for the current reporting period that have had a material effect on the Company.

On 1 October 2018 the Company adopted IFRS 9 'Financial Instruments', with no revision of prior periods as permitted by the standard. IFRS 9 has replaced IAS 39 'Financial Instruments: Recognition and Measurement' and includes revised guidance on:

Classification and measurement: Financial assets are now classified as either being accounted for as amortised cost, fair value through other comprehensive income, or fair value through profit or loss. There are no changes to the classification or accounting for financial liabilities.

Impairment of financial assets: Impairment provisions are calculated using a forward looking expected credit loss approach for financial assets, rather than the incurred loss approach applicable under IAS 39. The expected credit loss model requires the recognition of a provision which reflects future impairment risk. Provision levels are calculated on the residual credit risk after consideration of any credit protection which is used by the Company. Following a review of the financial assets no impairment has been recognised in the accounts.

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2. Investment income

	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
(In £ million)			
Interest receivable from Group undertakings	410	444	874
Interest on bank deposits	-	-	1
Exchange gains on monetary assets and liabilities	418	400	-
Fair value gains on external derivative financial instruments	240	411	492
Fair value gains on intragroup derivative financial instruments	-	-	137
	1,068	1,255	1,504

3. Finance costs

	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
(In £ million)			
Interest payable to Group undertakings	101	56	127
Interest on bank loans and other loans	218	245	481
Exchange losses on monetary assets and liabilities	-	-	152
Fair value losses on external derivative financial instruments	347	424	567
Fair value losses on intragroup derivative financial instruments	343	396	-
	1,009	1,121	1,327

4. Tax on profit

Analysis of charge in the period:

	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
(In £ million)			
UK Corporation tax on profits for the period	-	(1)	(1)
Adjustments in respect of prior years	-	-	1
Current tax	-	(1)	-
Origination and reversal of timing differences	-	18	18
Effect of change in future tax rate	-	-	-
Deferred tax	-	18	18
Total taxation	-	17	18

The corporation tax charge for the year has been reduced to nil following the surrender of tax losses from other UK group entities.

Imperial Brands Finance PLC

Notes to the Financial Statements

For the six months ended 31 March 2019

5. Dividends

Dividend per share in respect of the period	Unaudited	Unaudited	Audited
	6 months	6 months	Year ended
	ended 31	ended 31	30
(In Pence)	March 2019	March 2018	September
			2018
Final	-	-	17
	-	-	17

Amounts recognised as distributions to ordinary equity holders in the period	Unaudited	Unaudited	Audited
	6 months	6 months	Year ended
	ended 31	ended 31	30
(In £ million)	March 2019	March 2018	September
			2018
Final dividend paid in the period in respect of the previous period	-	350	350
	-	350	350

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 £11,915 million (31 March 2018: £11,783 million) and has been determined by reference to market prices at the balance sheet date. The carrying value of bonds is £11,223 million (31 March 2018: £11,047 million).

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7. Derivative financial instruments

	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
(In £ million)			
Assets			
Interest rate swaps	476	534	490
Foreign exchange contracts	52	3	6
Intragroup forward foreign currency contracts	203	-	-
Cross currency swaps	3	2	3
Total carrying value of derivative financial assets	734	539	499
Liabilities			
Interest rate swaps	(805)	(696)	(724)
Foreign exchange contracts	(9)	(4)	(7)
Intragroup forward foreign currency contracts	(504)	(344)	-
Cross currency swaps	(318)	(480)	(529)
Total carrying value of derivative financial liabilities before collateral	(1,636)	(1,524)	(1,260)
Collateral	28	81	82
Total carrying value of derivative financial liabilities	(1,608)	(1,443)	(1,178)
Total carrying value of derivative financial instruments	(874)	(904)	(679)
Analysed as:			
Interest rate swaps	(329)	(162)	(233)
Foreign exchange contracts	43	(1)	(2)
Intragroup forward foreign currency contracts	(300)	(344)	-
Cross currency swaps	(315)	(478)	(526)
Collateral	28	81	82
Total carrying value of derivative financial instruments	(874)	(904)	(679)

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 2018.

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 and foreign exchange rates as at the balance sheet date (Level 2 classification hierarchy per IFRS 7). There were no changes to the valuation methods or transfers between hierarchies during the period. With the exception of capital market issuance, the fair value of all financial assets and financial liabilities is considered approximate to their carrying amount.

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.

A loan to Compañía de Distribución Integral Logista Holdings, S.A group, a subsidiary of the Group had been advanced in March 2018. The current balance is €786m with an interest rate equal to the ECB base rate plus 0.75% with a scheduled repayment date no earlier than June 2024.

