IMPERIAL BRANDS FINANCE NETHERLANDS B.V.

Joure, the Netherlands

ANNUAL ACCOUNTS

FOR THE YEAR ENDED

30 SEPTEMBER 2021

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Directors' report

Directors' Report for the financial year ended 30 September 2021

Principal activities

Imperial Brands Finance Netherlands B.V. ("IBFN" or the "Company") was set up as a European Union domiciled financing vehicle, partly as a result of the United Kingdom leaving the European Union in 2019. The principal activity of the Company is to raise external finance for Imperial Brands PLC ("IB") and its subsidiaries (the "Group"). The Company is a direct wholly owned subsidiary of Imperial Tobacco Holdings Netherlands B.V. ("ITHN") and a wholly owned indirect subsidiary of IB, which is the ultimate parent company within the Group.

IB is the fourth largest international tobacco company in the world which is listed at the London Stock Exchange. Details about and annual accounts of IB can be found at its website www.imperialbrandsplc.com. This also includes details on bonds issued including those by the Company. Partly because of its repetitive nature and partly because of the general widescale government support programs, COVID-19 had little to no impact on the performance of IB, like most international consumer goods businesses.

The Directors of the Group manage operations at a Group level. For this reason, 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 Company is part of the fiscal unity headed by the Dutch Branch of Imperial Tobacco Overseas Holdings Ltd ("ITOHL DB") who files a collective corporate income tax return.

Performance review and future developments

During the year, the Company issued Euro bonds with a face value of EUR 1 billion in the European debt capital market. These bonds were then listed for trading on the London Stock Exchange. The funds raised were immediately lent to Imperial Brands Finance plc ("IBF") which is also part of the Group, at terms and conditions similar to the bonds issued and an additional margin of 9.18 basis points which margin was externally benchmarked. As a result of this margin the Company reported a profit before tax amounting to EUR 347,008, which is equal to the profit after tax, as the corporation tax is consolidated at fiscal unity level. Shareholders' equity as at the reporting date amounted to EUR 2,347,108 following the allocation of profit to the reserves and an additional capital injection of EUR 2 million by ITHN during the year.

The outbreak of the COVID-19 pandemic in early January 2020 has shown to have less negative effects than initially expected in the Dutch and global economy and financial markets. Many countries, including the Netherlands, have implemented measures to support businesses and to a certain extent consumers as well. So far, an initially anticipated global economic slowdown or recession has not happened because of these support measures.

The main assets of the Company are loan receivables from a related company which belong to the same Group of which the Company forms part of. The recoverability of such loans has not been affected by the COVID-19 pandemic and therefore, the pandemic had no material impact on the Company during the period. Given the unprecedented circumstances, it is still premature to properly estimate the length and severity of this COVID-19 pandemic. However, in light of the above, the directors do not expect the consequences of COVID-19 to have any overall material effect on the Company's ability to continue as a going concern. No changes are envisaged to the Company's business model in the foreseeable future.

Principal risks or uncertainties

The Company is mainly exposed to credit risk to the extent that the related company IBF fails to meet its obligations (principal and interest) towards the Company, when due in contract terms. The related company has never forfeited on any of these obligations. Furthermore, the Company's directors monitor the borrower's performance on an annual basis.

Dividends and reserves

The Company did not pay any dividends during the period. The balance of retained earnings amounting to EUR 347,008 is being carried forward to the next financial period.

Subsequent events

There have been no significant events effecting the company's business since year end. With regard to recent invasion by Russia into Ukraine this is expected to have little impact as business there is relatively immaterial for the Group. Our predominant concern is the welfare and safety of our employees there.

The Board of Directors,

Richard Neef
Richard Neef (Mar 25, 2022 10:40 GMT+1)

Bart Alkemade (Mar 25, 2022 07:02 PDT)

R. Neef | B.F.T. Alkemade | M.E. Slade

Joure, the Netherlands, 28 March 2022.

Financial statements

Balance sheet

(before appropriation of results and expressed in euros)

	Notes	30 September 2021		30 September 2020	
Assets					
Financial fixed assets					
Long-term loan to group company	(4)	988,530,176		0	
Total financial fixed assets			988,530,176		0
Current assets					
Receivables from group companies	(5)	11,690,674		100	
VAT receivable		11,700		0	
Cash	(6)	136,442		0	
Total current assets			11,838,816		100
Total assets			1,000,368,992		100
Equity and liabilities					
Equity	(7)				
Share capital		100		100	
Share premium		2,000,000		0	
Retained earnings		0		0	
Result for the year		347,008		0	
Total equity			2,347,108		100
Non-current liabilities	(8)				
Bonds		988,530,176		0	
Total non-current liabilities			988,530,176		0
Current liabilities					
Interest on bond issued	(10)	9,445,205		0	
Payables to group companies	(11)	9,680		0	
Payables corporation tax	(18)	0		0	
Other payables and accruals	(12)	36,823		0	
Total current liabilities			9,491,708		0
Total equity and liabilities			1,000,368,992		100

The Board of Directors,

Richard Neef (Mar 25, 2022 10:40 GMT+1)

R. Neef

Bart Alkemade (Mar 25, 2022 07:02 PDT)

B.F.T. Alkemade

M.E. Slade

Profit and Loss account

(expressed in euros)

	Notes	Year ended 30 September 2021	Period from 22 May to 30 September 2020
Financial income	**(14)**	10,480,850	0
Financial expenses	**(15)**	(9,986,096)	0
Financial result		494,754	0
General and administrative expenses	**(16)**	(147,746)	0
Result before taxation		347,008	0
Tax	**(18)**	0	0
Result for the year		347,008	0

The Board of Directors,

Richard Neef (Mar 25, 2022 10:40 GMT+1)

R. Neef

Bart Alkemade (Mar 25, 2022 07:02 PDT)

B.F.T. Alkemade

M.E. Slade

Notes to the financial statements as at 30 September 2021

1 General

Activities and company structure

Imperial Brands Finance Netherlands B.V. ("IBFN" or 'the Company') is a private limited liability company established on 22 May 2020, having its statutory seat in Amsterdam, the Netherlands and having its place of business in Joure, the Netherlands. The principal activity of the Company is to raise external finance for Imperial Brands PLC ("IB") and its subsidiaries (the "Group"). The Company is a direct wholly owned subsidiary of Imperial Tobacco Holdings Netherlands B.V. ("ITHN") and a wholly owned indirect subsidiary of IB, which is the ultimate parent company within the Group.

During the year, the Company issued Euro bonds with a face value of EUR 1 billion in the European debt capital market. These bonds were then listed for trading on the London Stock Exchange. Relevant details about the bonds issued are included in the note 8. The funds raised were immediately lent to Imperial Brands Finance plc ("IBF") which is also part of the Group, at terms and conditions similar to the bonds issued and an additional margin of 9.18 basis points which margin was externally benchmarked. Both the bond issued, and the loan are guaranteed by the ultimate parent IB.

Going concern

The Board of Directors evaluated the Company's going concern capability, based on the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statements report date. In result of this assessment the directors concluded that the Company has adequate resources to proceed its activity, not intending to cease its operations in short-term, and therefore consider adequate use of a going concern basis in the preparation of the Company's financial statements.

Registered office

The Company has its registered and actual address at Slachtedyk 28A, 8501ZA Joure, the Netherlands, and is registered at the Chamber of Commerce under number 78106540.

Use of estimates / judgements

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires the Company to exercise its judgment in the process of applying the Company's accounting policies. If necessary for the purpose of providing the view required under Article 2:362 paragraph 1, Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statements items in question.

Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed, regarding impairment, fair value or other effects. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

Significant assumptions are recoverability and fair value of loans. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 September 2021 is included in the following notes.

In terms of key assumptions underlying recoverable amounts, including the recoverability of loans, please refer to note 4; and determining the fair value of loans and borrowings, please refer to note 4 and 8.

COVID-19

The COVID-19 pandemic has shown to have less negative effects in the global economy and financial markets than expected back in early 2020. Many countries, including the Netherlands, have implemented measures to support businesses and to a certain extent consumers as well. So far an initially anticipated global economic slowdown or recession has not happened because of these support measures.

Related parties

All legal entities which can control the Company are considered to be a related party. In addition, statutory directors, other key management of the Company or the ultimate parent company and close relatives are regarded as related parties.

Transactions with related parties, the main one being the loan to IBF, are at arms' length, validated through external benchmarking and disclosed in the notes. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

2 Accounting policies for the balance sheet and profit and loss account

General

The annual accounts are drawn up in accordance with generally accepted accounting principles based on the provisions of Title 9, Book 2 of the Dutch Civil Code. The financial year of the Company runs from 1 October up to and including 30 September. The annual accounts is denominated in euros.

The accounting policies have not changed in 2021.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or at fair value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet and profit and loss account include references to the notes.

Foreign currencies

Functional currency
The annual accounts is expressed in euros, i.e. the functional and reporting currency of IBFN.

Financial assets

Receivables disclosed under financial assets are recognized initially at fair value plus transaction costs incurred. Subsequently, financial assets are measured at amortized cost using the effective interest rate method, less impairment losses. When a financial asset is uncollectible, it is written off against the allowance account for the financial assets.

Impairment of financial assets

The Company assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the counterparty or guarantor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including (i) Adverse changes in the payment status of borrowers in the portfolio; and (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit and loss account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the profit and loss account.

Cash

Cash represent cash at bank, being bank balances and deposits with a maturity of less than twelve months, which are available on demand. Cash is stated at face value and is at free disposal of the Company.

Share capital

Ordinary shares are classified as equity and valued at nominal value.

Share premium

The share premium on ordinary shares is classified as equity and valued at purchase price.

Financial liabilities

On initial recognition financial liabilities are recognized at fair value minus transaction costs. After initial recognition financial liabilities are recognized at the amortized cost, being the amount received, taking into account premiums or discounts, less transaction costs.

General principles for the determination of the result

The result is the difference between the realizable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognized in the year in which they are realized.

General and administrative expenses

General and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods and services sold.

Financial income and expense

Interest income and expense
Interest income and expense is recognized on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognizing the interest charges, the transaction cost on the loans received is taken into account.

Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Tax on result

Profit tax is calculated on the result before taxation in the profit and loss account, taking into account any losses carried forward from previous financial years (insofar as these are not included in deferred tax assets), tax-exempt items and non-deductible expenses.

As the Company is part of the fiscal unity for corporation tax, the total tax burden will be borne by head of this fiscal unity. Therefore, any taxable profits or losses from the Company (and member of the fiscal unity) are allocated to the head of the fiscal unity.

A deferred tax liability is recognized for all taxable temporary differences between the valuation for tax and financial reporting purposes. A deferred tax asset is recognized for all deductible temporary differences between the valuation for tax and financial reporting purposes, and carryforward losses, to the extent that it is probable that future taxable profit will be available for set-off. The non-current and current deferred tax assets are recognized under financial assets under the fixed assets and receivables under the current assets, respectively. The deferred tax liabilities are recognized under provisions.

Deferred tax liabilities and deferred tax assets are carried on the basis of the tax consequences of the realization or settlement of assets, provisions, liabilities or accruals and deferred income as planned by the group at the balance sheet date. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Deferred tax liabilities and deferred tax assets are carried at non-discounted value.

Deferred tax assets and liabilities are netted if the following criteria are met:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relating to the same financial year.
- the deferred taxes are related to taxes on profits that relate to the same fiscal unity and are levied by the same tax authority.

Provisions and contingencies

Provisions are recognized when the Company has; i) a present legal or constructive obligation as a result of past events; ii) for which it is more likely than not that an outflow of resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon a future event, the Company discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote. Contingent assets are not recognized in the Company's balance sheet but are disclosed when an inflow of economic benefits is probable.

Events after the reporting year

Post-year-end events that provide additional evidence of conditions that existed at the end of the reporting year (adjusting events), if any, are reflected in the financial statements. Post-yearend events that are indicative of conditions that arose after the end of the reporting year (non-adjusting events) are disclosed in the notes to the Financial statements.

3 Financial instruments

The Company's activities are potentially exposed to a variety of financial risks. The Company's overall risk management program focusses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Board of Directors.

Market risk

Currency risk

As the financing and lending of the Company is denominated in euros, the exposure to currency risk is nil.

Price risk

The Company runs limited risks regarding the valuation of financial fixed assets as there is a fixed margin in place between the bond issued and the loan.

Interest rate risk

The Company's balance sheet includes financial assets and liabilities that have been contracted at fixed interest rates. These assets and liabilities mainly concern lending of funds from financial institutions and on-lending of these funds to a Group company on a back-to-back basis with a margin. Any change in market rates effects both assets and liabilities. The Company is therefore not exposed to interest rate risks.

Credit risk

The Company has only limited external credit risks, as the loan to IBF is guaranteed by the ultimate parent IB. There is a concentration of credit risk as all borrowings are on lent to one Group company, IBF. The maximum exposure to credit risk amounts to EUR 1,000,220,850 (30 September 2020: nil). However, this company does not have a history of non-performance. In addition, the credit risk is monitored on a regular basis by the Company by assessing whether the future cash flow from the Group's operation are sufficient to repay the loans of the Company. Latest credit rating is BBB/Baa3 (stable outlook).

Liquidity risk

As the terms and conditions of the loan are aligned to those of the bond issued, also in date and time, the Company does not have any significant concentrations of liquidity risks.

Contractual maturities of the Company's financial instruments are:

At 30 September 2021	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term loan to group company	0	0	1,000,000,000	1,000,000,000
Interest on loan to group company	18,418,000	73,672,000	128,926,000	221,016,000
Total Financial Assets	18,418,000	73,672,000	1,128,926,000	1,221,016,000
Bond	0	0	(1,000,000,000)	(1,000,000,000)
Interest payable on bond	(17,500,000)	(70,000,000)	(122,500,000)	(210,000,000)
Total Financial Liabilities	(17,500,000)	(70,000,000)	(1,122,500,000)	(1,210,000,000)

4 Long-term loan to group company

The long-term loan to group company can be broken down as follows:

	30 September 2021		30 September 2020
At beginning of the year	0		0
Loan issued to Imperial Brands Finance PLC ("IBF PLC")	1,000,000,000	*1)**	0
Loan discount / transaction costs	(12,010,000)	*1)**	0
Amortization of discount / transaction costs	540,176	*1)**	0
At end of the year	988,530,176	*2)**	0

1)*

Agreement

This is an Euro-denominated Intra Group Loan Agreement, which is dated 18 March 2021. On the same date of this Agreement, the Company issued a bond (the Bond) with an aggregate value of EUR 1,000,000,000, which was on lent to the Borrower IBF PLC. The principal amount of this loan (EUR 1,000,000,000) was deducted with an Arrangement Fee (being EUR 12,010,000), which is equal to 1.201 per cent of the amount of the loan. The loan has a termination date, which is equal to the earlier of the maturity date of the Bond, being 18 March 2033, or the date on which the Bond otherwise becomes repayable in full pursuant to the conditions. On this date, the lender IBF PLC should repay the loan in full, including any accrued interest on the amount paid. The interest on the loan is 1.8418% per annum (being Bond rate of 1.75% plus 0.0918%) and is due annually in arrears, for the first time on 18 March 2022. The Arrangement Fee is amortized over a period of 12 years.

2)*

Securities

Imperial Brands PLC ("IB") is the guarantor and irrevocably and unconditionally guarantees to the Company (the Lender) punctual performance by IBF PLC (the Borrower) of all the Borrower's obligations under the agreement. If the Borrower is in default, the Guarantor will compensate the Lender for any amount due by the Borrower less the lower of:

a) 1% of the amount due and payable under the Agreement, including accrued and unpaid interest thereon; or
b) the pro rata part of EUR 2,000,000 that can be allocated to the obligations under the Agreement relative to any potential additional back-to-back Loans being issued by the Lender

The Company did not identify any objective indicator triggering that the loan to group company might be impaired as at 30 September 2021.

5 Receivables from group companies

Receivables from group companies can be broken down as follows:

	30 September 2021		30 September 2020
Imperial Brands Finance PLC ("Intra Group cash pool facility")	1,750,000	***1)****	0
Imperial Brands Finance PLC ("Interest receivable within 1 year")	9,940,674	***2)****	0
Imperial Tobacco Holdings (Netherlands) B.V.	0		100
	11,690,674	***3)****	100

All receivables fall due in less than one year. The fair value of the receivables approximates the carrying amount due to their short-term character and the fact that provisions for bad debt are recognized, where necessary.

1)*

Increase mainly caused by:

• *Company's surplus cash forwarded to IBF PLC*	*1,900,000*
• *Funds from IBF PLC for day-to-day payments*	*(150,000)*
	1,750,000

The average interest rate for the year was 0.00% (FY20: 0.00%)

2)*

Interest on long-term loan to Imperial Brands Finance PLC (see note 4)

3)*

*For securities, see also note 4.2)**

6 Cash

	30 September 2021	30 September 2020
Cash at bank	136,442	0
Total	136,442	0

Cash at bank consist of current account bank balances which are available on demand. The cash is freely disposable for the Company.

7 Equity

The share capital of the Company, consisting of 100 ordinary shares of EUR 1 each, amounts to EUR 100 (30 September 2020: EUR 100).

The movements in capital and reserves can be summarized as follows:

	30 September 2021	30 September 2020
Share capital		
Balance at the beginning of the year	100	0
Issue new share	0	100
Share capital	100	100
Share premium		
Balance at the beginning of the year	0	0
Additional contribution	2,000,000	0
Share premium	2,000,000	0
Retained earnings		
Balance at the beginning of the year	0	0
Result previous year	0	0
Dividend paid previous year	0	0
Balance at the end of the year	0	0
Result for the year	347,008	0
Total capital and reserves	2,347,108	100

8 Non-current liabilities

The non-current liabilities can be broken down as follows:

	30 September 2021		30 September 2020
At beginning of the year	0		0
Bond issued	1,000,000,000	*1)**	0
Bond discount / transaction costs	(12,010,000)	*2)**	0
Amortization of discount / transaction costs	540,176	*2)**	0
At end of the year	988,530,176	*3)**	0

1)*

The Euro-denominated Bond which was issued on 18 March 2021 for an amount of EUR 1,000,000,000 and a maturity date of 18 March 2033. The bond is listed at the London Stock Exchange. The coupon is 1.750% per annum.

2)*

This is a combination of a discount to the face value of the Bond (EUR 8,760,000) and bank costs (EUR 3,250,000). The total amount of EUR 12,010,000 is amortized over a period of 12 years.

3)*

Securities:

The issued bond is irrevocably and unconditionally guaranteed by Imperial Brands PLC, Bristol, UK.

9 Financial instruments

Financial instruments at amortized cost

Set out below is a comparison by category of carrying amounts and fair values of all financial assets and liabilities that are carried in the financial statements at amounts other than fair values. All financial assets and liabilities are carried at amortized cost. The carrying amounts of cash and payables and receivables with group companies approximate their fair value and are as a result excluded from the analysis below. No assets are held for sale.

	30 September 2021			30 September 2020	
	Fair value		*Carrying amount*	Fair value	*Carrying amount*
Non-current assets					
Loan of EUR 1,000,000,000 due 2033 (interest bearing at 1.8418%)	998,750,000	*1)**	988,530,176	0	0
Non-current liabilities					
Bond of EUR 1,000,000,000 due 2033 (interest bearing at 1.75%)	998,750,000	*1)**	988,530,176	0	0

1)*

The fair value has been determined by reference to market prices as at balance sheet date ("Bloomberg"

pricing). The loan being guaranteed and equal to the bond in terms & conditions, other than the margin for handling the fair value, was assessed to similar to the bond.

10 Interest on bond issued

	30 September 2021		30 September 2020
Interest payable on bond issued	9,445,205	*1)**	0
	9,445,205		0

1)*
The coupon interest is 1.750% per annum.

11 Payables to group companies

Payables to group companies can be specified as follows:

	30 September 2021		30 September 2020
Imperial Brands Holdings International B.V.	9,680	*1)**	0
	9.680		0

All payables fall due in less than one year. The fair value of the payables approximates the book value due to its short-term nature.

1)*
Recharged consultancy costs (corporate legal affairs).

12 Other payables and accruals

Other payables and accruals can be specified as follows:

	30 September 2021	30 September 2020
Accrual - Audit fee	31,500	0
Accrual - Advice & compliance fee	2,323	0
Salaries payable	3,000	0
	36,823	0

All other payables and accrued expenses fall due in less than one year. The fair value of these expenses approximates the book value due to its short-term nature.

13 Commitments not included in the balance sheet

Fiscal unity:

The Company is part of a fiscal unity for corporate income tax purposes, which is headed by ITOH Limited Dutch Branch. Under the Tax Collection Act, the Company is jointly liable for the taxes payable by the group. The total estimated tax liability of these group companies amounts to EUR 15,093,000 (30 September 2020: tax receivable EUR 13,513,566), of which EUR 10,189,000 (30 September 2020: EUR 11,117,000) relates to deferred tax liabilities.

14 Financial income

The financial income can be specified as follows:

	Year ended 30 September 2021		Year ended 30 September 2020
Interest income on loan to IBF PLC (see note 4 and 5)	9,940,674	*1)**	0
Amortization loan discount/ transaction costs (see note 4)	540,176	*2)**	0
	10,480,850		0

1)*
Fixed interest rate @ 1.8418% per annum (being Bond rate of 1.75% plus 0.0918%).
To be paid annually in arrears, for the first time on 18 March 2022.

2)*
Amortization of arrangement fee (EUR 12,010,000), which is amortized over a period of 12 years.

15 Financial expenses

The financial expenses can be specified as follows:

	Year ended 30 September 2021		Year ended 30 September 2020
Interest expenses on bond issued (see note 8 and 10)	(9,445,205)	*1)**	0
Amortization bond discount / transaction costs (see note 8)	(540,176)	*2)**	0
Interest on bank account	(715)		0
	(9,986,096)		0

1)*
Fixed interest rate @ 1.75% per annum.
To be paid annually in arrears, for the first time on 18 March 2022.

2)*
Amortization of bond discount (EUR 12,010,000), which is amortized over a period of 12 years.

16 General and administrative expenses

These cost can be specified as follows:

	Year ended 30 September 2021		Year ended 30 September 2020
Salary expenses	(20,849)	***1)*3)****	0
Audit fees	(31,500)	***2)****	0
Office rent	(1,565)	***1)****	0
Tax advice / Compliance fees	(31,663)		0
Legal fees	(46,920)		0
Consultancy fees	(8,000)		0
Listing fees	(6,015)		0
Other	(1,234)		0
	(147,746)		0

1)*

These expenses include related party charges and recharges.

2)*

The following audit fee expenses were accrued in the income statement during the year:

	Year ended 30 September 2021	Year ended 30 September 2020
Ernst & Young Accountant LLP		
Audit of the financial statements	(31,500)	0
Other audit services	0	0
Tax services	0	0
Other non-audit services	0	0
	(31,500)	0

3)*

The salary costs include a director's remuneration for an amount of EUR 13,105 (FY20: EUR 0).

17 Average number of employees

During the financial year 2021, the average number of employees working for the Company was 4 (FY2020: 4). There are 3 directors and 1 administrator.

18 Tax charge / Corporation tax payable

Tax charge in the year:

Tax charge in the year:

	Year ended 30 September 2021		Year ended 30 September 2020
Result before tax	347,008		0
Permanent differences:			
Dividend received	0		0
Other	0		0
Taxable result	347,008		0
Loss allocation within fiscal unity	(347,008)	1) *	0
Taxable result after loss allocation	0		0
Corporation tax credit/(charge)	0	2) *	0
Withholding tax charge	0		0
Tax credit/(charge) in the year	0		0

1)*

The Company is part of the Fiscal Unity (FU) for corporation tax. The total tax burden will be borne by the head of the fiscal unity, being ITOH Limited Dutch Branch. Therefore, any taxable profits or losses from the Company (and other members of this fiscal unity), are allocated to the head of the fiscal unity.

2)*

For calendar year 2021, the tax rate is 15% until EUR 245,000 and 25.0% above EUR 245,000.
For calendar year 2020, the tax rate is 16.5% until EUR 200,000 and 25.0% above EUR 200,000.

Payable corporation tax:

The payable corporation tax per the end of the year is nil, as the taxable profit is allocated to the head of the fiscal unity, ITOH Limited Dutch Branch.

19 Events after the balance sheet date

There have been no significant events effecting the company's business since year end. With regard to recent invasion by Russia into Ukraine this is expected to have little impact as business there is relatively immaterial for the Group. Our predominant concern is the welfare and safety of our employees there.

The Board of Directors,

Richard Neef
Richard Neef (Mar 25, 2022 10:40 GMT+1)

R. Neef

Bart Alkemade (Mar 25, 2022 07:02 PDT)

B.F.T. Alkemade

M.E. Slade

Joure, the Netherlands, 28 March 2022.

Other information

Other information to the financial statements for the year ended 30 Sept 2021

Appropriation of result

According to article 17 of the Company's Articles of Association, the net income is at the disposition of the General Meeting of Shareholders.

Independent auditor's report

The independent auditor's report is included on the next page.

Building a better working world

Independent auditor's report

To: the shareholder and the board of directors of Imperial Brands Finance Netherlands B.V.

Report on the audit of the financial statements for the year ended 30 September 2021 included in the annual accounts

Our opinion

We have audited the financial statements for the year ended 30 September 2021 of Imperial Brands Finance Netherlands B.V. based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Imperial Brands Finance Netherlands B.V. as at 30 September 2021 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 30 September 2021
- The profit and loss account for the year ended 30 September 2021
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Imperial Brands finance Netherlands B.V. (the company) in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Imperial Brands Finance Netherlands B.V. was incorporated on 22 May 2020 as an indirect wholly-owned subsidiary of Imperial Brands PLC to raise external finance for Imperial Brands PLC and its subsidiaries (the group). Imperial Brands PLC, headquartered in Bristol, UK, is an international tobacco company. The main income of Imperial Brands Finance Netherlands B.V. is the interest income on the loan issued to the group company Imperial Brands Finance PLC that is guaranteed by Imperial Brands PLC.

Interest risk and foreign exchange risks are offset by the loan to group company in the same currency and having similar terms and conditions, except for an additional margin.

We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	€5 million
Benchmark applied	0.5% of total assets as at 30 September 2021
Explanation	We determined materiality based on our understanding of the company's business and our perception of the financial information needs of users of the financial statements. We considered that total assets reflect the source of income and repayments to the holders of the bonds issued by the company.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €250 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists
We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a finance company. We made use of specialists in the areas of income taxes including transfer pricing.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility
Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks
We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the board of directors' process for responding to the risks of fraud and monitoring the system of internal control, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. We have used data analysis to identify and address high-risk journal entries. We evaluated the business rationale of transactions with the group and whether these were accounted for at-arm's-length and in accordance with transfer pricing documentation. We have also performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note "Use of estimates/judgements" to the financial statements, including the impairment of financial assets. We refer to our audit response in the key audit matter Valuation of the loan issued to the group company.

We considered available information and made enquiries of relevant members of the board of directors as well as the group auditor of Imperial Brands PLC.

The consideration of the potential risk of management override of controls or other inappropriate influence over the financial reporting process, enquiries and assessment of other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also have been informed by the board of directors that there was no correspondence with regulatory authorities and enquired with the group auditor of Imperial Brands PLC and Imperial Brands Finance PLC and remained alert to any indication of (suspected) non-compliance throughout the audit.
Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern
As disclosed in note Performance review and future developments of the director's report and Going concern in the notes to the financial statements, the board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next twelve months.

We discussed and evaluated the specific assessment with the board of directors exercising professional judgment and maintaining professional skepticism. We considered whether the board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern, including considerations relating to the financial position of Imperial Brands PLC in cooperation with the group auditor. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the company's ability to continue as a going concern for the next twelve months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our 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. We have communicated the key audit matter to the board of directors. The key audit matter is not a comprehensive reflection of all matters discussed.

Valuation of the loan issued to the group company	
Risk	The company is exposed to the risk that the group company, Imperial Brands Finance PLC, defaults on meeting its obligations. As loan to the group company represents the most significant portion of the company's assets, any impairment may have a material impact on the company's financial position and result. Assessing whether there is any objective evidence that a financial asset is impaired, and, if any such evidence exists, determining the size of the impairment loss, requires significant judgment and we consider the potential risk of management override of controls or other inappropriate influence over the financial reporting process. As such, we identified valuation of the loan to the group company as key audit matter. We refer to note Impairment of financial assets" (note 2 to the financial statements), where the board of directors has disclosed the accounting policies and procedures in respect of the impairment loss assessment on the loan issued to the group company. As disclosed in note 4 Long-term loan to group company, the board of directors did not identify any objective indicators triggering that the loan to group company might be impaired.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of the company's accounting policy relating to the impairment of financial assets in accordance with Part 9 of the Book 2 of the Dutch Civil Code and Dutch Accounting Standard 290 "Financial instruments" and the criteria set to determine that there is objective evidence of an impairment loss and whether these have been applied consistently. We also evaluated the design of internal controls of the processes underlying the identification and assessment of objective evidence for impairment as part of the financial statement closing process.

Valuation of the loan issued to the group company	
	Furthermore, we challenged the board of directors' assessment based on, amongst others, our analysis of the financial position of the group company and Imperial Brands PLC and by identification of indicators of non-recoverability of loan issued to the group company. This includes an assessment on the fair value developments of the bond issued and whether the group company met its financial obligations towards the company throughout the year and up to the date of our report, as well by reviewing publicity observable data and by inquiring the group auditor of Imperial Brands PLC. Also, we took the impact of events subsequent to 30 September 2021 into account. Finally, we evaluated the related disclosures in the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code.
Key observations	Based on our procedures performed, we concur with the board of director's assessment that there is no objective evidence as at 30 September 2021 that the loan to group company is impaired and that the related disclosures are adequate and appropriate in accordance with Part 9 of the Book 2 of the Dutch Civil Code.

Unaudited corresponding figures

We have not audited the financial statements for the first financial year ended 30 September 2020. Consequently, we have not audited the corresponding figures included in the profit and loss account, in the statements of changes and the related notes.

Report on other information included in the annual accounts

The annual accounts contain other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information.

Report on other legal and regulatory requirements

Engagement

We were engaged by the board of directors as auditor of Imperial Brands Finance Netherlands B.V. on 9 February 2022, as of the audit for the year 2021 and have operated as statutory auditor ever since this financial year.

Description of responsibilities regarding the financial statements

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 28 March 2022

Ernst & Young Accountants LLP

signed by R.A.J.H. Vossen