

Company Number: 03214426

**IMPERIAL BRANDS FINANCE PLC**

**Interim Financial Statements 2020**

# Imperial Brands Finance PLC

## Interim Management Report

Company Number: 03214426

For the six months ended 31 March 2020

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 2020.

### 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 2020 was £240 million (2019: profit £58 million). Total shareholders' funds as at 31 March 2020 were £2,648 million (2019: £2,357 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 2020. (2019: £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 14 of the Company's Annual Report and Accounts for the year ended 30 September 2019, which does not form part of this report, but is available at [www.imperialbrandspc.com](http://www.imperialbrandspc.com).

In addition to the principal risks and uncertainties of the Company reported at 30 September 2019, the Company faced additional uncertainty due to Covid-19. The Directors anticipate that this will continue for the remaining six months of the financial year.

### COVID-19

In March 2020 the Imperial Brands PLC Group was impacted by the global Coronavirus (Covid-19) pandemic, which resulted in unprecedented government restrictions on the normal operations of the Group across many countries. The restrictions put in place initially resulted in a number of office and factory closures. The Group has responded by adapting working practices through activities such as strengthening its IT infrastructure and accelerating the roll-out of software to facilitate remote team-working, as well as encouraging a more flexible approach. There have been modifications to working practices including changing shift patterns to ensure appropriate infection controls and social distancing for employees in manufacturing facilities. As a result of this, manufacturing plants have continued to operate and the Group is able to produce and distribute product to customers to meet demand, while complying with all necessary safety precautions to protect staff and business partners from the risks arising from the pandemic.

To date, the observable impacts on the Group's activities have been limited to low level changes in credit risk in the duty free and travel retail operations area.

### BREXIT

Following the UK's exit from the European Union on 31 January 2020, the Group has looked at the potential impacts of the UK leaving the transition period on the 31 December 2020 without a substantive trade agreement in place. The key risks remain a potential increase in import duties and impact on UK customers; additional risk of tobacco smuggling, inventory requirements to ensure supply, impact on consumer confidence, and implications on existing international tax legislation. In the event that these are not addressed prior to 31 December 2020, we estimate there could be additional costs to the Group of around £100 million, primarily relating to the restructuring of the Group for tax purposes.

### LIBOR

Following the announcement of the potential discontinuation of LIBOR after the end of 2021, the Company has commenced an evaluation of its floating rate debt and derivative positions maturing after that date. The Company currently expects that an appropriate alternative basis for the calculation of interest will be available in the event LIBOR is no longer used.

### 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.

# Imperial Brands Finance PLC

## 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 UK'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 2020 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  
30 June 2020



T R W Tildesley  
Director  
30 June 2020

# Imperial Brands Finance PLC

## Income Statement

For the six months ended 31 March 2020

(In £ million)	Notes	<b>Unaudited</b> <b>6 months</b> <b>ended 31</b> <b>March 2020</b>	Unaudited 6 months ended 31 March 2019	Audited Year ended 30 September 2019
Other operating income		-	-	1
Administrative expenses		-	(1)	(3)
<b>Operating loss</b>		-	(1)	(2)
Investment income	2	<b>1,037</b>	1,068	1,903
Finance costs	3	<b>(741)</b>	(1,009)	(1,766)
<b>Profit before taxation</b>		<b>296</b>	58	135
Tax on profit	4	<b>(56)</b>	-	(26)
<b>Profit for the period</b>		<b>240</b>	58	109

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 2020

(In £ million)		Unaudited At 31 March 2020	Unaudited At 31 March 2019	Audited At 30 September 2019
<b>Non-current assets</b>				
Trade and other receivables	7	281	1,637	110
Derivative financial instruments	6	816	473	677
		<b>1,097</b>	2,110	787
<b>Current assets</b>				
Trade and other receivables	7	33,129	32,118	33,238
Current and deferred tax assets		1	1	-
Cash and cash equivalents		159	13	1,505
Derivative financial instruments	6	270	261	137
		<b>33,559</b>	32,393	34,880
<b>Total assets</b>		<b>34,656</b>	34,503	35,667
<b>Current liabilities</b>				
Borrowings		(3,371)	(3,274)	(1,892)
Derivative financial instruments	6	(51)	(586)	(28)
Trade and other payables		(16,441)	(17,225)	(18,234)
		<b>(19,863)</b>	(21,085)	(20,154)
<b>Non-current liabilities</b>				
Borrowings		(10,716)	(10,039)	(11,697)
Derivative financial instruments	6	(1,429)	(1,022)	(1,408)
		<b>(12,145)</b>	(11,061)	(13,105)
<b>Total liabilities</b>		<b>(32,008)</b>	(32,146)	(33,259)
<b>Net assets</b>		<b>2,648</b>	2,357	2,408
<b>Equity</b>				
Share capital		2,100	2,100	2,100
Retained earnings		548	257	308
<b>Total equity</b>		<b>2,648</b>	2,357	2,408

The notes on pages 5 to 9 form an integral part of these Interim Financial Statements.

The Interim Financial Statements were approved by the Board of Directors on 30 June 2020 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 (unaudited)

at 31 March 2020

<b>(In £ million)</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>At 1 October 2019</b>	<b>2,100</b>	<b>308</b>	<b>2,408</b>
<b>Profit for the period</b>	<b>-</b>	<b>240</b>	<b>240</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>240</b>	<b>240</b>
<b>At 31 March 2020</b>	<b>2,100</b>	<b>548</b>	<b>2,648</b>

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

# Imperial Brands Finance PLC

## Notes to the Financial Statements

For the six months ended 31 March 2020

### 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 2020 and 31 March 2019, together with the audited results for the year ended 30 September 2019.

The information shown for the year ended 30 September 2019 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 2019 were approved by the Board of Directors on 12 December 2019 and filed with the Registrar of Companies.

This condensed set of Interim Financial Statements for the six months ended 31 March 2020 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 2020 should be read in conjunction with the Annual Report and Financial Statements for the year ended 30 September 2019.

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

IFRS 16 'Leases' was adopted with effect from 1 October 2019, which has had no material effect on the Company. 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.

IFRIC 23 'Uncertainty over income tax treatments' became effective for the period beginning 1 October 2019. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. The adoption of this interpretation did not have a material effect on the Company's net assets or results.

### 2. Investment income

	<b>Unaudited</b>	Unaudited	Audited
	<b>6 months</b>	6 months	Year ended
	<b>ended 31</b>	ended 31	30
	<b>March 2020</b>	March 2019	September
			2019
(In £ million)			
Interest receivable from Group undertakings	<u>451</u>	<u>410</u>	<u>905</u>
Interest on bank deposits	3	-	4
Exchange gains on monetary assets and liabilities	14	418	-
Fair value gains on external derivative financial instruments	569	240	671
Fair value gains on intragroup derivative financial instruments	-	-	323
	<u><b>1,037</b></u>	<u>1,068</u>	<u>1,903</u>

# Imperial Brands Finance PLC

## Notes to the Financial Statements

For the six months ended 31 March 2020

### 3. Finance costs

(In £ million)	<b>Unaudited</b>	Unaudited	Audited
	<b>6 months</b>	6 months	Year ended
	<b>ended 31</b>	ended 31	30
	<b>March 2020</b>	March 2019	September
	<b>March 2020</b>	March 2019	2019
Interest payable to Group undertakings	<b>75</b>	101	200
Interest on bank loans and other loans	<b>205</b>	218	442
Exchange losses on monetary assets and liabilities	-	-	279
Fair value losses on external derivative financial instruments	<b>438</b>	347	845
Fair value losses on intragroup derivative financial instruments	<b>23</b>	343	-
	<b>741</b>	1,009	1,766

### 4. Tax on profit

Analysis of charge in the period:

(In £ million)	<b>Unaudited</b>	Unaudited	Audited
	<b>6 months</b>	6 months	Year ended
	<b>ended 31</b>	ended 31	30
	<b>March 2020</b>	March 2019	September
	<b>March 2020</b>	March 2019	2019
UK Corporation tax on profits for the period	<b>56</b>	-	26
Withholding tax	-	-	1
Double taxation relief	-	-	(1)
<b>Current tax</b>	<b>56</b>	-	26
<b>Total taxation</b>	<b>56</b>	-	26

### 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 £12,701 million (31 March 2019: £11,915 million) and has been determined by reference to market prices at the balance sheet date. The carrying value of bonds is £12,621 million (31 March 2019: £11,223 million). The fair value of all other borrowings is considered to be equal to their carrying amount.



# Imperial Brands Finance PLC

## Notes to the Financial Statements

For the six months ended 31 March 2020

### 6. Derivative financial instruments

(In £ million)	Unaudited	Unaudited	Audited
	6 months ended 31 March 2020	6 months ended 31 March 2019	Year ended 30 September 2019
<b>Assets</b>			
Interest rate swaps	833	476	669
Foreign exchange contracts	150	52	104
Intragroup forward foreign currency contracts	84	203	-
Cross currency swaps	19	3	41
<b>Total carrying value of derivative financial assets</b>	<b>1,086</b>	<b>734</b>	<b>814</b>
<b>Liabilities</b>			
Interest rate swaps	(1,151)	(805)	(1,105)
Foreign exchange contracts	(25)	(9)	(2)
Intragroup forward foreign currency contracts	-	(504)	-
Cross currency swaps	(341)	(318)	(367)
<b>Total carrying value of derivative financial liabilities before collateral</b>	<b>(1,517)</b>	<b>(1,636)</b>	<b>(1,474)</b>
Collateral	37	28	38
<b>Total carrying value of derivative financial liabilities</b>	<b>(1,480)</b>	<b>(1,608)</b>	<b>(1,436)</b>
<b>Total carrying value of derivative financial instruments</b>	<b>(394)</b>	<b>(874)</b>	<b>(622)</b>
<b>Analysed as:</b>			
Interest rate swaps	(318)	(329)	(436)
Foreign exchange contracts	125	43	102
Intragroup forward foreign currency contracts	84	(301)	-
Cross currency swaps	(322)	(315)	(326)
Collateral	37	28	38
<b>Total carrying value of derivative financial instruments</b>	<b>(394)</b>	<b>(874)</b>	<b>(622)</b>

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 2019.

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 to approximate to their carrying amount.

### 7. Trade and other receivables

(In £ million)	Unaudited		Unaudited		Audited	
	6 months ended 31 March 2020		6 months ended 31 March 2019		Year ended 30 September 2019	
	Current	Non-current	Current	Non-current	Current	Non-current
Amounts owed by Group undertakings	33,127	281	32,116	1,637	33,234	110
Other receivables and prepayments	2	-	2	-	4	-
	<b>33,129</b>	<b>281</b>	<b>32,118</b>	<b>1,637</b>	<b>33,238</b>	<b>110</b>

Amounts owed by Group undertakings are unsecured, both interest bearing and non-interest bearing and can be either repayable on demand or have fixed repayment dates. Within current receivables there is a Euro denominated loan due from Imperial Tobacco Overseas Holdings Limited Dutch Branch with a carrying value of £887 million (31 March 2019: £859 million). As this loan has no fixed repayment date and as it must be repaid on or before 1 October 2022 it has been classified as a current receivable.

# Imperial Brands Finance PLC

## 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 facility with the Compañía de Distribución Integral Logista Holdings S.A. group, a partly indirectly owned subsidiary of Imperial Brands PLC, had been amended in March 2018, with an interest rate equal to the ECB base rate plus 0.75% with a scheduled repayment date no earlier than June 2024. Details of the constituent loans in the period are as follows.

During the period the Company charged interest and other expenses to Compañía de Distribución Integral Logista S.A.U. to the value of €1 million (31 March 2019: €2million). At 31 March 2020, the Company had an outstanding balance receivable due from Compañía De Distribucion Integral Logista SAU totalling €746 million (31 March 2019: €786 million).

During the period the Company was charged interest to the value of €5 million by Logista France SAS (31 March 2019: €5 million). At 31 March 2020, the Company had an outstanding balance payable to Logista France SAS totalling €1,348 million (31 March 2019: €1,516 million).

During the period the Company was charged interest to the value of €4 million by Logista Italia SpA (31 March 2019: €4 million). At 31 March 2020, the Company had an outstanding balance payable to Logista Italia SpA totalling €1,000 million (31 March 2019: €970 million).