CONTENTS

FINANCIALS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL BRANDS PLC

OPINION

In our opinion:

- Imperial Brands PLC's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Imperial Brands PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2025 which comprise:

Group	Parent company
Consolidated balance sheet as at 30 September 2025	Balance sheet as at 30 September 2025
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes I to X to the financial statements including material accounting policy information
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 35 to the financial statements, including: material accounting policy information and the supplementary information on pages 193 to 201.	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL BRANDS PLC CONTINUED

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of the directors' going concern assessment process, including the controls over the review and approval of the business plan and cash flow forecasts covering the period of twelve months from date of approval of the financial statements;
- assessing the appropriateness of the duration of the going concern assessment period of twelve months from date of approval of the financial statements and considering the existence of any significant events or conditions beyond this period based on our procedures on the group's business plan, cash flow forecasts and from knowledge arising from other areas of the audit;
- verifying inputs against the board-approved business plan, cash flow forecasts and debt facility terms, and reconciling the opening liquidity position to the year end position as at 30 September 2025;
- Agreeing borrowing facilities to agreements to confirm both their availability to the group and the forecast debt repayments through the going concern assessment period and to validate that there are no financial covenants in relation to the borrowing facilities;
- evaluating management's historical forecasting accuracy and the consistency of the going concern assessment with information obtained from other areas of the audit, such as our audit procedures on the business plan and cash flow forecasts which underpin management's goodwill impairment assessments;
- testing the assessment, including forecast liquidity under base and downside scenarios, for clerical accuracy;
- assessing whether assumptions made, including those relating to current economic challenges, were reasonable and in the case of downside scenarios, appropriately severe, in light of the group's relevant principal risks and uncertainties and our own independent assessment of those risks;
- assessing management's considerations related to material climate change impacts in the going concern period;
- evaluating the amount and timing of identified mitigating actions available to respond to a severe but plausible downside scenario, and whether those actions are feasible and within the group's control;
- performing independent stress testing on management's assumptions including applying incremental adverse cash flow sensitivities. Our sensitivities included the impact of certain severe but plausible scenarios identified in other areas of our audit, including litigation and tax, materialising within the going concern period; and,
- performing reverse stress testing on management's base case scenario to understand how severe conditions would have to be to breach liquidity and whether the reduction in EBITDA that result in breaches to liquidity has no more than a remote possibility of occurring;
- assessing the appropriateness of the going concern disclosure on page 142.

OUR KEY OBSERVATIONS:

- The directors' assessment forecasts that the group will maintain sufficient liquidity throughout the going concern assessment period in the base case scenario. Management also assessed:
  - a severe but plausible downside scenario corresponding to a 10% permanent reduction in EBITDA, which would result in a minimum level of headroom of £1.0bn in March 2026.
  - a reverse stress test scenario corresponding to a permanent reduction in EBITDA of 59% which would result in liquidity being eroded in March 2026. This scenario is not considered plausible.

  We have not identified any climate-related risks that could materially impact the group's forecasts to the end of the going concern period.
- Controllable mitigating actions available to management over the going concern assessment period, including reductions to non-declared dividend payments and uncommitted share buybacks, are sufficient to ensure liquidity in both management's plausible downside scenario and the audit team's additional downside sensitivities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL BRANDS PLC CONTINUED

OVERVIEW OF OUR AUDIT APPROACH

Audit scope	• We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 11 components. We performed central procedures on financial statement line items as detailed in the "Tailoring the scope" section below.
Key audit matters	• Revenue recognition, including management override of controls • Management override of controls or errors related to KPIs • Uncertain tax positions • Litigations
Materiality	• Overall group materiality of £159m which represents 5% of Profit before tax.

AN OVERVIEW OF THE SCOPE OF THE PARENT COMPANY AND GROUP AUDITS SCOPING

Tailoring the scope

In the current year our audit scoping has been updated to reflect the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, with input from our component auditors, to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the applicable financial framework, the group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We determined that centralised audit procedures can be performed on the group as a whole in the following financial statement lines: Investments, Finance costs, Intercompany eliminations, Intangibles (brands and goodwill), derivatives and borrowings.

Additionally, we determined that centralised audit procedures can be performed on specific components by our shared service centre team, which forms part of the integrated primary team, in the following audit areas:

Key audit area on which procedures were performed centrally	Countries with components subject to central procedures
Revenue	UK, Germany, USA, Australia, Poland
Distribution, advertising and selling costs	UK, Germany, Australia, Poland
Administrative and other operating expenses	UK, Germany, Australia, Poland
Trade receivables	UK, Germany, Australia

Procedures in relation to cash were performed centrally for the group with the exception of components in Morocco, Poland and Logista.

We identified 5 components as individually relevant to the Group due to financial size of the component relative to the group. We then identified a further 9 components as individually relevant to the Group based on the materiality of specific accounts relative to the Group.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the group significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the group significant financial statement account balance.

We then considered whether the remaining group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the group financial statements. We selected 2 components of the group to include in our audit scope to address these risks.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the 16 components selected, we designed and performed audit procedures on the entire financial information of 5 components ("full scope components"). For 9 components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ("specific scope components"). For the remaining 2 components, we performed specified audit procedures to obtain evidence for one or more relevant assertions.

Our scoping to address the risk of material misstatement for each key audit matter is set out in the Key audit matters section of our report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL BRANDS PLC CONTINUED

INVOLVEMENT WITH COMPONENT TEAMS

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors operating under our instruction.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits full scope components with other senior members of the audit team visiting selected specific scope locations. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in USA, Germany, Spain, Morocco and Poland, as well as the shared service centre in Poland and in the Philippines. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management and reviewing relevant audit working papers on risk areas. The Group audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. Where relevant, the section on key audit matters details the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

CLIMATE CHANGE

Stakeholders are increasingly interested in how climate change will impact Imperial Brands. The group has determined that the most significant future impacts from climate change on their operations will be from:

- An increase in material costs due to increases in operating costs of suppliers and raw materials;
- Increased costs from emerging regulation such as carbon taxation;
- Changes in the tobacco crop yield that may lead to agricultural supply chain disruption; and,
- Other impacts that may cause supply chain disruption or affect production capacity, namely:
  - Increased frequency and severity of extreme weather events;
  - Physical hazards such as flooding;
  - Chronic drought risk; and,
  - More severe hurricane risk.

These are explained on pages 54 to 65 in the Task Force On Climate Related Financial Disclosures. They have also explained their climate commitments on pages 44 to 45. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the group's business and any consequential material impact on its financial statements.

The group has explained in note 2, Accounting estimates and judgements, how they have reflected the impact of climate change in their financial statements. Significant judgements and estimates relating to climate change are included in note 2. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK adopted international accounting standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 54 to 65 and the significant judgements and estimates disclosed in note 2 and whether these have been appropriately reflected in asset values where values are determined through modelling future cash flows, being goodwill and intangible assets impairment assessment (note 12) and the recoverability of deferred tax assets (note 23) to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL BRANDS PLC CONTINUED

Risk	Our response to the risk
Revenue recognition including management override of controls (2025: £32,171m, 2024: £32,411m) Refer to the audit committee report (page 96); accounting policies (note 1); accounting estimates and judgements (note 2); and segmental information (note 3) of the consolidated financial statements. Tobacco revenue is an area of focus for stakeholders interested in the performance of the company against an industry backdrop of declining global sales volumes. Most of the group's sales arrangements require little judgement to be exercised, with revenue being recognised on the delivery of goods. However, there is a risk that management may override controls to intentionally misstate revenue transactions by recording fictitious manual journals to revenue (e.g. inappropriate rebate accounting).	We have reviewed Imperial's Code of Conduct, Speaking-up, and Fraud risk management policies in order to evaluate the 'tone at the top'. We obtained an understanding of the revenue process and understood how Imperial's revenue recognition policies are applied. We also assessed the processes and key controls over rebate accounting, by walking through the process from identification to recording. We reviewed the group revenue recognition policies, as documented in the group Accounting Manual, for compliance with IFRS 15 'Revenue from contracts with customers'. We reviewed and discussed key contractual arrangements with management and obtained relevant documentation, including those in respect of rebate arrangements. We used data analytics techniques, as part of our overall revenue recognition testing, for all components with revenue in scope. This includes testing the occurrence of revenue by analysing the correlation of 100% of journal entries posted to revenue with journals posted to accounts receivables and then subsequently as cash receipts. We validated cash receipt postings by tracing to bank statements on a sample basis. This provided us with a high level of assurance over £25.1 billion (78%) of revenue recognised by the group, of which £14.8 billion (69%) in relation to Tobacco & NGP and £10.2 billion (96%) in relation to the Distribution component. We made inquires outside of the finance team, for example with Sales, to identify any unusual arrangements or performance in the business. We performed cut-off testing for a sample of revenue transactions near the period end to ensure they were recognised in the appropriate period. We assessed disclosures against the requirements of IFRS 15. To respond to the risk over manual adjustments to revenue, we: • Conducted targeted transaction testing to respond to the risk of fraud, in particular focused on manual journal entries. • Focused our journal entry audit procedures on addressing the risk of management override of controls at all full and specific scope components, as well as additional components to add unpredictability to the testing. Our procedures also covered post-closing year-end journal entries. To assess adjustments relating to rebates: • inspecting contracts and completing independent recalculations of estimated rebates • Obtaining and reviewing, on a sample basis, direct customer confirmations of trade terms. • agreeing the inputs of a sample of management's rebate calculations to supporting documentation • testing a sample of rebate liabilities to post year-end settlement and investigating variances

Key observations communicated to the Audit Committee

Based on the procedures performed, including those in respect of manual adjustments to revenue, we did not identify any evidence of material misstatement in the revenue recognised during the year.

How we scoped our audit to respond to the risk and involvement with component teams

We performed centralised procedures and full and specific scope audit procedures over this risk in all locations with revenue in scope, which covered 78% of the risk amount.

All audit work performed to address this risk was undertaken by the group audit team with the exception of the Logista and Morocco components, and the procedures in relation to rebates which were performed in line with group instructions by component teams when applicable and reviewed by the group team.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL BRANDS PLC CONTINUED

Risk	Our response to the risk
Management override of controls or errors related to KPIs impacting executive remuneration Refer to the audit committee report (page 96); accounting policies (note 1); accounting estimates and judgements (note 2) of the consolidated financial statements; and the supplementary information. There is a risk that management could override controls in order to influence KPIs which have a bearing on remuneration. In the current year we have identified the following items as areas of focus: • Adjustment of reported margins to overstate operating profits; • Incorrect classification of items as adjusting costs in order to inflate the adjusted operating profit metric • Errors relating to working capital metrics, through movements in inventory, trade receivables and trade creditors, and therefore the adjusted operating cash conversion metric; • Overstatement of NGP revenue in order to meet the consumer health bonus measure as well as strategic/individual bonus measures.	In respect of our focus on reported margins, we have: • Inquired of divisional finance leadership to identify any unusual and/or new arrangements/projects entered into during the current financial year that would be expected to have an impact upon operating profit margins. • Used data analytical techniques to identify and investigate unusual trends in margins in order to identify any unusual movements throughout the year and in comparison to prior year. In respect of our focus on the classification of adjusting items, we have: • Challenged the timing of recognition of one-off costs and whether the classification of any costs as adjusting is in line with group policy and disclosed appropriately. • Evaluated the classification of one-off adjustments for indicators of management bias, in particular whether both income and expense items are treated consistently. In respect of our focus on working capital metrics, we have: • Performed cut-off testing at year end on working capital balances to a lower testing threshold. Namely, on trade receivables, inventory and trade payables to ensure that working capital metrics are not recorded pre year end and then reversed post year end to manipulate the adjusted operating cash conversion metric. • Performed detailed, disaggregated analytical review to identify unusual trends and positions in key significant accounts such as cash, trade receivables, trade payables and inventory to identify potential manipulation of these balances that would influence working capital balances. • Made inquires outside of the finance team, for example with Sales, to identify any unusual and new arrangements entered into during the last quarter of Imperial's financial year to assess if these are being manipulated to flatter working capital. In respect of our focus on NGP revenue we have: • Inquired outside of the finance team to identify any unusual arrangements or performance of NGP products • Obtained an understanding of the process for identifying, recording and classifying revenue as NGP revenue. • Performed analytical review procedures to understand the appropriateness of the data and movements within recorded NGP sales. • Performed testing, on a sample basis, of sales classified as relating to NGP to verify these sales did relate to products correctly classified as being NGP The audit procedures were designed and led by the group audit team, with support from component teams whose work was reviewed by the group audit team.

Key observations communicated to the Audit Committee

We did not identify any unusual trends in reported margin that would indicate manipulation.

We consider that items identified as being adjusted are appropriate and in line with the group accounting policy.

Following our procedures performed over working capital metrics, we consider these balances are materially correct.

We did not identify any issues in relation to the occurrence and correct classification of NGP revenue.

How we scoped our audit to respond to the risk and involvement with component teams

We performed centralised procedures as well as full and specific scope audit procedures over this risk in all in scope locations, which covered 70% of the risk amount.

The audit procedures were designed and led by the group audit team, with support from component teams whose work was reviewed by the group audit team.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL BRANDS PLC CONTINUED

Risk	Our response to the risk
Uncertain tax positions (Provision for uncertain tax positions – 2025: £288m, 2024: £180m, or excluding corresponding assets 2025: £387m, 2024: £365m) Refer to the audit committee report (page 96); accounting policies (note 1); accounting estimates and judgements (note 2); and tax disclosure (note 8) of the consolidated financial statements. The global nature of the group's operations results in complexities in the payment of, and accounting for, tax. Management applies judgement in assessing tax exposures in each jurisdiction, many of which require interpretation of local tax laws. Given this judgement, there is a risk that tax provisions are misstated.	We walked-through and understood: • the group's process for determining the completeness and measurement of provisions for tax • the methodology for the calculation of the tax charge • management's controls over tax reporting. We challenged management's judgements using tax specialists, both domestic and overseas, to provide technical support regarding developments in the period and to consider whether the amounts provided reflected an appropriate best estimate of the expected economic outflow. The group audit team, including tax specialists, evaluated the tax consequences of the Group's activities in the period. We confirmed that the tax figures appropriately reflect the transactions and there are no additional material risks for which an uncertain tax position (UTP) should be recorded. We challenged whether the tax exposures identified were complete and whether the quantum of the provisions recorded was supportable. Our work included inquiring with management regarding the current status of discussions with tax authorities, the impact of legislative developments and the review of transfer pricing policies. We assessed whether the group's disclosures, detailing the year end status of material open tax inquiries, adequately disclose relevant facts and circumstances and potential liabilities of the group.

Key observations communicated to the Audit Committee

Based on our assessment of tax risks and the latest status of tax audits, we conclude that the group's approach to judgements for uncertain tax positions is balanced and that the amounts provided are reasonable. We consider the group's tax disclosures are also appropriate.

How we scoped our audit to respond to the risk and involvement with component teams

We performed full and specific scope audit procedures over this risk in 4 locations, which covered 94% of the risk amount.

The audit procedures were designed and led by the group audit team, with support from component teams in UK, USA, Germany and Spain whose work was reviewed by the group audit team.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL BRANDS PLC CONTINUED

Risk	Our response to the risk
Litigations Refer to the audit committee report (page 96); accounting policies (note 1); accounting estimates and judgements (note 2), and contingent liabilities (note 30) of the consolidated financial statements. There are a number of ongoing legal cases in different jurisdictions relating to competition, product liability, intellectual property and commercial litigation. Significant judgements are involved in determining the likelihood of a probable outflow occurring from legal cases, together with the estimate of the likely financial cost. Given the judgements and the significance of the amounts involved, there is a risk that legal provisions are misstated or that contingent liabilities are inadequately disclosed. Specifically, our audit risk relates to legal cases for which the financial cost to the business could be material if the potential exposures were to be realised, and any cases which could indicate non-compliance with the legal and regulatory frameworks with which the group is required to comply.	We evaluated the processes and controls over litigation operated by management at group, by walking through the process from identification of potential litigation to the evaluation of probability of outcome and the quantification and recording of a provision or disclosure of a contingent liability. We inspected Imperial's litigation log and communications to the Executive Leadership Team and meet with Group Finance, Group General Legal Counsel and the Group's external legal counsel to discuss the developments in significant cases. We requested, received and read letters received directly from management's external legal counsel that evaluated the current status of legal proceedings and independently quantified the estimate of any economic outflow arising from settlement of the litigation. We evaluated whether any of the fines levied, ongoing litigation cases, whistleblower reports or reported frauds in the year gave rise to evidence that there had been instances of non-compliance with the relevant laws and regulations. We assessed whether the group's disclosures detailing contingent liabilities and financial commitments adequately disclose relevant facts and circumstances and potential liabilities of the group.

Key observations communicated to the Audit Committee
Having met with internal Legal Counsel and received responses from external lawyers, we consider that where an economic outflow is probable management have appropriately recorded a provision. For those cases which we consider meet the criteria of a contingent liability we concluded that sufficient disclosure exists in the annual report to allow users to understand the range of exposures facing the company, where that is possible.

How we scoped our audit to respond to the risk and involvement with component teams
We performed centralised procedures and full and specific scope audit procedures over this risk in all locations, which covered all disclosed contingent liabilities and.

The audit procedures were designed and led by the group audit team, with support from all component teams whose work was reviewed by the group audit team.

Both in the current year and prior year, our auditor's report includes key audit matters in relation to revenue recognition including management override, Management override of controls or errors related to KPIs impacting executive remuneration, uncertain tax positions and litigation. The risk associated with these matters remained consistent with the prior year.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL BRANDS PLC CONTINUED

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £159 million (2024: £156 million), which is 5% (2024: 5%) of Profit before tax. We believe that Profit before tax provides the most relevant performance measure to the stakeholders of the group.

We determined materiality for the Parent Company to be £209 million (2024: £194 million), which is 2% (2024: 2%) of net assets. In performing our procedures, materiality was capped at the group allocated materiality of £35 million (2024: £35 million).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2024: 75%) of our planning materiality, namely £119m (2024: £117m). We have set performance materiality at this percentage due to our expectation of misstatements, having considered the prior experience with the audit, changes and other events during the year and the control environment.

Audit work was undertaken at component locations for the purpose of responding to the assessed risks of material misstatement of the group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £24m to £35m (2024: £23m to £35m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.
We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £8m (2024: £8m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.
We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 124, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.
If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL BRANDS PLC CONTINUED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

CORPORATE GOVERNANCE STATEMENT

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 85;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 74;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 74;
- Directors' statement on fair, balanced and understandable set out on page 85;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 85;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 66 to 75; and
- The section describing the work of the audit committee set out on page 96 to 101.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 124, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements and are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the UK Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety, employee matters and country-specific regulations on tobacco and nicotine alternatives control.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL BRANDS PLC CONTINUED

- We understood how Imperial Brands PLC is complying with those frameworks by making inquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes, papers provided to the Audit Committee and attendance at meetings of the Audit Committee, as well as consideration of the results of our audit procedures across the group.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud and assessing whistleblowing incidences for those with a potential financial reporting impact. Where necessary, our procedures included our forensic investigation specialists. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of group management, those charged with governance and legal counsel, as well as journal entry testing, with a focus on manual consolidation journals and journals indicating significant or unusual transactions based on our understanding of the business. Through our testing we challenged the assumptions and judgements made by management in respect of significant one-off transactions in the financial year and significant accounting estimates as referred to in the key audit matters section above. At a component level, our full and specific scope component audit team's procedures included inquiries of component management; journal entry testing; and focused testing, including in respect of the key audit matter of revenue recognition. We also leveraged our data analytics platform in performing our work on the order to cash and purchase to pay and inventory processes to assist in identifying higher risk transactions for testing.
- Where we identified potential non-compliance with laws and regulations, we developed an appropriate audit response and communicated directly with components impacted. Our procedures involved: understanding the process and controls to identify non-compliance, inquiring of internal and external legal counsel, performing an analysis of press reporting on these matters, understanding the fact patterns in each case and documenting the positions taken by management, and using specialists to support us in concluding on the matters identified.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- Following the recommendation from the audit committee, we were appointed by the AGM on 5 February 2020 to audit the financial statements for the year ending 30 September 2020 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering the years ending 2020 to 2025.
- The audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

KATHRYN BARROW (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF ERNST & YOUNG LLP, STATUTORY AUDITOR

London
17 November 2025

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
for the year ended 30 September 2025

£ million unless otherwise indicated	Notes	2025	2024
Revenue	3	**32,171**	32,411
Duty and similar items		**(13,187)**	(13,925)
Other cost of sales		**(11,982)**	(11,707)
Cost of sales		**(25,169)**	(25,632)
Gross profit		**7,002**	6,779
Distribution, advertising and selling costs		**(2,469)**	(2,383)
Administrative and other expenses		**(1,043)**	(842)
Operating profit	4	**3,490**	3,554
Investment income	5	**302**	560
Finance costs	5	**(676)**	(1,094)
Net finance costs		**(374)**	(534)
Share of profit of investments accounted for using the equity method	15	**12**	9
Profit before tax		**3,128**	3,029
Tax	8	**(908)**	(282)
Profit for the year		**2,220**	2,747
Attributable to:			
Owners of the parent		**2,071**	2,613
Non-controlling interests		**149**	134
Earnings per ordinary share (pence)			
• Basic	10	**251.1**	300.7
• Diluted	10	**249.3**	299.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2025

£ million	Notes	2025	2024
Profit for the year		**2,220**	2,747
Other comprehensive income			
Exchange movements		**(20)**	(602)
Hyperinflation adjustment in the year	1	**5**	6
Current tax on hedge of net investments and quasi-equity loans		**156**	(197)
Items that may be reclassified to profit and loss		**141**	(793)
Net actuarial losses on retirement benefits	24	**(27)**	(99)
Deferred tax relating to net actuarial losses on retirement benefits		**(5)**	37
Items that will not be reclassified to profit and loss		**(32)**	(62)
Other comprehensive income/(expense) for the year, net of tax		**109**	(855)
Total comprehensive income for the year		**2,329**	1,892
Attributable to:			
Owners of the parent		**2,152**	1,783
Non-controlling interests		**177**	109
Total comprehensive income for the year		**2,329**	1,892

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

CONSOLIDATED BALANCE SHEET
at 30 September 2025

£ million	Notes	2025	2024
Non-current assets			
Intangible assets	12	**16,208**	15,938
Property, plant and equipment	13	**1,524**	1,561
Right of use assets	14	**373**	362
Investments accounted for using the equity method	15	**66**	56
Retirement benefit assets	24	**314**	376
Trade and other receivables	17	**133**	118
Derivative financial instruments	21/22	**392**	330
Deferred tax assets	23	**893**	889
		19,903	19,630
Current assets			
Inventories	16	**4,466**	4,080
Trade and other receivables	17	**2,716**	2,645
Current tax assets	8	**146**	249
Cash and cash equivalents	18	**1,439**	1,078
Derivative financial instruments	21/22	**45**	144
		8,812	8,196
Total assets		**28,715**	27,826
Current liabilities			
Borrowings	20	**(1,070)**	(1,191)
Derivative financial instruments	21/22	**(28)**	(187)
Lease liabilities	14	**(89)**	(86)
Trade and other payables	19	**(10,040)**	(9,497)
Current tax liabilities	8	**(572)**	(412)
Provisions	25	**(55)**	(89)
		(11,854)	(11,462)

£ million	Notes	2025	2024
Non-current liabilities			
Borrowings	20	**(8,524)**	(7,506)
Derivative financial instruments	21/22	**(806)**	(622)
Lease liabilities	14	**(313)**	(300)
Trade and other payables	19	**(41)**	(86)
Deferred tax liabilities	23	**(747)**	(780)
Retirement benefit liabilities	24	**(801)**	(819)
Provisions	25	**(197)**	(222)
		(11,429)	(10,335)
Total liabilities		**(23,283)**	(21,797)
Net assets		**5,432**	6,029
Equity			
Share capital	26	**87**	91
Share premium and capital redemption	26	**5,853**	5,849
Retained earnings		**(1,205)**	(479)
Exchange translation reserve		**89**	(19)
Equity attributable to owners of the parent		**4,824**	5,442
Non-controlling interests		**608**	587
Total equity		**5,432**	6,029

The financial statements on pages 137 to 215 were approved by the Board of Directors on 18 November 2025 and signed on its behalf by:

MURRAY MCGOWAN
DIRECTOR

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2025

£ million	Share capital	Share premium and capital redemption	Retained earnings	Exchange translation reserve	Equity attributable to owners of the parent	Non- controlling interests	Total equity
At 1 October 2024	91	5,849	(479)	(19)	5,442	587	6,029
Profit for the year	-	-	2,071	-	2,071	149	2,220
Exchange movements on retranslation of net assets	-	-	-	429	429	28	457
Exchange movements on net investment hedges	-	-	-	(377)	(377)	-	(377)
Exchange movements on quasi-equity loans	-	-	-	(100)	(100)	-	(100)
Hyperinflation adjustment in the year	-	-	5	-	5	-	5
Current tax on hedge of net investments and quasi-equity loans	-	-	-	156	156	-	156
Net actuarial losses on retirement benefits	-	-	(27)	-	(27)	-	(27)
Deferred tax relating to net actuarial losses on retirement benefits	-	-	(5)	-	(5)	-	(5)
Other comprehensive income/(expense)	-	-	(27)	108	81	28	109
Total comprehensive income	-	-	2,044	108	2,152	177	2,329
Transactions with owners							
Costs of employees' services compensated by share schemes	-	-	34	-	34	-	34
Contributions relating to share schemes	-	-	5	-	5	-	5
Repurchase of shares	(4)	4	(1,259)	-	(1,259)	-	(1,259)
Changes in non-controlling interests	-	-	4	-	4	-	4
Deferred tax on share-based payments	-	-	4	-	4	-	4
Dividends paid	-	-	(1,558)	-	(1,558)	(156)	(1,714)
At 30 September 2025	87	5,853	(1,205)	89	4,824	608	5,432

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED
for the year ended 30 September 2025

£ million	Share capital	Share premium and capital redemption	Retained earnings	Exchange translation reserve	Equity attributable to owners of the parent	Non- controlling interests	Total equity
At 1 October 2023	97	5,843	(674)	755	6,021	621	6,642
Profit for the year	-	-	2,613	-	2,613	134	2,747
Exchange movements on retranslation of net assets	-	-	-	(1,235)	(1,235)	(25)	(1,260)
Exchange movements on net investment hedges	-	-	-	540	540	-	540
Exchange movements on quasi-equity loans	-	-	-	118	118	-	118
Hyperinflation adjustment in the year	-	-	6	-	6	-	6
Current tax on hedge of net investments and quasi-equity loans	-	-	-	(197)	(197)	-	(197)
Net actuarial losses on retirement benefits	-	-	(99)	-	(99)	-	(99)
Deferred tax relating to net actuarial losses on retirement benefits	-	-	37	-	37	-	37
Other comprehensive expense	-	-	(56)	(774)	(830)	(25)	(855)
Total comprehensive income/(expense)	-	-	2,557	(774)	1,783	109	1,892
Transactions with owners							
Costs of employees' services compensated by share schemes	-	-	45	-	45	-	45
Current tax on share-based payments	-	-	4	-	4	-	4
Repurchase of shares	(6)	6	(1,115)	-	(1,115)	-	(1,115)
Changes in non-controlling interests	-	-	(4)	-	(4)	(7)	(11)
Deferred tax on share-based payments	-	-	2	-	2	-	2
Remeasurement of put/call option	-	-	5	-	5	-	5
Dividends paid	-	-	(1,299)	-	(1,299)	(136)	(1,435)
At 30 September 2024	91	5,849	(479)	(19)	5,442	587	6,029

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2025

£ million	2025	2024
Cash flows from operating activities		
Operating profit	**3,490**	3,554
Dividends received from investments accounted for using the equity method	**7**	9
Depreciation, amortisation and impairment	**781**	647
Profit on disposal of non-current assets	**(15)**	(13)
Post-employment benefits	**(24)**	(45)
Share-based payments	**35**	46
Other non-cash items	**(5)**	(1)
Movement in provisions	**(58)**	(102)
Operating cash flows before movement in working capital	**4,211**	4,095
(Increase)/decrease in inventories	**(300)**	205
Decrease/(increase) in trade and other receivables	**10**	(318)
Increase in trade and other payables	**219**	213
Movement in working capital	**(71)**	100
Tax paid	**(513)**	(888)
Net cash generated from operating activities	**3,627**	3,307
Cash flows from investing activities		
Interest received	**73**	15
Proceeds from the sale of non-current assets	**46**	50
Purchase of property, plant and equipment	**(198)**	(166)
Purchase of intangibles	**(186)**	(205)
Purchase of brands and operations	**(77)**	(42)
Net cash used in investing activities	**(342)**	(348)

£ million	2025	2024
Cash flows from financing activities		
Acquisition of non-controlling interests	**-**	(49)
Interest paid	**(457)**	(431)
Lease liabilities paid	**(94)**	(93)
Contributions relating to share schemes	**5**	-
Increase in borrowings	**3,899**	3,848
Repayment of borrowings	**(3,235)**	(3,948)
Cash flows relating to derivative financial instruments	**(144)**	(34)
Repurchase of shares	**(1,235)**	(1,020)
Dividends paid to non-controlling interests	**(156)**	(136)
Dividends paid to owners of the parent	**(1,558)**	(1,299)
Net cash used in financing activities	**(2,975)**	(3,162)
Net increase/(decrease) in cash and cash equivalents	**310**	(203)
Cash and cash equivalents at start of year	**1,078**	1,345
Effect of foreign exchange rates on cash and cash equivalents	**51**	(64)
Cash and cash equivalents at end of year	**1,439**	1,078

Cash flows relating to purchases of non-current assets
Cash flows totalling £384 million (2024: £371 million) relating to purchases of non-current assets have been disaggregated to £198 million (2024: £166 million) relating to purchases of property plant and equipment and £186 million (2024: £205 million) relating to purchase of intangibles.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements comprise the results of the Company, a public company limited by shares, incorporated in England and Wales, and its subsidiary undertakings, together with the Group's share of the results of its associates and joint arrangements. The Company's registered number is 3236483 and its registered address is 121 Winterstoke Road, Bristol, BS3 2LL.

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("UK-adopted IAS").

The financial statements have been prepared under the historical cost convention except where fair value measurement is required under IFRS Accounting Standards ("IFRS") as described below in the accounting policies on financial instruments, and on a going concern basis.

The consolidated financial statements are presented in pounds sterling, the presentation currency of the Group, and the functional currency of the Company. All values are rounded to the nearest one million (£1 million) except where otherwise indicated.

Alternative performance measures

Information on Alternative Performance Measures (APMs) is presented within the Supplementary Information section of this document.

Basis for going concern

The Group's policy is to ensure that we always have sufficient capital markets funding and committed bank facilities in place to meet foreseeable peak borrowing requirements.

The Group recognises there can be uncertainty in the external environment. However, during past periods of disruption, the Group effectively managed operations across the world and has proved it has an established mechanism to operate efficiently despite this uncertainty. The Directors consider that a one-off discrete event with immediate cash outflow is of greatest impact to the short-term liquidity of the Group.

The Directors have assessed the emerging and principal risks of the business, including stress testing a range of different scenarios that may affect the business. These included scenarios which examined the implications of:

- A one-off discrete event resulting in immediate cash outflow of c. £500 million, e.g. due to unexpected duty and tax payments; and/or other legal and regulatory risks materialising
- A rapid and lasting deterioration to the Group's profitability because markets become closed to tobacco products or there are sustained failures to our tobacco manufacturing and supply chains. These assumed a permanent reduction in profitability of 10% from 1 October 2025.

The scenario planning also considered mitigation actions including reductions to capital expenditure, dividend payments and the share buyback programme. There are additional actions that were not modelled but could be taken including other cost mitigations such as staff redundancies, working capital management, retrenchment of leases, and discussions with lenders about capital structure.

Under the reverse stress test scenario, after considering mitigation actions including reductions of capital expenditure, dividend payments and the share buyback programme, we have modelled that a 59% EBITDA reduction would lead the Group to have sufficient headroom until 30 November 2026. The Group believes this reverse stress test scenario to be remote given the relatively small impact on our trading performance and bad debt levels during the COVID-19 pandemic and political uncertainty with regard to Ukraine and Russia.

Based on its review of future cash flows covering the period through to 30 November 2026, and having assessed the principal risks facing the Group, the Board is of the opinion that the Group as a whole and Imperial Brands PLC have adequate resources to meet their operational needs for a period of twelve months from the date of approval of the financial statements, and concludes that it is appropriate to prepare the financial statements on a going concern basis.

Imperial Brands PLC (the Company) provides guarantees to a number of subsidiaries under section 479A of the Companies Act 2006, whereby the subsidiaries, incorporated in the UK and Ireland, are exempt from the requirements of the Act relating to the audit of individual accounts for the financial year ending 30 September 2025. See note VIII Guarantees of the Imperial Brands PLC financial statements for further details.

IAS 1 Presentation of Financial Statements requires the disclosure of material accounting policy information as part of the notes to the accounts and these are set out below. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence a decision that the primary users of general purpose financial statements make on the basis of those financial statements.

Material accounting policies, have been applied consistently other than where new policies have been adopted.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Basis of consolidation

Subsidiaries are those entities controlled by the Group. Control exists when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

The acquisition method of accounting is used to account for the purchase of subsidiaries. The excess of the value transferred to the seller in return for control of the acquired business together with the fair value of any previously held equity interest in that business over the Group's share of the fair value of the identifiable net assets is recorded as goodwill.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless costs cannot be recovered.

Material accounting policies

Foreign currency

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the company operates (the functional currency).

The income and cash flow statements of Group companies using non-sterling functional currencies are translated to sterling (the Group's presentational currency) at average rates of exchange in each period. Assets and liabilities of these companies are translated at rates of exchange ruling at the balance sheet date. The differences between retained profits and losses translated at average and closing rates are taken to reserves, as are differences arising on the retranslation of the net assets at the beginning of the year.

Transactions in currencies other than a company's functional currency are initially recorded at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement with exchange differences arising on trading transactions being reported in operating profit, and those arising on financing transactions being reported in net finance costs unless as a result of net investment hedging they are reported in other comprehensive income.

The Group designates as net investment hedges certain external borrowings and derivatives up to the value of the net assets of Group companies that use non-sterling functional currencies after deducting permanent intercompany loans. Gains or losses on these hedges that are regarded as highly effective are transferred to other comprehensive income, where they offset gains or losses on translation of the net investments that are recorded in equity, in the exchange translation reserve.

The Group's financial results are principally exposed to euro and US dollar exchange rates, which are detailed in the table below:

	2025		2024	
	Closing rate	**Average rate**	Closing rate	Average rate
Euro	**1.1459**	**1.1824**	1.1985	1.1694
US dollar	**1.3439**	**1.3064**	1.3384	1.2681

Revenue recognition

For the Tobacco & Next Generation Products (Tobacco & NGP) business, revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts. Revenue is based on the completion of performance obligations that constitute the delivery of goods. The performance obligation is recognised as complete at the point in time when a Group company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

The Group recognises income arising from the licensing of intellectual property, occurring in the ordinary course of business, which is treated as revenue. Licensing revenue will be recognised over the period of the licence. The licences granted are distinct from other promises in the contract.

For the Distribution business, revenue comprises the invoiced value for the sale of goods and services net of sales taxes, rebates and discounts when goods have been delivered or distribution services have been provided. The Distribution business only recognises commission revenue on purchase and sale transactions in which it acts as a commission agent. Distribution and marketing commissions are included in revenue. Revenue is recognised on products on consignment when these are sold by the consignee. The performance obligations associated with distribution services, which include fees for distributing certain third-party products, are linked to the successful distribution of products for customers.

Payments are made to both direct and indirect customers for rebates, discounts and other promotional activities. Direct customers are those to which the Group supplies goods or services. Indirect customers are other entities within the supply chain to the end consumer. Rebates and discounts are deducted from revenue. Where the contract with customers has an entitlement to variable consideration due to the existence of retrospective rebates and discounts, revenue is estimated based on the amount of consideration expected to be received. This estimation is a determination of the most likely amount to be received using all known factors including historic experience. As the provision of distribution services typically involves product delivery tasks undertaken in a short period of time, revenue and any associated rebates and discounts relating to these services do not normally span an accounting year end.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Payments for promotional activities will also be deducted from revenue where the payments relate to goods or service that are closely related to or indistinct from associated sales of goods or services to that customer. The calculated costs are accrued and accounted for as incurred and matched as a deduction from the associated revenues (i.e. excluded from revenues reported in the Group's consolidated income statement).

Duty and similar items

Duty and similar items includes duty and levies having the characteristics of duty. In countries where duty is a production tax, duty is included in revenue and in cost of sales in the consolidated income statement. Duty is regarded as a sales tax and excluded from revenue where:

- duty becomes payable to the tax authority when the goods are sold;
- there is an obligation to change the sales price when a change in the rate of duty is imposed; and
- there is a requirement to identify the duty separately on sales information such as invoices.

Payments made in the USA under the Master Settlement Agreement (MSA) are recognised in other cost of sales. See note 30 for information relating to contingent liabilities associated with the MSA.

Taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years. Current tax assets and liabilities are offset to the extent the entity has a legally enforceable right to set off the recognised amounts, and it intends to either settle on a net basis or realise the asset and settle the liability simultaneously.

Uncertain tax positions are assessed and measured on an issue by issue basis within the jurisdictions where we operate using management's estimate of the most likely outcome. Where management determines that a greater than 50% probability exists that the tax authorities would accept the position taken in the tax return, amounts are recognised in the consolidated financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability or asset based on either: management's judgement of the most likely outcome; or, when there is a wide range of possible outcomes, a probability weighted average approach. The Group recognises interest on late paid taxes as part of financing costs. The Group recognises penalties, if applicable, as part of administrative and other expenses when the charges are considered to be arbitrary and not directly part of the applicable tax code. Where this is not the case they are recorded with the tax charge.

Deferred tax is provided in full on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax base, except if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be realised. Deferred tax is determined using the tax rates that have been enacted or substantively enacted at the balance sheet date, and are expected to apply when the deferred tax liability is settled or the deferred tax asset is realised.

Deferred tax assets and deferred tax liabilities are offset to the extent the entity 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 relate to income taxes levied by the same taxation authority on either: the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Dividends

Final dividends are recognised as a liability in the period in which the dividends are approved by shareholders, whereas interim dividends as approved by the Board of Directors are recognised in the period in which the dividends are paid.

Intangible assets – goodwill

Goodwill represents the excess of value transferred to the seller in return for control of the acquired business together with the fair value of any previously held equity interest in that business over the Group's share of the fair value of the identifiable net assets.

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the consolidated income statement and cannot be subsequently reversed. If any negative goodwill arises this is recognised immediately in the consolidated income statement. For the purpose of impairment testing, goodwill is allocated to groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Intangible assets – other

Other intangible assets are initially recognised in the consolidated balance sheet at historical cost unless they are acquired as part of a business combination, in which case they are initially recognised at fair value. They are shown in the balance sheet at historical cost less accumulated amortisation and impairment. The Group does not operate a revaluation model and therefore assets are not subject to ongoing revaluations.

These assets consist mainly of acquired trademarks, intellectual property, product development, acquired customer relationships and computer software. The Davidoff cigarette trademark is considered by the Directors to have an indefinite life based on the fact that it is an established international brand with global potential. Trademarks with indefinite lives are not amortised but are reviewed annually for impairment. The carrying value of Davidoff is subject to an annual impairment review under the requirements of IAS 36 as the Group does not currently foresee a limit to the period over which the asset is expected to generate net cash inflows. The most recent assessment indicates that the carrying value is not impaired.

Intellectual property (including trademarks), product development, supply agreements (including customer relationships) and computer software are amortised over their estimated useful lives as follows:

Intellectual property	5 - 30 years	straight line
Supply agreements	3 - 15 years	straight line
Software	3 - 15 years	straight line
Product development	3 - 10 years	straight line

Property, plant and equipment

Property, plant and equipment are recognised in the consolidated balance sheet at historical cost or at their initial fair value where they are acquired as part of an acquisition, subject to depreciation or impairment. The Group does not operate a revaluation model and therefore assets are not subject to ongoing revaluations.

Land is not depreciated and depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on other property, plant and equipment so as to write down the initial cost of each asset to its residual value over its estimated useful life as follows:

Property	up to 50 years	straight line
Plant and equipment	2 - 20 years	straight line/reducing balance
Fixtures and motor vehicles	2 - 15 years	straight line

The assets' residual values and useful lives are reviewed and, if appropriate, adjusted at each balance sheet date.

Financial instruments and hedging

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Receivables held under a hold to collect business model are stated at amortised cost. Receivables held under a hold to sell business model, which are expected to be sold via a non-recourse factoring arrangement, are separately classified as fair value through profit or loss, within trade and other receivables.

The calculation of impairment provisions is subject to an expected credit loss model, involving a prediction of future credit losses based on past loss patterns. The approach involves the recognition of provisions relating to potential future impairments, in addition to impairments that have already occurred. The expected credit loss approach involves modelling of historic loss rates, and consideration of the level of future credit risk. Expected loss rates are then applied to the gross receivables balance to calculate the impairment provision.

Cash and cash equivalents include cash in hand and deposits held on call, together with other short-term highly liquid investments.

Non-derivative financial liabilities, including borrowings and trade payables, are stated at amortised cost. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs. Current liabilities include amounts where the entity does not have the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.

The Group transacts derivative financial instruments to manage the underlying exposure to foreign exchange and interest rate risks. The Group does not transact derivative financial instruments for trading purposes. Derivative financial instruments are initially recorded at fair value. Derivative financial assets and liabilities are included in the consolidated balance sheet at fair value, and include accrued interest receivable and payable where relevant. However, as the Group has decided (as permitted under IFRS 9) not to cash flow or fair value hedge account for its derivative financial instruments, changes in fair values are recognised in the consolidated income statement in the period in which they arise unless the derivative qualifies and has been designated as a net investment hedging instrument in which case the changes in fair values, attributable to foreign exchange, are recognised in other comprehensive income.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Right of use assets

The Group has lease contracts relating to property and other assets (which predominantly relates to motor vehicles).

The Group recognises right of use assets, at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments which depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments include the exercise of purchase options if determined reasonably certain to be exercised and termination payments if the lease term reflects the exercise of an option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate, defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment, at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight line basis over the lease term in cost of sales or distribution, advertising and selling costs.

Short-term leases, leases of low value assets and practical expedients applied

The Group has applied a number of practical expedients permitted by IFRS 16 Leases. These include:

- the exclusion of leases where the lease term ends within 12 months of the commencement of the lease or date of initial application; and
- the exclusion of leases of low value assets, defined as those of less than US$ 5,000.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory is considered for obsolescence or other impairment issues and an associated provision is booked where necessary.

Leaf tobacco inventory which has an operating cycle that exceeds 12 months is classified as a current asset, consistent with recognised industry practice.

Provisions

A provision is recognised in the consolidated balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle that obligation, and a reliable estimate of the amount can be made.

A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring has either commenced or has been publicly announced, and it is more likely than not that the plan will be implemented, and the amount required to settle any obligations arising can be reliably estimated. Future operating losses are not provided for.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group. Contingent liabilities are not recognised, only disclosed, unless the possibility of a future outflow of resources is considered remote, in which case disclosure is not given. A disclosure that would seriously prejudice the position of the Group is also not disclosed.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Retirement benefit schemes

For defined benefit schemes, the amount recognised in the consolidated balance sheet is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of the scheme assets to the extent that they are demonstrably recoverable either by refund or a reduction in future contributions. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The service cost of providing retirement benefits to employees during the year is charged to operating profit. Past service costs are recognised immediately in operating profit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time.

All actuarial gains and losses, including differences between actual and expected returns on assets and differences that arise as a result of changes in actuarial assumptions, are recognised immediately in full in the statement of comprehensive income for the period in which they arise. An interest charge is made in the consolidated income statement by applying the rate used to discount the defined benefit obligations to the net defined benefit liability of the schemes. Interest income and costs arising on defined benefit assets and liabilities are presented net in the consolidated income statement.

For defined contribution schemes, contributions are recognised as an employee benefit expense when they are due.

Treasury shares

When the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted on consolidation from equity attributable to owners of the parent until the shares are reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, increases equity attributable to owners of the parent. When such shares are cancelled they are transferred to the capital redemption reserve.

Where the Group enters into a contract with a third party that contains an obligation to repurchase its own shares for cash or another financial asset, a financial liability is recognised for the present value of the redemption amount. One example is an obligation under a forward contract to repurchase shares in Imperial Brands PLC for cash. The financial liability is recognised initially at the present value of the redemption amount, and is reclassified from equity. Subsequently, the financial liability is measured in accordance with IFRS 9, and is revalued at subsequent reporting points as appropriate. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity.

OTHER ACCOUNTING POLICIES

Joint ventures

The Group applies IFRS 11 Joint Arrangements to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. The financial statements of joint ventures are included in the Group financial statements using the equity accounting method, with the Group's share of net assets included as a single line item entitled "Investments accounted for using the equity method". In the same way, the Group's share of earnings is presented in the consolidated income statement below operating profit entitled "Share of profit of investments accounted for using the equity method".

Share-based payments

The Group applies the requirements of IFRS 2 Share-based Payment to both equity-settled and cash-settled share-based employee compensation schemes. The majority of the Group's schemes are equity-settled.

Equity-settled share-based payments are measured at fair value at the date of grant and are expensed over the vesting period, based on the number of instruments that are expected to vest. For plans where vesting conditions are based on total shareholder returns, the fair value at the date of grant reflects these conditions. Earnings per share and net revenue vesting conditions are reflected in the estimate of awards that will eventually vest. For cash-settled share-based payments, a liability equal to the portion of the services received is recognised at its current fair value at each balance sheet date. Where applicable the Group recognises the impact of revisions to original estimates in the consolidated income statement, with a corresponding adjustment to equity for equity-settled schemes and current liabilities for cash-settled schemes. Fair values are measured using appropriate valuation models, taking into account the terms and conditions of the awards.

The Group funds the purchase of shares to satisfy rights to shares arising under share-based employee compensation schemes. Shares acquired to satisfy those rights are held in Employee Share Ownership Trusts. The Employee Share Ownership Trust is a separate entity which is consolidated within the Group. On consolidation, these shares are accounted for as a deduction from equity attributable to owners of the parent. When the rights are exercised, equity is increased by the amount of any proceeds received by the Employee Share Ownership Trusts.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Hyperinflation

The Turkish economy was designated hyperinflationary from April 2022. The Group has applied IAS 29 Financial Reporting in Hyperinflationary Economies to its Turkish operations with effect from 1 October 2021. The adjustments required by IAS 29 are set out below:

- Adjustment of historical cost non-monetary assets and liabilities from their date of initial recognition to the balance sheet date at the date of adoption of the standard (1 October 2021) to reflect the changes in purchasing power of the currency caused by inflation, as measured by the official Consumer Price Index (CPI) published by the Turkish Statistical Institute (TurkStat).
- Adjustment of the components of the income statement and cash flow statement for the inflation index since their generation, with a balancing entry in the income statement and a reconciling item in the cash flow statement, respectively.
- Adjustment of the income statement to reflect the impact of inflation on holding monetary assets and liabilities in local currency, where necessary.
- The financial statements of the Group's Turkish operations have been translated into sterling at the closing exchange rate at 30 September 2025.
- The impact of adjustments to non-monetary assets recognising inflation from the adoption date to the closing balance sheet date, on translation into sterling at the closing balance sheet rate has been recognised within other comprehensive income.

The TurkStat CPI index was 3,367.22 at 30 September 2025 (2,526.16 at 30 September 2024 and 1,691.04 at 30 September 2023). The inflation index for the year is therefore 1.3329 (2024: 1.4939). The impact on the Group's results remains immaterial.

New accounting standards

There have been no changes to accounting standards that have significantly impacted the accounting or disclosures within the financial statements for the year ended 30 September 2025.

New accounting standards that are effective after the year ended 30 September 2025

There are a number of amendments and clarifications to IFRS, effective in future years and, with the exception of IFRS 18 Presentation and Disclosure in Financial Statements, none of these are expected to significantly impact the Group's consolidated results or financial position.

IFRS 18 - Presentation and Disclosure in Financial Statements

This new accounting standard is effective for the year ended 30 September 2028 and will involve a change to the structure of the primary financial statements. This requires entities to classify income and expenses into five categories - operating, investing, financing, income tax and discontinued operations. In addition, certain 'non-GAAP' measures – alternative performance measures (APMs) – will now form part of the audited financial statements, and require mandatory definitions and reconciliation to GAAP measures. The Group is presently reviewing the impact of this standard which is expected to fundamentally change the structure of the presentation of the Income statement. The Group already complies with the requirements related to Alternative Performance Measures through the voluntary disclosures that are included within the Supplementary Information section of this report. Therefore, there is expected to be minimal impact related to APM disclosures.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and judgements associated with accounting entries which will be affected by future events. Estimates and judgements are continually evaluated based on historical experience, and other factors, including current information that helps form a forward-looking view of expected future outcomes.

Estimates involve the determination of the quantum of accounting balances to be recognised. Judgements typically involve decisions such as whether to recognise an asset or liability.

The actual amounts recognised in the future may deviate from these estimates and judgements.

Estimates

Significant estimates

Companies are required to state whether estimates have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year. We have reviewed the items below where estimation uncertainty exists. While a number of these areas do involve estimation of the carrying value of assets or liabilities that are potentially significant within the context of the financial statements, the Group considers the probability of a significant risk of material adjustment to be low. None of these estimates are expected to present a material adjustment to the carrying amount of assets and liabilities in the next financial year.

Other estimates

Other estimates involve other uncertainties, such as those carrying lower risk, which have a smaller potential impact or would be expected to crystallise over a longer time frame than a significant estimate. These items, listed below, are only disclosed where this provides material relevant information.

Langenhagen factory

On 1 October 2025 the Group announced its intention to cease production at its Langenhagen factory in Germany. The future of the site is currently subject to a consultation with the works councils which will involve a review of available options. The outcome of the consultation will either be a sale of the site to a third party or the closure of the factory. The decision to cease production at the factory was a consequence of the conditions that existed at the factory at 30 September 2025 that arose as a result of declining production activity and considered as part of the 2030 Strategy Review Programme. As at 30 September 2025, a review of the recoverable value of the factory assets was conducted. The review estimated what the recoverable value would be if assets were scrapped, redeployed or sold. The valuation was conducted in line with IAS 36. The valuation, which was calculated on fair value less costs of disposal basis, determined that the recoverable value was lower than the carrying amount of the factory assets. The valuation is classified as Level 3 using observable data for similar assets as defined under IFRS 13. As a result of this, an impairment to the carrying value of property, plant and equipment of £101 million was recognised as at 30 September 2025, split between property of £12 million and plant and equipment of £54 million, fixtures and motor vehicles of £12 million, assets under construction of £22 million and software of £1 million. The residual value of the impaired assets at 30 September 2025 was £20 million all of which is recognised within the property category.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Determination of useful economic life of intangible assets

For non-goodwill intangible assets, there is a need to estimate the useful economic life of each asset. This includes determining whether the asset has an indefinite useful economic life, or not. The Davidoff trademark has a significant market share and positive cash flow growth expectations. There are no regulatory or contractual restrictions on the use of this trademark, and there are no plans to significantly redirect resources elsewhere which would reduce the value of this asset. Consequently, in the view of management, the Davidoff trademark does not have a foreseeable and definite end to its ability to generate future cash flows and hence it is not amortised. The carrying value of Davidoff is subject to an annual impairment review under the requirements of IAS 36. The most recent assessment indicates that the carrying value is not impaired.

Amortisation and impairment of intangible assets

For non-indefinite life assets, which are amortised, the useful economic life and recoverable amounts are estimated based upon the expectation of the time period during which an intangible asset will support future cash flows, and the quantum of those cash flows. Due to estimation uncertainties the useful economic lives and associated amortisation rates have to be reviewed and revised where necessary. In addition, where there are indications that the current carrying value of an intangible asset is greater than its recoverable amount, an impairment to the carrying value of the asset may be required. Factors considered important that could trigger an impairment review of intangible assets include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- significant negative industry or economic trends.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to intangible assets can affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions significantly change it is possible that materially different amounts could be reported in the Group's financial statements in future periods. Indefinite life intangible assets, including goodwill, are subject to annual impairment testing where an assessment of the carrying value of the asset against its recoverable amount is undertaken. There are long-term uncertainties associated with estimating the value of the recoverable amount, particularly with regard to long-term cash flow growth rates which are influenced by the future size and shape of the tobacco sector. While long-term growth rates currently used in impairment assessments are based on current best estimates of future performance, there may be changes in these assumptions when conducting impairment tests in subsequent years. Details of goodwill and intangible asset impairment assessments are included in note 12.

Corporate income taxes

Where tax liabilities have been judged to exist, estimation is often required to determine the potential future tax payments. The Group is subject to tax in numerous jurisdictions and significant estimation is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. Consideration of the valuation estimates related to tax provisions is given in note 8 to these financial statements.

Other legal proceedings and disputes

Where a liability is determined there can be a degree of estimation of the potential level of damages expected. Key areas of estimation uncertainty include consideration as to the expected future amount to be paid out in the event the claim succeeds. In some situations where a probability risk calculation is required to determine the amount of an associated provision, both the quantum of future payments and the probability of those payments crystallising needs to be considered, both factors having a degree of uncertainty. More detail as to the considered position of these claims is given in note 25 and note 30 of the financial statements. To the extent that the Group's assessments at any time do not reflect subsequent developments or the eventual outcome of any claim, its future financial statements may be materially affected, with a favourable or adverse impact upon the Group's operating profit, financial position and liquidity.

Climate change

The Group has a designated programme to manage and mitigate climate-related risks. The effect of climate change is not considered to have a material effect on the estimates in the financial statements. Governmental and societal responses to climate change risks are still developing and consequently financial statements cannot capture all possible future outcomes as these are not yet known or don't have sufficient certainty to be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK-adopted IAS. Please refer to the following sections for further discussion on the impact of climate change relating to going concern assumptions in note 1, intangible assets impairment assumptions in note 12 and recoverability of deferred tax assets in note 23.

Judgements

Paragraph 122 of IAS 1 requires disclosure of judgements made by management in applying an entity's accounting policies, other than those relating to estimation uncertainty. Paragraph 125 of IAS 1 requires more wide-ranging disclosures of judgements that depend on management assumptions about the future, and other major sources of estimation uncertainty ("significant judgements").

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Corporate income taxes

Judgement is involved in determining whether the Group is subject to a tax liability or not in line with tax law. The Group is subject to income tax in numerous jurisdictions and significant judgement is required in determining whether there is a liability requiring a provision for tax. Recognition of tax liabilities in situations where there is uncertainty is based on precedent in similar tax cases and external advice as to whether challenges by tax authorities are likely to result in future tax payments being made. The recognition of a tax liability involves consideration of the probability of tax authorities accepting the position taken in the tax return and there is therefore some uncertainty.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the temporary differences, losses and credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Group has determined that it cannot recognise deferred tax assets on the temporary differences, tax losses and tax credits carried forward for certain subsidiaries. Further details of the estimates related to deferred taxes are given in note 23 to these financial statements.

Legal proceedings and disputes

The Group reviews outstanding legal cases following developments in the legal proceedings at each balance sheet date, considering the nature of the litigation, claim or assessment; the legal processes and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought; the progress of the case (including progress after the date of the financial statements but before those statements are issued); the opinions or views of legal counsel and other advisers; experience of similar cases; and any decision of the Group's management as to how it will respond to the litigation, claim or assessment. Judgement is required as to whether a liability exists. A provision will only be recognised where it is probable that the Group will be required to settle a claim.

Control of Logista

A key judgement relates to whether the Group has effective control of Logista sufficient that the Group can consolidate this entity within its Group accounts in line with the requirements of IFRS 10 Consolidated Financial Statements. The Group holds 50.01% of the voting shares. The Group has reviewed its control of Logista and that it is appropriate to consolidate this entity in line with the requirements of IFRS 10 Consolidated Financial Statements. The Group continues to have Director presence on the Board of Logista, representing 5 out of 12 Directors. The Group has powers to control as set out in the Relationship Framework Agreement which specifies certain areas of operation reserved for shareholder approval and through these measures the Group is able to exercise control of Logista. The Group has therefore concluded that it continues to be appropriate to recognise Logista as a fully consolidated subsidiary.

3. SEGMENT INFORMATION

Imperial Brands comprises two distinct businesses – Tobacco & NGP and Distribution. The Tobacco & NGP business comprises the manufacture, marketing and sale of Tobacco & NGP and Tobacco & NGP-related products, including sales to (but not by) the Distribution business. The Distribution business comprises the distribution of Tobacco & NGP products for associated manufacturers, including Imperial Brands, as well as a wide range of products and services. The Distribution business is run on an operationally neutral basis ensuring all customers are treated equally, and consequently transactions between the Tobacco & NGP and Distribution businesses are undertaken on an arm's length basis reflecting market prices for comparable goods and services.

The function of the Chief Operating Decision Maker (defined in IFRS 8), which is to review performance and allocate resources, is performed by the Board and the Chief Executive, who are regularly provided with information on the Group's segments. This information is used as the basis of the segment revenue and profit disclosures provided below. The main profit measure used by the Board and the Chief Executive is adjusted operating profit. Segment balance sheet information is not provided to the Board or the Chief Executive.

The Group's reportable segments are Europe, Americas, Africa, Asia, Australasia and Central & Eastern Europe (AAACE) and Distribution. Operating segments are comprised of geographical groupings of business markets. The main Tobacco & NGP business markets within the Europe, Americas and AAACE reportable segments are:

Europe – United Kingdom, Germany, Spain, France, Italy, Greece, Sweden, Norway, Belgium and Netherlands

Americas – United States.

AAACE – Australia, Saudi Arabia, Taiwan, Poland, Czech Republic, Ukraine, Slovakia, Hungary, Slovenia and our African markets including Algeria, Ivory Coast and Morocco.

Tobacco & NGP

	2025			2024		
£ million unless otherwise indicated	**Tobacco**	**NGP**	**Tobacco & NGP**	Tobacco	NGP	Tobacco & NGP
Revenue	**21,071**	**432**	**21,503**	21,708	376	22,084
Net revenue	**7,948**	**368**	**8,316**	7,828	329	8,157
Operating profit/(loss)	**3,299**	**(121)**	**3,178**	3,321	(83)	3,238
Adjusted operating profit			**3,665**			3,587
Adjusted operating margin %			**44.1**			44.0

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Distribution

£ million unless otherwise indicated	2025	2024
Revenue	**11,448**	11,104
Distribution gross profit	**1,530**	1,503
Operating profit	**305**	322
Adjusted operating profit	**316**	330
Adjusted operating margin %	**20.7**	22.0

Revenue

	2025		2024	
£ million	**Total revenue**	**External revenue**	Total revenue	External revenue
Tobacco & NGP				
Europe	**11,960**	**11,180**	12,037	11,260
Americas	**3,652**	**3,652**	3,657	3,657
AAACE	**5,891**	**5,891**	6,390	6,390
Total Tobacco & NGP	**21,503**	**20,723**	22,084	21,307
Distribution	**11,448**	**11,448**	11,104	11,104
Eliminations	**(780)**	**-**	(777)	-
Total Group	**32,171**	**32,171**	32,411	32,411

The eliminations all relate to Tobacco & NGP sales to Distribution.

Tobacco & NGP net revenue

	2025			2024		
£ million	**Tobacco**	**NGP**	**Total**	Tobacco	NGP	Total
Europe	**3,196**	**280**	**3,476**	3,106	260	3,366
Americas	**2,822**	**70**	**2,892**	2,793	43	2,836
AAACE	**1,930**	**18**	**1,948**	1,929	26	1,955
Total Tobacco & NGP	**7,948**	**368**	**8,316**	7,828	329	8,157

Adjusted operating profit and reconciliation to profit before tax

£ million	2025	2024
Tobacco & NGP		
Europe	**1,638**	1,541
Americas	**1,233**	1,235
AAACE	**794**	811
Total Tobacco & NGP	**3,665**	3,587
Distribution	**316**	330
Eliminations	**7**	(6)
Adjusted operating profit	**3,988**	3,911
Amortisation and impairment of acquired intangibles - Tobacco & NGP	**(358)**	(345)
Amortisation of acquired intangibles - Distribution	**(11)**	(8)
2030 Strategy implementation costs	**(21)**	-
2030 Strategy non-cash costs	**(101)**	-
Structural changes to defined benefit pension schemes - Tobacco & NGP	**(7)**	(4)
Operating profit	**3,490**	3,554
Net finance costs	**(374)**	(534)
Share of profit of investments accounted for using the equity method	**12**	9
Profit before tax	**3,128**	3,029

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Other information

£ million	Additions to property, plant and equipment 2025	Additions to intangible assets 2025	Depreciation, impairment and software amortisation 2025	Other intangible asset amortisation 2025	Inventory impairments 2025
Tobacco & NGP					
Europe	**52**	**30**	**185**	**7**	**28**
Americas	**24**	**199**	**31**	**1**	**10**
AAACE	**68**	**14**	**44**	**-**	**11**
Total Tobacco & NGP	**144**	**243**	**260**	**8**	**49**
Distribution	**43**	**8**	**38**	**-**	**-**
Total Group	**187**	**251**	**298**	**8**	**49**

Included in depreciation, impairment and software amortisation is £101 million relating to the Langenhagen factory (see note 2).

£ million	Additions to property, plant and equipment 2024	Additions to intangible assets 2024	Depreciation, impairment and software amortisation 2024	Other intangible asset amortisation 2024	Inventory impairments 2024
Tobacco & NGP					
Europe	60	17	88	7	16
Americas	30	228	27	1	4
AAACE	51	3	40	-	11
Total Tobacco & NGP	141	248	155	8	31
Distribution	38	12	37	-	-
Total Group	179	260	192	8	31

The above tables include items that have been recognised within segment. Materiality has been assessed on both a qualitative and quantitative basis.

Additional geographic analysis

External revenue and non-current assets are presented for individually significant countries. The geographical analysis is based on country of origin. The Group's products are sold in over 120 countries.

£ million	External revenue 2025	Non-current assets 2025	External revenue 2024	Non-current assets 2024
UK	**3,261**	**165**	3,781	161
Germany	**4,903**	**2,808**	4,501	3,156
France	**3,232**	**2,360**	3,374	2,282
USA	**3,632**	**4,826**	3,648	4,968
Other	**17,143**	**8,012**	17,107	7,350
Total Group	**32,171**	**18,171**	32,411	17,917

Non-current assets comprise intangible assets, property, plant and equipment, right of use assets and investments accounted for using the equity method.

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

£ million	2025	2024
Raw materials and consumables used	**1,230**	950
Changes in inventories of finished goods - Tobacco & NGP	**2,466**	2,516
Changes in inventories of finished goods - Distribution	**8,288**	8,243
Depreciation and impairment of fixed assets	**255**	153
Amortisation and impairment of intangible assets and investments accounted for using the equity method	**425**	399
Expenses relating to short-term leases	**6**	10
Expenses relating to low value asset leases	**1**	2
Depreciation and impairment of right of use assets	**101**	95
Net foreign exchange losses and (gains)	**2**	(3)
Write down of inventories	**49**	28
Profit on disposal of non-current assets	**15**	13
Write down/(back) of trade receivables	**10**	(3)

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Analysis of fees payable to Ernst & Young LLP and its associates

£ million	2025	2024
Parent Company and consolidated financial statements	**3.2**	3.2
The Company's subsidiaries	**7.1**	6.8
Total audit fees	**10.3**	10.0
Audit-related assurance services	**0.5**	0.5
Total audit-related fees	**10.8**	10.5
Other assurance services	**0.8**	1.2
Total non-audit fees	**0.8**	1.2
Total auditor's remuneration	**11.6**	11.7

Audit fees for the year ended 30 September 2024 reflect the final amounts paid.

5. INVESTMENT INCOME AND FINANCE COSTS

£ million	2025	2024
Investment income		
Fair value gains on derivative financial instruments	**227**	513
Net exchange gains on financing activities	**5**	9
Interest income on net defined benefit assets	**18**	22
Interest income on bank deposits	**14**	16
Tax settlement interest income	**38**	-
Total investment income	**302**	560
Finance costs		
Fair value losses on derivative financial instruments	**(219)**	(632)
Interest cost on net defined benefit liabilities	**(29)**	(33)
Tax interest cost	**-**	(10)
Interest cost on lease liabilities	**(15)**	(14)
Interest cost on bank and other loans	**(412)**	(404)
Effect of discounting on long-term provisions	**(1)**	(1)
Total finance costs	**(676)**	(1,094)
Net finance costs	**(374)**	(534)

6. RESTRUCTURING COSTS

	2025		2024	
£ million	**Costs**	**Cash spend**	Costs	Cash spend
2030 Strategy Review Programme	**122**	**21**	-	-
2021 Strategic Review Programme	**-**	**19**	-	25
Other	**-**	**10**	-	18
	122	**50**	-	43

Restructuring projects involve costs outside the standard course of business that are incurred in integrating acquired businesses and in major rationalisation and optimisation initiatives together with their related tax effects.

As these projects are not part of business as usual, any costs incurred are classified as restructuring costs and are included within administrative and other expenses in the consolidated income statement and treated as adjusting items.

2030 Strategy Review Programme

In March 2025, the Group announced the 2030 Strategy Review Programme which is a multi-year programme expecting to run to the end of 2030 that will incur restructuring costs. The total costs of this programme is expected to be c.£740 million of which c.£600 million are anticipated to be cash costs. The majority of the cash spend, c.£500 million is expected to be split between FY27 and FY28. During the period to 30 September 2025, the total costs recognised for this programme were £122 million and cash spend was £21 million.

2021 Strategic Review Programme

The total restructuring costs in respect of the programme were expected to be in the range of £375 million - £425 million. Cumulative costs recognised for the 2021 Strategic Review Programme are £423 million as at 30 September 2025. The cumulative cash spend for this programme is £209 million including £19 million cash spend in 2025. No further costs are expected to be recognised in relation to this programme. There is expected to be ongoing cash spend in relation to this programme but it is not expected to exceed current provisions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. DIRECTORS AND EMPLOYEES

Employment costs

£ million	2025	2024
Wages and salaries	**967**	923
Social security costs	**219**	202
Other pension costs (note 24)	**50**	29
	1,236	1,154
Share-based payments (note 27)	**36**	32
	1,272	1,186

Operating executive (excluding executive directors)

£ million	2025	2024
Base salary	**5.4**	4.6
Benefits	**0.8**	0.7
Pension salary supplement	**0.6**	0.6
Bonus	**4.7**	4.9
Termination payments	**-**	0.2
LTIP annual vesting[1]	**8.0**	7.2
	19.5	18.2

1. Share plans vesting represent the value of LTIP awards (inclusive of Recruitment Awards) where the performance periods ends in the year.

Note: aggregate remuneration paid to or receivable by Executive Directors, Non-Executive Directors and members of the Executive Leadership Team for qualifying services in accordance with IAS 24, which includes National Insurance and similar charges, was £37,349,477 (2024: £37,049,852).

Key management compensation[1]

£ million	2025	2024
Short-term employee benefits	**17.8**	17.7
Termination payments	**-**	0.2
Share-based payments (in accordance with IAS 24)	**14.9**	14.4
	32.7	32.3

1. Key management includes Directors, members of the Executive Committee and the Company Secretary.

Details of Directors' emoluments and interests, which represent related-party transactions requiring disclosure under IAS 24, are provided within the "Remuneration earned by our Directors for the financial year ended 30 September 2025" section of the Directors' Remuneration Report. This includes details on salary, benefits, pension and share plans.

Number of people employed by the Group during the year

	2025		2024	
	At 30 September	**Average**	At 30 September	Average
Tobacco & NGP	**18,700**	**18,800**	18,900	18,400
Distribution	**6,400**	**7,000**	6,700	6,500
	25,100	**25,800**	25,600	24,900

Number of people employed by the Group by location during the year

	2025		2024	
	At 30 September	**Average**	At 30 September	Average
UK and European Union	**12,000**	**12,600**	12,400	12,100
Americas	**4,700**	**4,900**	4,900	4,700
Rest of the World	**8,400**	**8,300**	8,300	8,100
	25,100	**25,800**	25,600	24,900

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. TAX

The major components of income tax expense for the years ended 30 September 2025 and 2024:

£ million	2025	2024
UK current tax		
Current year charged/(credited) to the consolidated income statement	**275**	(95)
Current year (credited)/charged to consolidated other comprehensive income	**(156)**	197
Total current year UK current tax	**119**	102
Adjustments in respect of prior years charged/(credited) to the consolidated income statement	**5**	(80)
Total UK current tax	**124**	22
Overseas current tax		
Current year charged to the consolidated income statement	**708**	704
Total current year overseas current tax	**708**	704
Adjustments in respect of prior years (credited)/charged to the consolidated income statement	**(67)**	40
	641	744
Total current tax charged to the consolidated statement of comprehensive income	**765**	766

£ million	2025	2024
UK current tax		
Current year	**275**	(95)
Adjustments in respect of prior years	**5**	(80)
Overseas current tax		
Current year	**708**	704
Adjustments in respect of prior years	**(67)**	40
Total current tax	**921**	569
Deferred tax		
Relating to origination and reversal of temporary differences	**(13)**	(287)
Total tax charged to the consolidated income statement	**908**	282

£ million	2025	2024
Tax related to items recognised in consolidated other comprehensive income during the year:		
Current tax (credited)/charged on hedge of net investment and quasi-equity loans	**(156)**	197
Total current tax	**(156)**	197
Deferred tax on actuarial gains and losses	**5**	(37)
Deferred tax on hyperinflation adjustment	**(1)**	2
Total deferred tax	**4**	(35)
Total tax (credited)/charged to consolidated other comprehensive income	**(152)**	162

£ million	2025	2024
Tax related to items recognised in equity during the year:		
Current tax on share-based payments	**-**	(4)
Deferred tax on share-based payments	**(4)**	(2)
Total tax credited to equity	**(4)**	(6)

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Factors affecting the tax charge for the year

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the average UK corporation tax rate of 25.0% (2024: 25.0%) as follows:

£ million	2025	2024
Profit before tax	**3,128**	3,029
Tax at the UK corporation tax rate of 25.0% (2024: 25.0%)	**782**	757
Tax effects of:		
Differences in effective tax rates on overseas earnings	**(2)**	(56)
Movement in provision for uncertain tax positions	**(62)**	170
Remeasurement of deferred tax balances arising from changes in tax rates	**(3)**	5
Recognition of deferred tax assets for tax credits	**-**	(293)
Remeasurement of previously recognised deferred tax assets	**(3)**	(2)
Deferred tax on unremitted earnings	**19**	12
Share of profit of investments accounted for using the equity method	**(3)**	(2)
Non-deductible expenses	**38**	24
Non-taxable gains on net foreign exchange on financial instruments	**165**	(198)
Provision for state aid tax recoverable	**-**	(101)
Adjustments in respect of prior years	**(23)**	(34)
Total tax charged to the consolidated income statement	**908**	282

Differences in effective tax rates on overseas earnings represent the impact of worldwide profits being taxed at rates different from 25.0%.

The remeasurement of deferred tax balances arising from changes in tax rates for the year is £3 million (2024: £5 million).

During the year the Group has increased the provision for deferred tax on unremitted earnings by £16 million (2024: £7 million increase) with the corresponding income tax charge of £19 million and FX differences. The tax will arise on the distribution of profits through the Group and on planned Group simplification.

Movement on the current tax account

£ million	2025	2024
At 1 October	**(163)**	(306)
Charged to the consolidated income statement	**(921)**	(569)
Credited/(Charged) to other comprehensive income	**156**	(197)
Credited to equity	**-**	4
Cash paid	**513**	888
Exchange movements	**(11)**	17
At 30 September	**(426)**	(163)

The cash tax paid in the year is £408 million lower than the current tax charge (2024: £319 million higher). This arises as a result of timing differences between the accrual of income taxes and the actual payment of cash and the movement in the provision for uncertain tax positions.

Analysis of current tax account

£ million	2025	2024
State aid tax recoverable	**-**	101
Current tax assets	**146**	148
Current tax liabilities	**(572)**	(412)
	(426)	(163)

Uncertain tax positions

As an international business the Group is exposed to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions principally include cross border transfer pricing, interpretation of new or complex tax legislation and tax arising on the valuation of assets.

Provisions arising from uncertain tax positions taken in the calculation of tax assets and liabilities are included within current and deferred tax liabilities. At 30 September 2025 the total value of these provisions excluding offsetting assets under mutual agreement procedure was £387 million (2024: £365 million excluding offsetting assets). The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on current interpretation of legislation, management experience and professional advice. Until matters are finally concluded it is possible that amounts ultimately paid will be different from the amounts provided.

Management have assessed the Group's provision for uncertain tax positions and have concluded that apart from the matters referred to below the provisions in place are not material individually or in aggregate, and that a reasonably possible change in the next financial year would not have a material impact on the results of the Group.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

French tax litigation

The Group has successfully prevailed in an ongoing litigation with the French tax authorities, a matter which had the potential to result in total liabilities amounting to £254 million, inclusive of tax, interest, and penalties. The challenge concerned the valuation placed on the shares of Altadis Distribution France (now known as Logista France) following an intragroup transfer of shares in October 2012 and the tax consequences flowing from a potentially higher value that was argued for by the tax authorities. In May 2023 the Administrative Tribunal of Montreuil issued its decision, ruling in favour of the French tax authorities. As a result, all associated liabilities including tax, interest and penalties were paid by 28 February 2025. In March 2025, the Group was then successful in its appeal to the Administrative Court of Appeal of Paris. In light of the binding nature of the Court's decision, the French Tax Authorities proceeded with a full reimbursement of the amounts previously paid of £261 million. Subsequently, in May 2025, the French Tax Authorities lodged an appeal with the French Administrative Supreme Court ("Conseil d'État"). A public hearing was held in June 2025 to assess the admissibility of the appeal. Ultimately, the Supreme Court rejected the appeal, thereby confirming the favourable ruling of the Administrative Court of Appeal as final and conclusively resolving the litigation. As a consequence, the tax provision of £170 million was released.

State aid UK CFC

In April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company regime was published. It concluded that the legislation up until December 2018 partially represented state aid. The UK Government (along with a number of UK corporates, that made a similar application) appealed to the European Court seeking annulment of the EU Commission's decision. Based, however, on the Commission's decision and despite the appeals, the UK Government was obliged to recover the purported state aid received. In June 2022 the European General Court rejected the appeals, resulting in a subsequent appeal to the CJEU in January 2024. The CJEU handed down its decision on 19th September 2024, annulling the EU Commission decision and setting aside the judgment of the General Court, ruling that the taxation of controlled foreign companies (CFCs) regime did not constitute State Aid. During the 30 September 2025 period the group received a refund of c.£101 million state aid and c.£9 million of interest previously paid for which a receivable was recognised in the 30 September 2024 period. Additional interest was also received of c.£9 million.

Transfer pricing

The Group has been subject to tax audits relating to transfer pricing matters in several jurisdictions, principally UK, France and Germany. The Group holds a provision of £381 million excluding offsetting assets (30 September 2024: £245 million excluding offsetting assets) in respect of these items. In December 2021 the Group concluded a transfer pricing audit with the French tax authorities. In September 2022 the Group concluded transfer pricing audits with the UK and German tax authorities. Settlements of the French and UK audits were made during 2022. Settlement of the German audit was made during 2023. Mutual Agreement Procedure (MAP) proceedings are currently ongoing in relation to these audits to resolve potential double taxation issues arising from the settlements. In September 2023 an additional separate transfer pricing audit was opened by the German tax authorities. Due to regulations introduced in Germany within 30 September 2024 period which could be considered to be merely of a clarifying nature rather than any new principle, the Group maintained a provision of £156 million considering the range of potential outcomes and the balance of probabilities associated with each potential outcome, the maximum potential exposure being £404 million. Following correspondence with the tax authorities in the current financial year. The Group believes that an additional provision of £21 million (€24 million) on top of the £156 million already recorded is required to reflect the more likely outcome.

Transfer Pricing/ Controlled Foreign Company ("CFC")

Imperial Brands Enterprise Finance Limited (IBEFL) is a corporation which is tax resident in the UK. Reemtsma Cigarettenfabriken GmbH (Reemtsma) holds approx. 83.95% of the shares in IBEFL. As part of the tax audit, the German tax authorities are challenging the application of the German CFC regulations on IBEFL and have also requested further details on IBEFL's intercompany transactions. As a result of these challenges the Group believes that a provision for a total amount of £79 million (€96 million) is required.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. DIVIDENDS

Distributions to ordinary equity holders

	Pence per share			£ million		
	2025	2024	2023	**2025**	2024	2023
Cash:						
December	**54.26**	51.82	49.31	**455**	461	464
March	**54.26**	51.82	49.32	**451**	453	457
June	**40.08**	22.45	21.59	**328**	193	196
September	**40.08**	22.45	21.59	**324**	192	195
Total	**188.68**	148.54	141.81	**1,558**	1,299	1,312

The declared third interim dividend for the year ended 30 September 2025 of 40.08 pence per share amounts to a proposed dividend of £322 million, which will be paid in December 2025. The proposed final dividend for the year ended 30 September 2025 of 40.08 pence per share amounts to a proposed dividend payment of £322 million in March 2026 based on the number of shares ranking for dividend at 30 September 2025, and is subject to shareholder approval. If approved, the total dividend paid in respect of 2025 will be £1,314 million (2024: £1,303 million). The dividend paid during 2025 is £1,558 million (2024: £1,299 million).

10. EARNINGS PER ORDINARY SHARE

Basic earnings per share is based on the profit for the period attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the period excluding shares held to satisfy the Group's employee share schemes and shares purchased by the Company and held as treasury shares. Diluted earnings per share have been calculated by taking into account the weighted average number of shares that would be issued if rights held under the employee share schemes were exercised. No instruments have been excluded from the calculation for any period on the grounds that they are anti-dilutive.

£ million	**2025**	2024
Earnings: basic and diluted - attributable to owners of the Parent Company	**2,071**	2,613

Millions of shares		
Weighted average number of shares:		
Shares for basic earnings per share	**824.8**	869.0
Potentially dilutive share options	**5.8**	4.9
Shares for diluted earnings per share	**830.6**	873.9

Pence		
Basic earnings per share	**251.1**	300.7
Diluted earnings per share	**249.3**	299.0

11. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Logista

Acquisition of Transportes Moncayo, S.L.

In October 2024, the Group's subsidiary Logista acquired 100% of the equity shares of Spanish company Transportes Moncayo, S.L., a company specialised in parcel services and transport. The total purchase price of these shares amounted to €2.5 million (£2.2 million), paid in cash at the time of purchase.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. INTANGIBLE ASSETS

£ million	Goodwill	Intellectual property and product development	Supply agreements	Software	Total
					2025
Cost					
At 1 October 2024	13,184	12,343	1,407	722	27,656
Additions	-	81	29	141	251
Disposals	-	-	-	(3)	(3)
Other movements	-	(48)	-	-	(48)
Reclassifications	-	-	-	5	5
Exchange movements	489	238	68	18	813
At 30 September 2025	13,673	12,614	1,504	883	28,674
Amortisation and impairment					
At 1 October 2024	1,500	8,479	1,346	393	11,718
Amortisation charge for the year	-	370	7	42	419
Impairment	-	-	5	1	6
Disposals	-	-	-	(3)	(3)
Reclassifications	-	-	-	3	3
Exchange movements	67	176	66	14	323
Accumulated amortisation	-	8,486	1,419	450	10,355
Accumulated impairment	1,567	539	5	-	2,111
At 30 September 2025	1,567	9,025	1,424	450	12,466
Net book value					
At 30 September 2025	12,106	3,589	80	433	16,208

£ million	Goodwill	Intellectual property and product development	Supply agreements	Software	Total
					2024
Cost					
At 1 October 2023	13,785	13,042	1,457	630	28,914
Additions	-	115	2	143	260
Acquisitions	2	1	2	-	5
Disposals	-	(1)	(2)	(4)	(7)
Reclassifications	29	-	1	(30)	-
Exchange movements	(632)	(814)	(53)	(17)	(1,516)
At 30 September 2024	13,184	12,343	1,407	722	27,656
Amortisation and impairment					
At 1 October 2023	1,556	8,650	1,389	375	11,970
Amortisation charge for the year	-	354	7	38	399
Disposals	-	-	-	(3)	(3)
Exchange movements	(56)	(525)	(50)	(17)	(648)
Accumulated amortisation	-	7,940	1,346	392	9,678
Accumulated impairment	1,500	539	-	1	2,040
At 30 September 2024	1,500	8,479	1,346	393	11,718
Net book value					
At 30 September 2024	11,684	3,864	61	329	15,938

Assets under construction included above:	
At 30 September 2025	**352**
At 30 September 2024	261

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Amortisation and impairment of acquired intangibles excluded from adjusted operating profit amounted to £369 million (2024: £353 million); this comprises amortisation on intellectual property of £362 million (2024: £346 million) and amortisation on supply agreements of £7 million (2024: £7 million).

Intellectual property mainly comprises brands acquired in the USA in 2015 and through the purchases of Altadis in 2008 and Commonwealth Brands in 2007.

Supply agreements include Distribution customer relationships acquired as part of the purchases of Altadis, Carbó Collbatallé S.L. and Herinvemol S.L. (Transportes El Mosca) in prior financial years.

Intangible amortisation and impairment are included within cost of sales, distribution, advertising and selling costs, and administrative and other expenses in the consolidated income statement.

Amortisation and impairment in respect of intangible assets other than software and internally generated intellectual property are treated as reconciling items between reported operating profit and adjusted operating profit, except to the extent these have been treated as restructuring costs.

During the period ended 30 September 2023, the Group purchased intellectual property relating to tobacco pouches to be marketed within the United States. The purchase consideration comprised £41 million which was paid in cash on completion, deferred consideration of £25 million paid in December 2023 and sales volume related contingent consideration initially estimated at £40 million payable over a five-year period up until 2028.

During the year a decrease to the contingent consideration liability of £37 million (2024: increase of £41 million) was recognised to reflect the latest sales forecast. All contingent consideration has been discounted at a rate of 13%.

At 30 September 2025 the contingent consideration liability was £40 million (2024: £77 million) and the total value of the intangible asset recognised was £102 million (2024: £139 million).

In March 2025, Group purchased 2ONE brand for £40 million; in December 2024, Group purchased a supply contract in Mali for consideration of £28 million.

Included within assets under construction is £352 million (2024: £261 million) relating to software. This includes capitalised development costs of £210 million (2024: £143 million) related to the Unify programme. Total amortisation costs during the year were £1 million (2024: £nil) resulting in a net book value of £209 million (2024: £143 million).

Goodwill and intangible asset impairment review

The Group's Cash Generating Unit Groupings (CGUG) are used for annual goodwill impairment testing and are aligned to the Group's operating segments, namely Europe, Americas and AAACE for the Tobacco & NGP business, and Distribution. Goodwill is allocated at a CGUG level where components of that grouping are expected to benefit from the business combination in which the goodwill arose. The groupings represent the lowest level at which goodwill is monitored for internal management purposes. A summary of the carrying value of goodwill and intangible assets with indefinite lives is set out below:

	2025		2024	
£ million	**Goodwill**	**Intangible assets with indefinite lives**	Goodwill	Intangible assets with indefinite lives
Europe	**4,055**	**309**	3,919	296
Americas	**4,081**	**-**	3,945	-
AAACE	**2,147**	**163**	2,076	156
Tobacco & NGP	**10,283**	**472**	9,940	452
Distribution	**1,823**	**-**	1,744	-
	12,106	**472**	11,684	452

Goodwill has arisen principally on the acquisitions of Reemtsma in 2002 (all CGUG), Commonwealth Brands in 2007 (USA), Altadis in 2008 (all CGUG) and ITG Brands in 2015 (USA). Intangible assets with indefinite lives relate to the tobacco trademark, Davidoff, which was purchased as part of the acquisition of Reemtsma in 2002.

The Group tests goodwill and intangible assets with indefinite lives for impairment annually, or more frequently if there are any indications that impairment may have arisen. The value of a CGUG is based on value in use calculations. These calculations use cash flow projections derived from financial plans of the business which are based on detailed bottom-up market-by-market forecasts of projected sales volumes for each product line. These forecasts reflect, on an individual market basis, numerous assumptions and estimates regarding anticipated changes in market size, prices and duty regimes, consumer uptrading and downtrading, consumer preferences and other changes in product mix, based on long-term market trends, market data, anticipated regulatory developments, and management experience and expectations. We consider that pricing, market size, market shares and cost inflation are the key assumptions used in our plans.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Growth rates and discount rates used

The compound annual growth rates implicit in these value in use calculations are shown below:

%	2025 Pre-tax discount rate	2025 Initial growth rate	2025 Long-term growth rate	2024 Pre-tax discount rate	2024 Initial growth rate	2024 Long-term growth rate
Europe	**10.6**	**2.3**	**0.5**	9.9	4.1	0.2
Americas	**9.2**	**5.7**	**2.1**	8.7	6.5	1.9
AAACE	**13.1**	**3.5**	**2.0**	13.3	2.0	1.9
Distribution	**11.5**	**6.3**	**1.6**	12.1	4.1	1.6

The calculation to determine the value in use involves a discounted future cash flow forecast model. Nominal cash flows are used in the calculation which will themselves already factor in the effects of inflation. The cash flows are sourced from the Group business plan which considers and factors in the risk of variability of future business performance and hence cash flow variation. A nominal discount rate is used within the model based on the Group's weighted average cost of capital which is calculated using the Capital Asset Pricing Model. As risk has been applied within the undiscounted cash flows no adjustment is made to the discount rate for risk, except for the application of country risk premia over and above the Group's weighted average cost of capital where appropriate.

Country-specific discount rates are used based on the Group's weighted average cost of capital adjusted for country risk premium. The impairment review is undertaken at a CGUG level which involves the aggregation of the individual value in use amounts for the individual countries which constitute each CGUG. Our impairment projections are prepared under the basis set out in IAS 36.

Nominal cash flows from the business plan period are used for year one, two and three, then extrapolated out to year five using the implicit growth rate, shown in the table above as the initial growth rate. In certain markets, the extrapolated cash flow growth rate can exceed the long-term growth rate based on the business plan being a better reflection of the anticipated initial growth. Where there are specific indications that the cash flow growth rates for years four and five are lower than those for the earlier years, the lower rates will be used. Estimated long-term weighted average compound growth rates are used beyond year five.

Long-term growth rates are determined as the lower of:
- the nominal GDP growth rates for the country of operation;
- the extrapolation of the initial growth rates as estimated by management for years one to five; and
- the management long-term expectations of growth for a specific market.

Long-term growth rates are based on management's long-term expectations, taking account of industry-specific factors such as the nature of our products, the role of excise in government fiscal policy, and relatively stable and predictable long-term macro trends in the Tobacco industry. Year-on-year variations in initial growth rates may result in consequential changes to estimated long-term rates. Key year on year changes in growth rates are as follows:

Europe's initial growth rate fell by 1.8%. This is primarily a reflection of a reduction in the medium-term growth outlook for the UK market.

Americas initial growth rate fell by 0.8% driven by lower expectation of combustible product growth partially offset by improved prospects for NGP products.

AAACE had a 1.5% increase in the initial growth rate primarily driven by forecast improvements to profit growth in Ivory Coast and Morocco.

The Distribution initial growth rate increased by 2.2% compared to the prior year reflecting an expected acceleration in the rate of profit growth following a number of acquisitions in prior years.

Goodwill and intangible asset impairment review conclusion

Our impairment testing confirms there are sufficient cash flows to support the current carrying values of the goodwill held at 30 September 2025. Any reasonable movement in the assumptions used in the impairment tests would not result in an impairment. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to intangible assets can affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions significantly change it is possible that materially different amounts could be reported in the Group's financial statements in future periods. There are uncertainties associated with estimating the valuation of the recoverable amount. At the present time the recoverable amount is significantly in excess of the carrying value of goodwill and other intangible assets. However, given the uncertainties mentioned above this could change in the future.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Consideration of the impact of climate change

The Group has completed an assessment of the impact of climate change which includes how it will vary future costs and therefore cash flows. The review has concluded that there are impacts on future cash flows as a result of climate change, with the most significant relating to non-tobacco materials and leaf costs due to increases in the operating costs of suppliers and raw materials. We have factored the additional costs to the Group relating to forecast climate costs into our discounted cash flow forecasts used for impairment testing valuation purposes. There continues to be improvements in the way the Group models the financial impact of climate risks. Updated climate impact models have been used in the current year which factor in an improved degree of risk assessment. The climate impact assessment for the Distribution CGUG has been fully integrated into the wider Group assessment model this year. The modelled impact for the Group was £360 million (2024: £504 million). There continues to be sufficient headroom after factoring in climate risk and there is therefore no impairment recognised as result of incremental climate change costs. However, the Group will continue to review the climate change impact going forward and any future changes in impact assessment could potentially result in changes to the impairment assessment.

Other intangible assets

Other intangible assets are considered for impairment risk. The carrying values of brand intangibles are reviewed against expected future cash flows of associated products. Impairment will only be recognised where there is evidence that the carrying value of the brand cannot be recovered through those cash flows. Included within these reviews is a test to determine the recoverability of the Davidoff indefinite life brand intangible asset. The carrying value of this asset as at 30 September 2025 was £472 million (2024: £452 million). Recoverability of Davidoff has been measured against the net brand contribution which confirms that the carrying value of the brand will be recovered within a two year period. No impairments (2024: £nil) have been recognised for brand intangibles.

£1 million (2024: £nil) impairment charge was incurred in the year relating to software.

All other classes of intangible assets, including assets under construction, have also been reviewed to consider recoverability and therefore identify potential impairment. No impairments were recognised in the year ended 30 September 2025 and hence no impairment charge has been incurred (2024: £nil).

13. PROPERTY, PLANT AND EQUIPMENT

	2025			
£ million	Property	Plant and equipment	Fixtures and motor vehicles	Total
Cost				
At 1 October 2024	736	2,048	450	3,234
Additions	11	144	32	187
Acquisitions	1	2	3	6
Disposals	(32)	(64)	(31)	(127)
Hyperinflation adjustment	-	4	-	4
Reclassifications	8	(31)	23	-
Exchange movements	28	78	14	120
At 30 September 2025	752	2,181	491	3,424
Depreciation and impairment				
At 1 October 2024	168	1,222	283	1,673
Depreciation charge for the year	14	100	41	155
Impairment	12	75	13	100
Disposals	(18)	(51)	(26)	(95)
Reclassifications	7	(10)	3	-
Exchange movements	9	46	12	67
At 30 September 2025	192	1,382	326	1,900
Net book value				
At 30 September 2025	560	799	165	1,524

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

£ million	Property	Plant and equipment	Fixtures and motor vehicles	Total
				2024
Cost				
At 1 October 2023	756	2,065	484	3,305
Additions	10	127	41	178
Acquisitions	-	1	-	1
Disposals	(24)	(69)	(48)	(141)
Hyperinflation adjustment	1	10	1	12
Reclassifications	18	(5)	(13)	-
Exchange movements	(25)	(81)	(15)	(121)
At 30 September 2024	736	2,048	450	3,234
Depreciation and impairment				
At 1 October 2023	177	1,203	308	1,688
Depreciation charge for the year	16	102	36	154
Impairment	(3)	2	-	(1)
Disposals	(12)	(47)	(46)	(105)
Reclassifications	-	4	(4)	-
Exchange movements	(10)	(42)	(11)	(63)
At 30 September 2024	168	1,222	283	1,673
Net book value				
At 30 September 2024	568	826	167	1,561

Assets under construction included above:	
At 30 September 2025	**156**
At 30 September 2024	122

14. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The movements in right of use assets in the year were as follows:

£ million	**Property**	**Plant and equipment**	**Fixtures and motor vehicles**	**Total**
				2025
Net book value				
At 1 October 2024	**267**	**2**	**93**	**362**
Additions and modifications	**59**	**4**	**43**	**106**
Terminations	**(3)**	**(1)**	**(4)**	**(8)**
Depreciation and impairment	**(59)**	**(3)**	**(39)**	**(101)**
Exchange movements	**10**	**-**	**4**	**14**
At 30 September 2025	**274**	**2**	**97**	**373**

The movements in lease liabilities in the year were as follows:

£ million	**Lease Liabilities**
At 1 October 2024	**386**
Cash flow	**(109)**
Accretion of interest	**15**
New leases, terminations and modifications	**95**
Exchange movements	**15**
At 30 September 2025	**402**

The following are the amounts recognised in the consolidated income statement:

£ million	**2025**	2024
Expenses relating to short-term leases	**6**	10
Expenses relating to low value asset leases	**1**	2
Depreciation and impairment expense of right of use assets	**101**	95
Interest on lease liabilities	**15**	14

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The movements in right of use assets in the year ending 30 September 2024 were as follows:

£ million	Property	Plant and equipment	Fixtures and motor vehicles	Total
				2024
Net book value				
At 1 October 2023	256	2	68	326
Additions and modifications	82	4	69	155
Terminations	(4)	(1)	(5)	(10)
Depreciation	(57)	(3)	(35)	(95)
Exchange movements	(10)	-	(4)	(14)
At 30 September 2024	267	2	93	362

The movements in lease liabilities in the year ending 30 September 2024 were as follows:

£ million	Lease Liabilities
At 1 October 2023	349
Cash flow	(107)
Accretion of interest	14
New leases, terminations and modifications	144
Exchange movements	(14)
At 30 September 2024	386

The maturity profile and the future minimum lease payments of the carrying amount of the Group's lease liabilities and the contractual cash flows as at 30 September 2025 and 30 September 2024 are disclosed in Note 21.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The principal joint venture during the year was Global Horizon Ventures Limited. Summarised financial information for the Group's joint ventures, which are accounted for using the equity method, is shown below:

£ million	Global Horizon Ventures	Others	Total
			2025
Revenue	**28**	**40**	**68**
Profit after tax	**24**	**1**	**25**
Non-current assets	**-**	**9**	**9**
Current assets	**62**	**59**	**121**
Total assets	**62**	**68**	**130**
Current liabilities	**(5)**	**(54)**	**(59)**
Non-current liabilities	**-**	**(14)**	**(14)**
Total liabilities	**(5)**	**(68)**	**(73)**
Net assets	**57**	**-**	**57**

£ million	Global Horizon Ventures	Others	Total
			2024
Revenue	25	40	65
Profit after tax	17	3	20
Non-current assets	-	8	8
Current assets	60	62	122
Total assets	60	70	130
Current liabilities	(11)	(56)	(67)
Non-current liabilities	-	(13)	(13)
Total liabilities	(11)	(69)	(80)
Net assets	49	1	50

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Transactions and balances with joint ventures

£ million	2025	2024
Purchases from	15	9
Accounts payable to	(11)	(4)

Movement on investments accounted for using the equity method

£ million	2025	2024
At 1 October	56	55
Share of profit for the year from joint ventures	12	9
Share of profit for the year from associates	5	1
Dividends	(7)	(9)
At 30 September	66	56

16. INVENTORIES

£ million	2025	2024
Raw materials	992	960
Work in progress	83	84
Finished inventories	3,207	2,887
Other inventories	184	149
	4,466	4,080

Other inventories mainly comprise duty-paid tax stamps.

Within finished inventories of £3,207 million (2024: £2,887 million) there is excise duty of £1,201 million (2024: £1,118 million).

It is generally recognised industry practice to classify leaf tobacco inventory as a current asset, although part of such inventory, because of the duration of the processing cycle, ordinarily would not be consumed within one year. We estimate that around £203 million (2024: £204 million) of leaf tobacco held within raw materials will not be utilised within a year of the balance sheet date.

17. TRADE AND OTHER RECEIVABLES

	2025		2024	
£ million	Current	Non-current	Current	Non-current
Trade receivables	2,446	4	2,395	1
Less: loss allowance	(66)	(1)	(64)	(1)
Net trade receivables	2,380	3	2,331	-
Other receivables	205	32	156	37
Prepayments	131	98	158	81
	2,716	133	2,645	118

Trade receivables may be analysed as follows:

	2025		2024	
£ million	Current	Non-current	Current	Non-current
Within credit terms	2,228	3	2,194	-
Past due by less than 3 months	118	-	111	-
Past due by more than 3 months	34	-	26	-
Amounts that are impaired	66	1	64	1
	2,446	4	2,395	1

The movements in the total loss allowance for receivables can be analysed as follows:

£ million	2025	2024
At 1 October	65	66
Net increase/(decrease) in provision	2	(1)
At 30 September	67	65

Trade receivables are reviewed by their risk profiles and loss patterns to assess credit risk. Historical and forward-looking information is considered to determine the appropriate expected credit loss allowance. Provision levels are calculated on the residual credit risk after consideration of any credit protection which is used by the Group. Expected credit losses (ECLs) are applied to net trade receivables which are measured reflecting lifetime ECLs using the simplified approach.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. CASH AND CASH EQUIVALENTS

£ million	2025	2024
Cash at bank and in hand	**683**	607
Short-term deposits and other liquid assets	**756**	471
	1,439	1,078

£220 million (2024: £217 million) of total cash and cash equivalents is held in countries in which prior approval is required to transfer the funds abroad. Nevertheless, if the Group complies with these requirements, such liquid funds are at its disposition within a reasonable period of time, which in all cases is three months or less from the date the transfer is requested.

19. TRADE AND OTHER PAYABLES

	2025		2024	
£ million	Current	Non-current	Current	Non-current
Trade payables	**1,709**	**-**	1,499	-
Duties payable	**5,225**	**-**	5,156	-
Other taxes and social security contributions	**1,532**	**-**	1,381	-
Other payables	**607**	**-**	623	-
Accruals	**967**	**41**	838	86
	10,040	**41**	9,497	86

20. BORROWINGS

The Group's borrowings, held at amortised cost, are as follows:

£ million	2025	2024
Current borrowings		
Bank loans and overdrafts	**4**	34
Capital market issuance:		
European commercial paper (ECP)	**-**	21
€500m 1.375% notes due January 2025	**-**	421
US$ 950m 4.25% notes due July 2025	**-**	715
€650m 3.375% notes due February 2026	**579**	-
US$ 400m 3.5% notes due July 2026	**300**	-
£188m 5.5% notes due September 2026	**187**	-
Total current borrowings	**1,070**	1,191
Non-current borrowings		
Capital market issuance:		
€650m 3.375% notes due February 2026	**-**	553
US$ 750m 3.5% notes due July 2026	**-**	563
£500m 5.5% notes due September 2026	**-**	500
€750m 2.125% notes due February 2027	**663**	634
US$ 1,000m 6.125% notes due July 2027	**750**	752
US$ 850m 4.5% notes due June 2028	**638**	-
US$ 1,000m 3.875% notes due July 2029	**748**	751
US$ 1,250m 5.5% notes due February 2030	**936**	944
€1,050m 5.25% notes due February 2031	**940**	898
£500m 4.875% notes due June 2032	**506**	505
€1,000m 1.75% notes due March 2033	**879**	840
€1,000m 3.875% notes due February 2034	**886**	-
US$ 750m 5.875% notes due July 2034	**564**	566
US$ 850m 5.625% notes due July 2035	**639**	-
US$ 500m 6.375% notes due July 2055	**375**	-
Total non-current borrowings	**8,524**	7,506
Total borrowings	**9,594**	8,697
Analysed as:		
Capital market issuance	**9,590**	8,663
Bank loans and overdrafts	**4**	34

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Current and non-current borrowings include interest payable of £14 million (2024: £10 million) and £128 million (2024: £102 million) respectively as at the balance sheet date.

Interest payable on capital market issuances is at fixed rates of interest and interest payable on bank loans and overdrafts are at floating rates of interest.

On 27 January 2025, €500 million (£420 million equivalent) 1.375% notes were repaid. On 12 February 2025, €800 million (£668 million equivalent) 3.875% notes were issued. On 1 July 2025, US$ 850 million (£619 million equivalent) 4.5% notes were issued, US$ 850 million (£619 million equivalent) 5.625% notes were issued, US$ 500 million (£364 million equivalent) 6.375% notes were issued. On 11 July 2025, a partial repayment of the £500 million 5.5% notes was made; £312 million was repaid with the remaining £188 million due September 2026, a partial repayment of the US$ 750 million 3.5% notes was made; US$ 350 million (£259 million equivalent) was repaid with the remaining US$ 400 million due July 2026. On 21 July 2025, US$ 950 million (£705 million equivalent) 4.25% notes were repaid. On 4 September 2025, €200 million (£173 million equivalent) 3.875% notes were issued, supplementary to the 12 February 2025 €800 million issue, listed as €1,000 3.875% notes due February 2034 in the above table.

All borrowings are unsecured and the Group has not defaulted on any borrowings during the year (2024: no defaults).

The maturity profile of the Group's bonds and the contractual cashflows as at 30 September 2025 is disclosed in Note 21.

Fair value of borrowings

The fair value of borrowings as at 30 September 2025 is estimated to be £9,526 million (2024: £8,567 million). £9,522 million (2024: £8,533 million) relates to capital market issuance and has been determined by reference to market prices as at the balance sheet date. A comparison of the carrying amount and fair value of capital market issuance by currency is provided below. The fair value of all other borrowings is considered to equal their carrying amount.

	2025		2024	
£ million	**Balance sheet amount**	**Fair value**	Balance sheet amount	Fair value
GBP	**693**	**671**	1,006	985
EUR	**3,947**	**3,839**	3,367	3,245
USD	**4,950**	**5,012**	4,290	4,303
Total capital market issuance	**9,590**	**9,522**	8,663	8,533

Undrawn revolving credit facilities

At 30 September the Group had the following undrawn committed facilities:

£ million	**2025**	2024
Amounts maturing:		
In less than one year	**700**	853
Between one and two years	**-**	153
Between two and five years	**2,619**	2,608
	3,319	3,614

On 18 September 2025 the Group's existing syndicated multicurrency facility of €3,493 million (2024 €3,493 million) was cancelled and a new syndicated multicurrency facility of €3,000 million was arranged, with an initial maturity date of 31 March 2029.

During September 2025 six bilateral facilities for a total £700 million were terminated. Six new bilateral facilities for a total £700 million were arranged, £600 million of which were available at 30 September 2025 and £100 million from 1 October 2025; all maturing in September 2026.

21. FINANCIAL RISK FACTORS

Financial risk management

Overview

In the normal course of business, the Group is exposed to financial risks including, but not limited to, market, credit and liquidity risk. This note explains the Group's exposure to these risks, how they are measured and assessed, and summarises the policies and processes used to manage them, including those related to the management of capital.

The Group operates a centralised treasury function which is responsible for the management of the financial risks of the Group, together with its financing and liquidity requirements. Financial risks comprise, but are not limited to, exposures to funding and liquidity, interest rate, foreign exchange and counterparty credit risk. The treasury function is also responsible for the financial risk management of the Group's global defined benefit pension schemes and management of Group wide insurance programs. The treasury function does not operate as a profit centre, nor does it enter into speculative transactions.

The Group's treasury activities are overseen by the Treasury Committee, which meets four times a year and comprises the Chief Financial Officer, the Director of Treasury, the Group Finance Director, the Chief Legal Risk Governance & Compliance Officer and three Group Regional Finance Directors. The Treasury Committee operates in accordance with the terms of reference set out by the Board and a policy (the Treasury Operations Policy) which sets out the expectations and boundaries to assist in the effective oversight of treasury activities.

The Board reviews and approves all major treasury decisions.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The Group's management of financial risks covers the following:

(A) Market risk

Price risk

The Group is not exposed to equity securities price risk other than assets held by its pension funds disclosed in note 24. The Group is exposed to commodity price risk in that there may be fluctuations in the price of tobacco leaf. As with other agricultural commodities, the price of tobacco leaf tends to be cyclical as supply and demand considerations influence tobacco plantings in those countries where tobacco is grown. Also, different regions may experience variations in weather patterns that may affect crop quality or supply and so lead to changes in price. The Group seeks to reduce this price risk by sourcing tobacco leaf from a number of different countries and counterparties and by varying the levels of tobacco leaf held. Currently, these techniques reduce the expected exposure to this risk over the short to medium term to levels considered not material and accordingly, no sensitivity analysis has been presented.

Foreign exchange risk

The Group is exposed to movements in foreign exchange rates due to its commercial trading transactions and profits denominated in foreign currencies, as well as the translation of cash, borrowings and derivatives held in non-functional currencies.

The Group's financial results are principally exposed to fluctuations in euro and US dollar exchange rates. Management of the Group's foreign exchange transaction and translation risk is addressed below.

Transaction risk

The Group's material transaction exposures arise on costs denominated in currencies other than the functional currencies of subsidiaries, including the purchase of tobacco leaf, which is sourced from various countries but purchased principally in US dollars, and packaging materials which are sourced from various countries and purchased in a number of currencies. The Group is also exposed to transaction foreign exchange risk on the conversion of foreign subsidiary earnings into sterling to fund the external dividends to shareholders. This is managed by selling euros and US dollars monthly throughout the year. Other foreign currency flows are matched where possible and remaining foreign currency transaction exposures are not hedged.

Translation risk

The Group's currency mix of debt and related derivatives is held with consideration to the currency mix of its net assets and profits, which are primarily euros and US dollars. The Group issues debt in the most appropriate market or markets at the time of raising new finance and has a policy of using cross-currency swap derivative financial instruments to change the currency of debt as required. Borrowings denominated in, or swapped into foreign currencies to match the Group's investments in overseas subsidiaries are treated as a hedge against the net investment where appropriate.

Foreign exchange sensitivity analysis

The Group's sensitivity to foreign exchange rate movements, which impacts the translation of monetary items held by subsidiary companies in currencies other than their functional currencies, is illustrated on an indicative basis below. The sensitivity analysis has been prepared on the basis that net debt and the proportion of financial instruments in foreign currencies remain constant, and that there is no change to the net investment hedge designations in place at 30 September 2025. The sensitivity analysis does not reflect any change to revenue or non-finance costs that may result from changing exchange rates, and ignores any taxation implications and offsetting effects of movements in the fair value of derivative financial instruments.

£ million	2025 Increase/ (decrease) in income	2024 Increase/ (decrease) in income
Income statement impact of non-functional currency foreign exchange exposures:		
10% appreciation of sterling against euro (2024: 10%)	**78**	87
10% appreciation of sterling against US dollar (2024: 10%)	**(25)**	(17)
10% depreciation of sterling against euro (2024: 10%)	**(95)**	(106)
10% depreciation of sterling against US dollar (2024: 10%)	**31**	20

Movements in equity in the table below relate to intercompany loans treated as quasi-equity under IAS 21 and hedging instruments designated as net investment hedges of the Group's Euro and US Dollar denominated assets.

£ million	2025 Change in equity	2024 Change in equity
Equity impact of non-functional currency foreign exchange exposures:		
10% appreciation of sterling against euro (2024: 10%)	**934**	928
10% appreciation of sterling against US dollar (2024: 10%)	**328**	272
10% depreciation of sterling against euro (2024: 10%)	**(1,141)**	(1,134)
10% depreciation of sterling against US dollar (2024: 10%)	**(401)**	(332)

At 30 September 2025, after the effect of derivative financial instruments, approximately 101% of the Group's net debt was denominated in euro and non US Dollar currencies (2024: 102%) and (1)% in US dollars (2024: (2)%).

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Interest rate risk

The Group's interest rate risk arises from its borrowings net of cash and cash equivalents, with the primary exposures arising from fluctuations in euro and US dollar interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group manages its exposure to interest rate risk on its borrowings by entering into derivative financial instruments, interest rate swaps, to achieve an appropriate mix of fixed and floating interest rate debt in accordance with the Treasury Operations Policy and Treasury Committee discussions.

As at 30 September 2025, after adjusting for the effect of derivative financial instruments detailed in note 22, approximately 109% (2024: 109%) of reported net debt was at fixed rates of interest and (9)% (2024: (9)%) was at floating rates of interest. After adjusting for cash held in subsidiary bank accounts and cash in transit, accrued interest, the mark to market of the derivative portfolio, finance leases and the trade receivables that were sold to a financial institution under a non-recourse factoring arrangement, approximately 98% (2024: 97%) of debt was at fixed rates of interest and 2% (2024: 3%) was at floating rates of interest.

Interest rate sensitivity analysis

The Group's sensitivity to interest rates on its euro and US dollar monetary items which are primarily external borrowings, cash and cash equivalents, is illustrated on an indicative basis below. The impact in the Group's Income Statement reflects the effect on net finance costs in respect of the Group's net debt and the fixed to floating rate debt ratio prevailing at 30 September 2025, ignoring any taxation implications and offsetting effects of movements in the fair value of derivative financial instruments.

The sensitivity analysis has been prepared on the basis that net debt and the derivatives portfolio remain constant and that there is no net impact on other comprehensive income.

£ million	2025 Change in income	2024 Change in income
Income statement impact of interest rate movements:		
+/- 1% increase in euro interest rates (2024: 1%)	-	1
+/- 1% increase in US dollar interest rates (2024: 1%)	(9)	(2)

(B) Credit risk

IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets. The expected credit loss model requires the Group to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date. Allowances are measured at an amount equal to the lifetime expected credit losses where the credit risk on the receivables increases significantly after initial recognition. The Group is primarily exposed to credit risk arising from the extension of credit to its customers, on cash deposits and derivatives. The maximum aggregate credit risk to these sources was £4,322 million at 30 September 2025 (2024: £3,947 million).

Trade and other receivables

Policies are in place to manage the risk associated with the extension of credit to third parties to ensure that commercial intent is balanced effectively with credit risk management. Subsidiaries have policies in place that require appropriate credit checks on customers and credit is extended with consideration to financial risk and creditworthiness. If a customer requires credit beyond an acceptable limit, security may be put in place to minimise the financial impact in the event of a payment default. Instruments that may typically be used as security include non-recourse receivables factoring and bank guarantees. At 30 September 2025 the level of trade receivables that were sold to a financial institution under a non-recourse factoring arrangement, and subsequently derecognised, totalled £483 million (2024: £570 million). The decrease compared with the prior year primarily reflects the timing of sales. The total value of trade receivables reclassified as fair value was £89 million at 30 September 2025 (2024: £53 million). There was no valuation difference between amortised cost and fair value. Analysis of trade and other receivables is provided in note 17.

Supplier financing arrangements

The Group participates in a supply chain financing arrangement (SCF). Under the arrangement, a single bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The Group extends payment terms with suppliers in the ordinary course of business and then offers them access to the SCF arrangement so the supplier can get paid early by the bank. The value is discounted at a rate that is based on the Group's credit profile, meaning the Group can leverage its credit rating. There is a parental guarantee in place in favour of the bank but this is contingent only and does not change the Group's financial obligations. The principal purpose of this arrangement is to facilitate efficient payment processing and enable the willing suppliers to receive payments from the bank before the invoice due date.

Carrying amount of liabilities that are part of supplier financing arrangements	2025 £ million	2024 £ million
Presented within trade and other payables	84	3
- of which suppliers have received payment from finance provider	58	1

Range of payment due dates	2025 Days
Liabilities that are part of the arrangement	1 - 183
Trade payables that are not part of an arrangement	0 - 120

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Financial instruments

In order to manage its credit risk to any one counterparty, the Group places cash deposits and enters into derivative financial instruments with a diversified group of financial institutions carrying suitable credit ratings in line with the Treasury Operations Policy. Utilisation of counterparty credit limits is regularly monitored by treasury and ISDA agreements are in place to permit the net settlement of assets and liabilities in certain circumstances.

The table below summarises the Group's largest exposures to financial counterparties as at 30 September 2025. At the balance sheet date management does not expect these counterparties to default on their current obligations.

	2025	2024
Counterparty exposure	**Maximum exposure to credit risk £ million**	Maximum exposure to credit risk £ million
Highest	**515**	253
2nd highest	**87**	134
3rd highest	**73**	50
4th highest	**27**	27
5th highest	**19**	10

These exposures are held with counterparties with investment grade credit ratings or in money market funds with a AAA rating.

(C) Liquidity risk

The Group is exposed to liquidity risk, which represents the risk of having insufficient funds to meet its financing needs in any particular location when needed. To manage this risk the Group has a policy of actively maintaining a mixture of short, medium and long-term committed facilities that are structured to ensure that the Group has sufficient available funds to meet the forecast requirements of the Group over the short to medium term. To prevent over-reliance on individual sources of liquidity, funding is provided across a range of instruments including debt capital market issuance, bank term loans, bank revolving credit facilities, European commercial paper and US commercial paper.

The Group primarily borrows centrally in order to meet forecast funding requirements, and the treasury function is in regular dialogue with subsidiary companies to ensure their liquidity needs are met. Subsidiary companies are funded by a combination of share capital and retained earnings, intercompany loans, and in very limited cases through external local borrowings. Cash pooling processes are used to centralise surplus cash held by subsidiaries where possible in order to minimise external borrowing requirements and interest costs. Treasury invests surplus cash in bank deposits and money market funds and uses foreign exchange contracts to manage short term liquidity requirements in line with short term cash flow forecasts. As at 30 September 2025, the Group held liquid assets of £1,439 million (2024: £1,078 million).

The table below summarises the Group's non derivative financial liabilities by maturity based on their contractual cash flows as at 30 September 2025. The amounts disclosed are undiscounted cash flows calculated using spot rates of exchange prevailing at the relevant balance sheet date. Contractual cash flows in respect of the Group's derivative financial instruments are detailed in note 22.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

£ million	Balance sheet amount	Contractual cash flows total	<1 year	Between 1 and 2 years	Between 2 and 5 years	> 5 years
						2025
Non-derivative financial liabilities:						
Bank loans	**4**	**4**	**4**	**-**	**-**	**-**
Capital market issuance	**9,590**	**12,181**	**1,462**	**1,763**	**3,141**	**5,815**
Trade payables	**1,709**	**1,709**	**1,709**	**-**	**-**	**-**
Accruals	**1,008**	**1,008**	**967**	**17**	**24**	**-**
Other contractual liabilities	**607**	**607**	**607**	**-**	**-**	**-**
Lease liabilities	**402**	**456**	**108**	**86**	**156**	**106**
Total non-derivative financial liabilities	**13,320**	**15,965**	**4,857**	**1,866**	**3,321**	**5,921**

£ million	Balance sheet amount	Contractual cash flows total	<1 year	Between 1 and 2 years	Between 2 and 5 years	> 5 years
						2024
Non-derivative financial liabilities:						
Bank loans	34	34	34	-	-	-
Capital market issuance	8,663	10,218	1,497	1,911	2,752	4,058
Trade payables	1,499	1,499	1,499	-	-	-
Accruals	924	924	838	14	72	-
Other contractual liabilities	623	623	623	-	-	-
Lease liabilities	386	435	96	82	144	113
Total non-derivative financial liabilities	12,129	13,733	4,587	2,007	2,968	4,171

Following a review of the definition of financial instruments and associated disclosure requirements as set out by IAS 32, accruals and other contractual liabilities have now been included in the financial instrument disclosure table. This is because the definition of a financial liability includes contractual liabilities in addition to debt instruments. Liabilities associated with taxes and levies have not been included as these items are recognised as a result of legislation and not through contract.

Capital management

The Group defines capital as adjusted net debt and equity and manages its capital structure through an appropriate balance of debt and equity in order to drive an efficient mix for the Group.

The Group continues to manage its capital structure to maintain investment grade credit rating which it monitors by reference to a number of key financial ratios, including ongoing consideration of the return of capital to shareholders via regular dividend payments and share buybacks and in on-going discussions with the relevant rating agencies.

As at 30 September 2025 the Group was rated Baa2/P-2/stable outlook by Moody's Investor Service Ltd, BBB/A-2/stable outlook by Standard and Poor's Credit Market Services Europe Limited and BBB/F2/stable outlook by Fitch Ratings Limited.

The Group regards its total capital as follows:

£ million	2025	2024
Adjusted net debt	**8,406**	7,740
Equity attributable to the owners of the parent	**4,824**	5,442
Total capital	**13,230**	13,182

Hedge accounting

The Group has investments in foreign operations which are consolidated in its financial statements and whose functional currencies are Euros or US Dollars. Where it is practicable and cost effective to do so, the foreign exchange rate exposures arising from these investments are hedged through the use of cross currency swaps, foreign exchange swaps and foreign currency denominated debt.

The Group only designates the undiscounted spot element of the cross currency swaps, foreign exchange swaps and foreign currency debt as hedging instruments. Changes in the fair value of the cross currency swaps and foreign exchange swaps attributable to changes in interest rates and the effect of discounting are recognised directly in profit or loss within the "Net Finance Costs" line. These amounts are, therefore, not included in the hedge effectiveness assessment.

Net investment gains and losses are reported in exchange movements within other comprehensive income and the hedging instrument foreign currency gains and losses deferred to the foreign currency revaluation reserve are detailed in the statement of changes in equity.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The Group establishes the hedging ratio by matching the notional balance of the hedging instruments with an equal notional balance of the net assets of the foreign operation. Given that only the undiscounted spot element of hedging instruments is designated in the hedging relationship, no ineffectiveness is expected unless the notional balance of the designated hedging instruments exceeds the total balance of the foreign operation's net assets during the reporting period. The foreign currency risk component is determined as the change in the carrying amount of designated net assets of the foreign operation arising solely from changes in spot foreign currency exchange rates.

All net investment hedges were fully effective at 30 September 2025.

The following table sets out the maturity profile of the hedging instruments used in the Group's net investment hedging strategies:

					2025
					Maturity
£ million	**Total notional balance**	**<1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**> 5 years**
Capital market issuance	**(5,703)**	**(567)**	**(1,399)**	**(1,674)**	**(2,063)**
Cross-currency swaps	**(5,481)**	**-**	**(837)**	**(2,474)**	**(2,170)**
Foreign exchange swaps	**(486)**	**(486)**	**-**	**-**	**-**
	(11,670)	**(1,053)**	**(2,236)**	**(4,148)**	**(4,233)**

					2024
					Maturity
£ million	Total notional balance	<1 year	Between 1 and 2 years	Between 2 and 5 years	> 5 years
Capital market issuance	(4,595)	(438)	(1,103)	(2,120)	(934)
Cross-currency swaps	(5,501)	(1,715)	(1,099)	(1,581)	(1,106)
	(10,096)	(2,153)	(2,202)	(3,701)	(2,040)

The following table contains details of the hedging instruments and hedged items used in the Group's net investment hedging strategies:

					2025
		Carrying amount			
£ million	**Notional balance**	**Assets**	**Liabilities**	**Balance sheet line item**	**Changes in fair value used for calculating hedge in-effectiveness**
Hedging instrument:					
Capital market issuance	**5,703**	**-**	**5,764**	**Borrowings**	**(99)**
Bank Loans	**-**	**-**	**-**	**Borrowings**	**(11)**
Cross-currency swaps	**5,481**	**-**	**195**	**Derivative financial instruments**	**(265)**
Foreign exchange swaps	**486**	**2**	**-**	**Derivative financial instruments**	**(2)**
Hedged item:					
Investment in a foreign operation	**n/a**	**11,670**	**-**		**(377)**

					2024
		Carrying amount			
£ million	Notional balance	Assets	Liabilities	Balance sheet line item	Changes in fair value used for calculating hedge in-effectiveness
Hedging instrument:					
Capital market issuance	4,595	-	4,584	Borrowings	321
Cross-currency swaps	5,501	118	76	Derivative financial instruments	213
Foreign exchange swaps	-	-	-	Derivative financial instruments	6
Hedged item:					
Investment in a foreign operation	n/a	10,096	-		540

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Reconciliation of changes in the value of net investment hedges:

£ million	At the beginning of the year	Income statement	Other comprehensive income	Designations/ (de-designations)	At the end of the year
					2025
Derivatives in net investment hedges of foreign operations	**42**	**32**	**(267)**	**-**	**(193)**
Bonds in net investment hedges of foreign operations	**(4,584)**	**(71)**	**(110)**	**(999)**	**(5,764)**
Total	**(4,542)**	**(39)**	**(377)**	**(999)**	**(5,957)**

£ million	At the beginning of the year	Income statement	Other comprehensive income	Designations/ (de-designations)	At the end of the year
					2024
Derivatives in net investment hedges of foreign operations	(248)	71	219	-	42
Bonds in net investment hedges of foreign operations	(3,929)	42	321	(1,018)	(4,584)
Total	(4,177)	113	540	(1,018)	(4,542)

The Group also treats certain permanent intragroup loans that meet relevant qualifying criteria under IAS 21 as part of its net investment in foreign operations where appropriate. Intra-group loans with a notional value of €2,534 million (£2,212 million equivalent) (2024: €3,714 million (£3,099 million equivalent)) were treated as part of the Group's net investment in foreign operations at the balance sheet date.

Fair value estimation and hierarchy

All financial assets and liabilities are carried on the balance sheet at amortised cost, other than derivative financial instruments which are carried at fair value. Derivative fair values are determined based on observable market data such as yield curves, foreign exchange rates and credit default swap prices to calculate the present value of future cash flows associated with each derivative at the balance sheet date (Level 2 classification hierarchy per IFRS 7). Market data is sourced from a reputable financial data provider and valuations are validated by reference to counterparty valuations where appropriate. Some of the Group's derivative financial instruments contain early termination options and these have been considered when assessing the element of the fair value related to credit risk. On this basis the reduction in reported net derivative liabilities due to credit risk is £14 million (2024: £12 million) and would have been a £17 million (2024: £15 million) reduction without considering the early termination options. There were no changes to the valuation methods or transfers between hierarchies during the year. With the exception of capital market issuance the fair value of all financial assets and financial liabilities is considered approximate to their carrying amount.

Netting arrangements of financial instruments

The following tables set out the Group's financial assets and financial liabilities that are subject to netting and set-off arrangements:

£ million	Gross financial assets/ (liabilities)	Net financial assets/ (liabilities) per balance sheet	Related amounts not set-off in the balance sheet	Net
				2025
Assets				
Derivative financial instruments	**437**	**437**	**(436)**	**1**
Liabilities				
Derivative financial instruments	**(834)**	**(834)**	**436**	**(398)**

£ million	Gross financial assets/(liabilities)	Net financial assets/(liabilities) per balance sheet	Related amounts not set-off in the balance sheet	Net
				2024
Assets				
Derivative financial instruments	474	474	(462)	12
Liabilities				
Derivative financial instruments	(809)	(809)	462	(347)

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The table below sets out the Group's accounting classification of each class of financial assets and liabilities:

£ million	Fair value through income statement	Fair value through other comprehensive income	Assets and liabilities at amortised cost	Total	Current	Non-Current
2025						
Trade and other receivables	89	-	2,531	2,620	2,585	35
Cash and cash equivalents	-	-	1,439	1,439	1,439	-
Derivatives	435	2	-	437	45	392
Total financial assets	524	2	3,970	4,496	4,069	427
Borrowings	-	-	(9,594)	(9,594)	(1,070)	(8,524)
Trade and other payables	-	-	(3,324)	(3,324)	(3,283)	(41)
Derivatives	(639)	(195)	-	(834)	(28)	(806)
Lease liabilities	-	-	(402)	(402)	(89)	(313)
Total financial liabilities	(639)	(195)	(13,320)	(14,154)	(4,470)	(9,684)
Total net financial liabilities	(115)	(193)	(9,350)	(9,658)	(401)	(9,257)

£ million	Fair value through income statement	Fair value through other comprehensive income	Assets and liabilities at amortised cost	Total	Current	Non-Current
2024						
Trade and other receivables	-	-	2,524	2,524	2,487	37
Cash and cash equivalents	-	-	1,078	1,078	1,078	-
Derivatives	356	118	-	474	144	330
Total financial assets	356	118	3,602	4,076	3,709	367
Borrowings	-	-	(8,697)	(8,697)	(1,191)	(7,506)
Trade and other payables	-	-	(8,659)	(8,659)	(8,659)	-
Derivatives	(733)	(76)	-	(809)	(187)	(622)
Lease liabilities	-	-	(386)	(386)	(86)	(300)
Total financial liabilities	(733)	(76)	(17,742)	(18,551)	(10,123)	(8,428)
Total net financial assets/(liabilities)	(377)	42	(14,140)	(14,475)	(6,414)	(8,061)

Derivatives classified as fair value through other comprehensive income relate to cross currency swaps and foreign exchange swaps designated as hedges of foreign currency denominated net investments. The Group only designates the undiscounted foreign exchange spot element of these derivative instruments and the changes in fair value related to this element are posted to other comprehensive income. Changes in the fair value of these derivative instruments attributable to changes in interest rates and the effect of discounting are recognised in the income statement. The Group also designates certain external borrowings as hedges of foreign currency denominated net investments and the foreign exchange revaluation of those external borrowings is recognised in other comprehensive income. The carrying value at 30 September 2025 of those external borrowings included in the above table is £5,764 million (2024: £4,639 million). All of the Group's net investment hedges remain effective. The figure which has been disclosed for trade and other payables for the year ended 30 September 2025 has been aligned with the table of non derivative financial liabilities by maturity in this note.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments held at fair value, are as follows:

£ million	2025 Assets	2025 Liabilities	2025 Net Fair Value	2024 Assets	2024 Liabilities	2024 Net Fair Value
Current derivative financial instruments:						
Interest rate swaps	**11**	**(8)**	**3**	65	(54)	11
Foreign exchange contracts	**4**	**(3)**	**1**	1	(4)	(3)
Cross-currency swaps	**30**	**(17)**	**13**	78	(129)	(51)
Total current derivatives	**45**	**(28)**	**17**	144	(187)	(43)
Non-current derivative financial instruments:						
Interest rate swaps	**242**	**(263)**	**(21)**	240	(365)	(125)
Cross-currency swaps	**150**	**(543)**	**(393)**	90	(257)	(167)
Total non-current derivatives	**392**	**(806)**	**(414)**	330	(622)	(292)
Total carrying value of derivative financial instruments	**437**	**(834)**	**(397)**	474	(809)	(335)
Analysed as:						
Interest rate swaps	**253**	**(271)**	**(18)**	305	(419)	(114)
Foreign exchange contracts	**4**	**(3)**	**1**	1	(4)	(3)
Cross-currency swaps	**180**	**(560)**	**(380)**	168	(386)	(218)
Total carrying value of derivative financial instruments	**437**	**(834)**	**(397)**	474	(809)	(335)

The classification of these derivative assets and liabilities under the IFRS 7 fair value hierarchy is provided in note 21.

Maturity of obligations under derivative financial instruments

Derivative financial instruments have been classified in the balance sheet as current or non-current on an undiscounted contractual basis based on spot rates as at the balance sheet date. For the purposes of the above and following analysis, maturity dates have been based on the likelihood of any early termination options being exercised with consideration to counterparty expectations and market conditions prevailing as at 30 September 2025.

The table below summarises the Group's derivative financial instruments by maturity based on their remaining contractual cash flows as at 30 September 2025. The amounts disclosed are the undiscounted cash flows calculated using interest rates and spot rates of exchange prevailing at the relevant balance sheet date. Contractual cash flows in respect of the Group's non derivative financial instruments are detailed in note 21.

2025

£ million	Balance sheet amount	Contractual cash flows total	<1 year	Between 1 and 2 years	Between 2 and 5 years	>5 years
Net settled derivatives	**(18)**	**(228)**	**(7)**	**(13)**	**(81)**	**(127)**
Gross settled derivatives	**(379)**	**-**	**-**	**-**	**-**	**-**
• receipts	**-**	**22,490**	**3,176**	**3,056**	**8,467**	**7,791**
• payments	**-**	**(22,382)**	**(3,109)**	**(3,083)**	**(8,514)**	**(7,676)**
	(397)	**(120)**	**60**	**(40)**	**(128)**	**(12)**

2024

£ million	Balance sheet amount	Contractual cash flows total	<1 year	Between 1 and 2 years	Between 2 and 5 years	>5 years
Net settled derivatives	(114)	194	10	1	117	66
Gross settled derivatives	(221)	-	-	-	-	-
• receipts	-	20,719	6,490	2,730	5,762	5,737
• payments	-	(20,770)	(6,497)	(2,719)	(5,772)	(5,782)
	(335)	143	3	12	107	21

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Derivatives as hedging instruments

As outlined in note 21, the Group hedges its underlying interest rate exposure and foreign currency translation exposures in an efficient, commercial and structured manner, primarily using interest rate swaps and cross currency swaps. Foreign exchange contracts are used to manage the Group's short term liquidity requirements in line with short term cash flow forecasts as appropriate.

The Group does not apply cash flow or fair value hedge accounting, as permitted under IFRS 9, which results in fair value gains and losses attributable to derivative financial instruments being recognised in net finance costs unless they are designated as hedges of a net investment in foreign operations, in which case they are recognised in other comprehensive income.

Interest rate swaps

To manage interest rate risk on its borrowings, the Group issues debt in the market or markets that are most appropriate at the time of raising new finance with regard to currency, interest denomination or duration, and then uses interest rate swaps to re-base the debt into the appropriate proportions of fixed and floating interest rates. Interest rate swaps are also transacted to manage and re-profile the Group's interest rate risk over the short, medium and long term in accordance with the Treasury Operations Policy as approved by the Treasury Committee. Fair value movements are recognised in net finance costs in the relevant reporting period.

As at 30 September 2025, the notional amount of interest rate swaps outstanding that were entered into to convert fixed rate borrowings into floating rates of interest at the time of raising new finance was £3,862 million equivalent (2024: £6,349 million equivalent) with a fair value of £246 million liability (2024: £339 million liability). The fixed interest rates vary from 1.7% to 5.1% (2024: 1.3% to 5.4%), and the floating rates are based on EURIBOR, SONIA and SOFR.

As at 30 September 2025, the notional amount of interest rate swaps outstanding that were entered into to convert the Group's debt into the appropriate proportion of fixed and floating rates to manage and re-profile the Group's interest rate risk was £10,137 million equivalent (2024: £12,119 million equivalent) with a fair value of £228 million asset (2024: £225 million asset). The fixed interest rates vary from 1.0% payable to 4.0% payable (2024: 3.1% receivable to 4.0% payable), and the floating receivable rates reference EURIBOR and SOFR. This includes forward starting interest rate swaps with a total notional amount of £4,602 million equivalent (2024: £4,719 million equivalent) with tenors between 3 and 10 years, starting between October 2025 and October 2032.

Cross-currency swaps

The Group enters into cross currency swaps to convert the currency of debt into the appropriate currency with consideration to the underlying assets of the Group as appropriate. Fair value movements are recognised in net finance costs in the relevant reporting period unless the swaps are designated as hedges of a net investment in foreign operations, in which case the fair value movement attributable to changes in foreign exchange rates are recognised in other comprehensive income.

As at 30 September 2025, the notional amount of cross currency swaps entered into to convert sterling debt into the desired currency was £500 million (2024: £1,000 million) and the fair value of these swaps was £63 million net liability (2024: £76 million net liability); the notional amount of cross currency swaps entered into to convert US Dollar debt into the desired currency was US$ 6,200 million (2024: US$ 6,950 million) and the fair value of these swaps was £317 million net liability (2024: £142 million net liability). As at 30 September 2025 there were no forward starting cross currency swaps (2024: forward starting cross currency swaps with a total notional amount of US$ 1,250 million equivalent).

Foreign exchange contracts

The Group enters into foreign exchange contracts to manage short term liquidity requirements in line with cash flow forecasts. As at 30 September 2025, the notional amount of these contracts was £2,010 million equivalent (2024: £842 million equivalent) and the fair value of these contracts was a net liability of £1 million (2024: £3 million net liability).

Hedges of net investments in foreign operations

As at 30 September 2025, cross currency swaps with a notional amount of €6,281 million (2024: €6,593 million) were designated as hedges of net investments in foreign operations. During the year, foreign exchange translation losses amounting to £265 million (2024: £213 million gains) were recognised within exchange movements in other comprehensive income in respect of cross currency swaps designated as hedges of a net investment in foreign operations. No hedging ineffectiveness occurred during the year (2024: £nil).

As at 30 September 2025, foreign exchange swaps with a notional amount of €556 million (2024: €nil) were designated as hedges of net investments in foreign operations. During the year, foreign exchange translation losses amounting to £2 million (2024: £6 million gains) were recognised within exchange movements in other comprehensive income in respect of foreign exchange swaps that had been designated as hedges of a net investment in foreign operations. No hedging ineffectiveness occurred during the year (2024: £nil).

The movements in other comprehensive income due to net investment hedging in the period were as follows:

£ million	**2025**	2024
Foreign exchange (losses)/gains on borrowings	**(110)**	321
Foreign exchange (losses)/gains on derivative financial instruments	**(267)**	219
	(377)	540

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax relates to the following:

£ million	Consolidated income statement 2025	Consolidated income statement 2024	Consolidated balance sheet 2025	Consolidated balance sheet 2024
Temporary differences on depreciation and amortisation	**83**	(53)	**(645)**	(711)
Retirement benefits	**(12)**	(5)	**41**	48
Tax credits and losses	**(146)**	393	**455**	579
Accruals, provisions and other temporary differences	**88**	(48)	**295**	193
Deferred tax benefit	**13**	287		
Net deferred tax assets			**146**	109

Reflected in the consolidated balance sheet as follows

£ million	2025	2024
Deferred tax assets	**893**	889
Deferred tax liabilities	**(747)**	(780)
	146	109

Reconciliation of net deferred tax assets

£ million	2025	2024
At 1 October	**109**	(218)
Credited to the income statement	**13**	287
(Charged)/credited to other comprehensive income	**(3)**	36
Credited to equity	**4**	2
Exchange movements	**23**	2
As at 30 September	**146**	109

Unrecognised deferred tax assets

£ million	Gross 2025	Net 2025	Gross 2024	Net 2024
Tax losses	**105**	**21**	245	64
Tax credits	**800**	**283**	806	282
Other temporary differences	**68**	**22**	77	22
	973	**326**	1,128	368

Analysis of unrecognised deferred tax assets by expiry date

£ million	Gross 2025	Net 2025	Gross 2024	Net 2024
Tax losses expiring:				
Within 2-5 years	**-**	**1**	-	-
No expiry	**105**	**20**	245	64
	105	**21**	245	64
Tax credits expiring:				
No expiry	**800**	**283**	806	282
	800	**283**	806	282
Other temporary differences expiring:				
No expiry	**68**	**22**	77	22
	68	**22**	77	22

In December 2021, the OECD issued model rules for a new global minimum tax framework (Pillar Two), applicable for multinational enterprise groups with global revenue over €750 million. The legislation implementing the rules in the UK was substantively enacted on 20 June 2023 and applies to the Group for the financial year ending 30 September 2025. The Group has applied the mandatory exemption under IAS 12 in relation to the accounting for deferred tax assets and liabilities arising from the implementation of the Pillar Two model rules.

The Group has not recorded any significant exposure to Pillar Two income taxes in those jurisdictions where the minimum tax requirement is not met, based on the forecast data. The Group is continuing to review this legislation and monitors the status of implementation of the model rules outside of the UK to assess the potential impact.

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Included within net deferred tax assets are deferred tax assets recognised of £199 million (2024: £213 million) for tax credits arising in the Group's Spanish business. These tax credits have no time expiry. Utilisation of these tax credits is restricted to 50% of the Spanish business' taxable profits arising in any given year; those tax law restrictions extend the period over which the deferred tax assets would otherwise be recovered. The Group considers there to be forecast future taxable profits which support the recognition of these long term deferred tax assets. The period over which these deferred tax assets are utilised is sensitive to forecasting assumptions about future growth rates (which may be influenced by the future effects of climate change) and regulatory changes. Any material effects of climate change in the long term could extend the period over which the deferred tax asset will be recovered but as the tax credits do not expire, the Group considers there is positive evidence that sufficient future taxable profits would still be available. Based on a range of forecast scenarios modelling sensitivities (including the future effects of climate change) these deferred tax assets are expected to be utilised over a period of 15 years.

Included within the accruals, provisions and other temporary differences of the net deferred tax assets are deferred tax assets recognised for carried forward corporate interest disallowances of £156 million (2024: £57 million) arising in the Group's UK business. These disallowances have no time expiry and will be reactivated where net interest expense in any given year falls below 30% of the UK Tax -EBITDA. The Group considers there to be forecast future taxable profits and forecast reductions in the future net interest expenses to support the recognition of these long term deferred tax assets. The period over which these brought forward tax attributes are utilised is sensitive to forecasting assumptions concerning changes to the Group's debt structure reducing net interest expense, future growth rates of the underlying business (which may be influenced by the future effect of climate change) and regulatory changes. These deferred tax assets are expected to be recovered within a period of 9 years (i.e. by FY34).

Included within net deferred tax assets are deferred tax assets recognised for retirement benefits of £83 million (2024: £98 million) arising in the Group's German business. These deferred tax assets are expected to be recovered both by way of utilisation against the reversal of deferred tax liabilities of £34 million (2024: £49 million) arising in the Group's German business and by way of utilisation against future taxable profits. The Group considers there to be forecast future taxable profits which support the recognition of these long term deferred tax assets. Based on a range of forecast scenarios modelling sensitivities these deferred tax assets are expected to be recovered over a period of 20-40 years corresponding to the life of the pension scheme. The period over which these deferred tax assets are utilised is sensitive to forecasting assumptions about future growth rates of the underlying business (which may be influenced by the future effects of climate change) and regulatory changes.

Included within net deferred tax assets are deferred tax assets recognised for intangibles of £175 million (2024: £179 million) arising in the Group's Dutch business. These deferred tax assets are expected to be recovered by way of utilisation against future taxable profits. The Group considers there to be forecast future taxable profits which support the recognition of these long term deferred tax assets. The period over which these deferred tax assets are utilised is sensitive to forecasting assumptions about future growth rates (which may be influenced by the future effects of climate change) and regulatory changes. These deferred tax assets are expected to be recovered over a period of 13 years corresponding to the life of the intangibles.

Included within net deferred tax assets are deferred tax assets recognised of £231 million (2024: £293 million) in relation to tax credits brought forward within the group's Maltese treasury centre, recognised as a result of clarifying tax guidance issued by the tax authorities during FY24 and the resulting intention to utilise these brought forward tax credits against taxable income arising from long term loans of a fixed term tenure. The period over which these deferred tax assets are utilised is sensitive to forecasting assumptions about future growth rates of the underlying business (which may be influenced by the future effects of climate change) and regulatory changes. The Group considers there is positive evidence that sufficient future taxable profits would still be available. Based on a range of forecast scenarios modelling sensitivities these deferred tax assets are expected to be utilised over a period of 5-10 years. Tax credits arising within the Maltese group in periods prior to the formation of tax fiscal units, are kept in abeyance and therefore unavailable for utilisation within the fiscal unit and no Deferred Tax Asset has been recognised thereon, but amounts are included within unrecognised Deferred Tax.

We have reviewed the recoverability of deferred tax assets in overseas territories in the light of forecast business performance. In 2025 we have recognised deferred tax assets of £2 million that were previously unrecognised (2024: recognised deferred tax assets of £3 million that were previously unrecognised) on the basis that it is more likely than not that these are recoverable.

A deferred tax liability of £64 million (2024: £46 million) is recognised in respect of taxation expected to arise on the future distribution of unremitted earnings totalling £2.09 billion (2024: £2.17 billion).

The temporary differences associated with investments in the Group's subsidiaries, associates and joint ventures for which a deferred tax liability has not been recognised in the periods presented, aggregate to £1,070 million (2024: £1,472 million) for which a deferred tax liability of £27 million (2024: £37 million) has not been recognised. No liability has been recognised because the Group is in a position to control the timing of the reversal of those temporary differences and it is probable that such differences will not reverse in the foreseeable future.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. RETIREMENT BENEFIT SCHEMES

The Group operates a number of retirement benefit schemes for its employees, including both defined benefit and defined contribution schemes. The Group's three principal schemes are defined benefit schemes and are operated by Imperial Tobacco Limited (ITL) in the UK, Reemtsma Cigarettenfabriken GmbH in Germany and ITG Brands in the USA; these schemes represent 64%, 17% and 7% of the Group's total defined benefit obligations (2024: 66%, 16% and 7%) and 0%, 47% and 11% of the current service cost (2024: 0%, 41% and 11%) respectively.

Imperial Tobacco Pension Fund

The UK scheme, the Imperial Tobacco Pension Fund ("ITPF"), was closed to future accrual on 30 September 2023. All former active members are now enrolled into the defined contribution scheme along with all other UK employees. Former active members of the defined benefit section of the ITPF are now deferred members who are able to draw their pension in the same way as an existing deferred member and are in receipt of annual inflationary increases as existing deferred members. The impact of the closure to future accrual was reported in the 2023 income statement. A further cost of £5.6 million was reported in the 2024 income statement due to a legal ruling in the year which became applicable to ITL. The ruling required some elements of the compensation paid in 2023 be subject to income tax and national insurance which ITL agreed to cover for impacted members if such a ruling were made. The ITPF defined benefit obligation comprises 83% in respect of pensioners and dependants, 17% in respect of deferred members and has a weighted average maturity of 11 years.

The ITPF operates under trust law and is managed and administered by the Trustees on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The ITPF assets are held by the trust.

The main risk for the company in respect of the ITPF is that additional contributions are required if the assets are not expected to be sufficient to pay for the benefits. The investment portfolio is subject to a range of risks typical of the asset classes held, such as liquidity to manage the Liability Driven Investment (LDI) portfolio, credit exposure within investment funds and exposure to the property market. The ITPF holds a buy-in policy with Standard Life as an asset; this covers around 57% of the pensioner defined benefit obligation. The buy-in eliminates risks relating to investments, longevity, inflation and funding risks in respect of those benefits covered.

The main uncertainties affecting the level of benefits payable under the ITPF are future inflation levels, as these impact increases to pensions, and the actual longevity of the membership.

The contributions paid to the ITPF are set by the ITPF Scheme Actuary every three years. The Scheme Actuary is an external consultant, appointed by the Trustees. Principal factors that the Scheme Actuary will have regard to include the covenant offered by the company, the level of risk in the ITPF, the expected return on assets, the results of the funding assessment on the Technical Provisions basis and the expected cost of securing benefits if the ITPF were to be wound up.

At present a new valuation is underway effective 31 March 2025, the valuation process has not yet been finalised and is expected to complete during the first half of financial year 2026. The last agreed was at 31 March 2022 and reported a 118% funding ratio on the Technical Provisions basis. ITL and the Trustee agreed to maintain the existing dynamic contribution schedule, which means ITL's annual contributions will reduce or increase depending on the ITPF valuation going forward. The level of ITL's annual contribution to the ITPF was £nil for the year to 31 March 2025. ITL does not expect to pay any contributions to the ITPF or the escrow account for the year to 31 March 2026. Further contributions were agreed to be paid by ITL in the event of a downgrade of the Group's credit rating to non-investment grade by either Standard & Poor's or Moody's, if a funding deficit were to exist. In addition, a surety guarantee with a total value of £120 million and a parental guarantee from Imperial Brands PLC remains in place. In certain circumstances, surplus funds in the defined benefit section of the ITPF may be used to finance defined contribution section contributions on ITL's behalf with company contributions reduced accordingly.

The IAS 19 measurement of the defined benefit obligation is sensitive to the assumptions made about future inflation as well as the assumptions made about life expectancy. It is also sensitive to the discount rate, which depends on market yields on sterling denominated AA corporate bonds. The main differences between the Technical Provisions and IAS 19 assumptions are a more prudent longevity assumption for Technical Provisions and a different approach to setting the discount rate. A consequence of the ITPF's investment strategy, with a proportion of the assets invested in return-seeking assets, is that the difference between the market value of the assets and the IAS 19 defined benefit obligation may be relatively volatile.

The ITPF has a pension surplus on the IAS 19 measure and, in line with IFRIC 14, recognition of the net asset on the fund is only appropriate where it can be recovered. The ITPF trust deed gives the company an ability to receive a refund of surplus assets assuming the full settlement of liabilities in the event of a wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up the ITPF or otherwise augment the benefits due to the ITPF's members. Based on these circumstances, any net surplus in the ITPF is recognised in full.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The Reemtsma Cigarettenfabriken Pension Plan

The German scheme, the Reemtsma Cigarettenfabriken Pension Plan (RCPP), is primarily a career average pension plan, though a small group of members has final salary benefits. The RCPP defined benefit obligation comprises 55% in respect of pensioners and dependants, 22% in respect of deferred members and 23% in respect of active members and has a weighted average maturity of 15 years. The RCPP was closed to new members from 1 January 2020, but existing active members at that date continue to accrue benefits.

The RCPP is unfunded and the company pays benefits as they arise. The RCPP obligations arise under a works council agreement and are subject to standard German legal requirements around such matters as the benefits to be provided to employees who leave service, and pension increases in payment. Over the next year Reemtsma Cigarettenfabriken GmbH expects to pay £26 million (2025: £24 million) in respect of benefits.

The main uncertainties affecting the level of benefits payable under the RCPP are future inflation levels, as these impact increases to pensions, and the actual longevity of the membership.

The IAS 19 measurement of the defined benefit obligation and the current service cost are sensitive to the assumptions made about the above variables, as well as the discount rate, which depends on market yields on euro denominated AA corporate bonds.

ITG scheme

The main US pension scheme, held by ITG Brands, is the ITG Scheme, is a defined benefit pension plan that is closed to new entrants. The ITG Scheme defined benefit obligation comprises 78% in respect of pensioners and dependants, 3% in respect of deferred members and 19% in respect of active members and has a weighted average maturity of nine years.

ITG Brands transacted a partial buy-out of some of the pensioner and dependant population during 2024. The buy-out resulted in a 2024 income statement credit of £5 million.

The ITG Scheme is funded and benefits are paid from the ITG Scheme assets. Contributions to the plan are determined based on US regulatory requirements. ITG Brands made no contributions this year and is not expected to make any contributions in the next year.

Annual benefits in payment are assumed not to increase from current levels. The main uncertainty affecting the level of benefits payable under the plan is the actual longevity of the membership. Other key uncertainties impacting the plan include investment risk and potential past service benefit changes from future union negotiations.

The IAS 19 measurement of the defined benefit obligation and the service cost are sensitive to the assumptions made about the above variables, as well as the discount rate, which depends on market yields on US dollar denominated AA corporate bonds.

Other plans

Other plans of the Group include various pension plans, other post-employment and long-term employee benefit plans in several countries of operation. Some of the plans are funded, with assets backing the obligations held in separate legal vehicles such as trusts, whilst others are operated on an unfunded basis. The benefits provided, the approach to funding and the legal basis of the plans reflect their local territories. IAS 19 requires that the discount rate for calculating the DBO and service cost is set according to the level of relevant market yields on corporate bonds where the market is considered “deep”, or government bonds where it is not.

Over the year the defined benefit plans in Australia and Ireland were closed to future accrual, with all active members taking a lump sum in lieu of these benefits and combining them with their defined contribution funds for future service. In Spain, a number of pensioners elected to take a one time lump sum option offered in lieu of future payments from the Company. These were reported in the P&L as predominately settlement costs.

The results of the most recent available actuarial valuations for the various plans have been updated to 30 September 2025 in order to determine the amounts to be included in the Group’s consolidated financial statements. The aggregate IAS 19 position is as follows:

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Defined benefit plans

£ million	DBO 2025	Assets 2025	Total 2025	DBO 2024	Assets 2024	Total 2024
At 1 October	**(3,287)**	**2,844**	**(443)**	(3,370)	2,977	(393)
Consolidated income statement expense:						
Current service cost	**(19)**	**-**	**(19)**	(18)	-	(18)
Settlements gains/(losses)	**13**	**(15)**	**(2)**	109	(107)	2
Past service income	**-**	**-**	**-**	12	-	12
Cost of termination benefits	**(6)**	**-**	**(6)**	(2)	-	(2)
Net interest (expense)/income on net defined benefit (liability)/asset	**(149)**	**138**	**(11)**	(171)	160	(11)
Administration costs paid from plan assets	**-**	**(6)**	**(6)**	-	(5)	(5)
Cost recognised in the income statement			**(44)**			(22)
Remeasurements:						
Actuarial (loss)/gain due to liability experience	**(64)**	**-**	**(64)**	13	-	13
Actuarial gain/(loss) due to financial assumption changes	**227**	**-**	**227**	(161)	-	(161)
Actuarial gain due to demographic assumption changes	**31**	**-**	**31**	1	-	1
Return on plan assets excluding amounts included in net interest (expense)/income above	**-**	**(221)**	**(221)**	-	44	44
Remeasurement effects recognised in other comprehensive income			**(27)**			(103)
Cash:						
Employer contributions	**-**	**57**	**57**	-	55	55
Benefits paid	**253**	**(253)**	**-**	247	(247)	-
Net cash			**57**			55
Changes to immaterial benefit plans categorised as an IAS 19 obligation recognised in the prior year	**-**	**-**	**-**	(11)	-	(11)
Exchange movements	**(32)**	**2**	**(30)**	64	(33)	31
Total other			**(30)**			20
At 30 September	**(3,033)**	**2,546**	**(487)**	(3,287)	2,844	(443)

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Retirement benefit scheme costs charged to operating profit

£ million	2025	2024
Defined benefit expense in operating profit	**33**	11
Defined contribution expense in operating profit	**23**	23
Total retirement benefit scheme cost in operating profit	**56**	34

Split as follows in the consolidated income statement:

£ million	2025	2024
Cost of sales	**17**	12
Distribution, advertising and selling costs	**25**	13
Administrative and other expenses	**14**	9
Total retirement benefit scheme costs in operating profit	**56**	34

Assets and liabilities recognised in the consolidated balance sheet

£ million	2025	2024
Retirement benefit assets	**314**	376
Retirement benefit liabilities	**(801)**	(819)
Net retirement benefit liability	**(487)**	(443)

Key figures and assumptions used for major plans

	2025			2024		
£ million unless otherwise indicated	ITPF	RCPP	ITG Scheme	ITPF	RCPP	ITG Scheme
Defined benefit obligation (DBO)	**1,951**	**511**	**224**	2,157	524	235
Fair value of scheme assets	**(2,196)**	**-**	**(253)**	(2,459)	-	(264)
Net defined benefit (asset)/ liability	**(245)**	**511**	**(29)**	(302)	524	(29)
Current service cost	**-**	**9**	**2**	-	7	2
Employer contributions	**-**	**24**	**-**	-	23	-
Principal actuarial assumptions used (% per annum)						
Discount rate	**5.7**	**3.9**	**5.2**	5.1	3.4	4.8
Future salary increases	**n/a**	**3.0**	**n/a**	n/a	3.1	n/a
Future pension increases	**3.0**	**2.0**	**n/a**	3.2	2.0	n/a
Inflation	**3.0**	**2.0**	**2.3**	3.1	2.0	2.3

	2025					
	ITPF		**RCPP**		**ITG Scheme**	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
Life expectancy at age 65 years:						
Member currently aged 65	**21.6**	**22.0**	**21.0**	**24.4**	**19.9**	**21.9**
Member currently aged 50	**22.4**	**23.1**	**23.1**	**26.0**	**21.1**	**23.1**

	2024					
	ITPF		RCPP		ITG Scheme	
	Male	Female	Male	Female	Male	Female
Life expectancy at age 65 years:						
Member currently aged 65	21.2	22.6	20.9	24.3	19.8	21.9
Member currently aged 50	22.0	23.9	22.9	25.9	21.0	23.0

Assumptions regarding future mortality experience are set based on advice that uses published statistics and experience in each territory. In particular for the ITPF, SAPS S4 (2024: SAPS S3) tables are used with various adjustments for different groups of members, reflecting observed experience. The largest group of members uses the SAPS S4 Normal Health Male table with a 100% multiplier. An allowance for improvements in longevity is made using the 2023 (2024: 2021) CMI improvement rates with a long-term trend of 1.25% per annum.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Sensitivity analysis for key assumptions at the end of the year

Sensitivity analysis is illustrative only and is provided to demonstrate the degree of sensitivity of results to key assumptions. Generally, estimates are made by re-performing calculations with one assumption modified and all others held constant.

	2025			2024		
% increase in DBO	ITPF	RCPP	ITG Scheme	ITPF	RCPP	ITG Scheme
Discount rate: 0.5% decrease	5.2	7.5	4.6	5.7	8.1	4.9
Rate of inflation: 0.5% decrease	(4.2)	(5.4)	n/a	(4.3)	(5.6)	n/a
One year increase in longevity for a member currently age 65, corresponding changes at other ages	4.0	3.9	4.2	3.6	4.1	4.2

The sensitivity to the inflation assumption change includes corresponding changes to the future salary increases and future pension increases assumptions, but is assumed to be independent of any change to discount rate.

We estimate that a 0.5% decrease in the discount rate at the start of the year would have increased the consolidated income statement pension expense by approximately £7 million (2024: £8 million).

An approximate split of the major categories of ITPF scheme assets is as follows:

	2025		2024	
£ million unless otherwise indicated	Fair value	Percentage of ITPF scheme assets	Fair value	Percentage of ITPF scheme assets
Bonds - index linked government / LDI funds	444	20.2	487	19.8
Bonds - corporate and other	114	5.2	-	-
Property including ground leases	388	17.7	446	18.1
Secured finance and private debt funds	303	13.7	463	18.8
Insurance contract (buy-in policy)	926	42.2	1,035	42.1
Other - including cash and short-term loan drawings	21	1.0	28	1.1
	2,196	100.0	2,459	100.0

The primary investment objective is to invest the ITPF's assets in an appropriate and secure manner such that members' benefit entitlements can be paid as they fall due.

The majority of the assets are non-quoted. The ITPF holds £nil of self-invested assets (2024: £nil).

An approximate split of the major categories of ITG Scheme assets is as follows:

	2025		2024	
£ million unless otherwise indicated	Fair value	Percentage of ITG Scheme assets	Fair value	Percentage of ITG Scheme assets
Bonds - government, corporate and other	134	53.0	122	46.2
Other - including derivatives, commodities and cash	119	47.0	142	53.8
	253	100.0	264	100.0

The majority of the assets are non-quoted.

25. PROVISIONS

				2025
£ million	Restructuring	Employment related claims	Other	Total
At 1 October 2024	130	112	69	311
Additional provisions charged to the consolidated income statement	1	14	12	27
Amounts used	(26)	(27)	(14)	(67)
Unused amounts reversed	(9)	(13)	(10)	(32)
Exchange movements	5	5	3	13
At 30 September 2025	101	91	60	252

Analysed as:

£ million	2025	2024
Current	55	89
Non-current	197	222
	252	311

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Restructuring provisions relate mainly to our 2021 Strategic Review Programme and Cost optimisation programmes (see note 6).

The restructuring provision is split between 2021 Strategic Review Programme of £49 million (2024: £63 million), and other programmes of £52 million (2024: £67 million).

During the year, the new 2030 Strategy Review Programme commenced. The total costs of this programme is expected to be c.£740 million of which c.£600 million are anticipated to be cash costs. The majority of the cash spend, c.£500 million is expected to be split between FY27 and FY28. For the year ended 30 September 2025, a total of £21 million of costs were incurred on restructuring activities for this programme, these costs were paid during the period and a provision of £1 million (2024: £nil) is included at 30 September 2025.

Employment related claims provisions include £17 million (2024: £23 million) relating to local employment requirements including holiday pay and £20 million (2024: £25 million) of distribution requirements relating to employment and duty. An amount of £54 million (2024: £64 million) has been provided for employment related claims arising from a number of legacy legal disputes. Although the company continues to appeal a number of these claims, the Group has resolved to engage with certain counterparties where a valid claim has been established. There are uncertainties relating to the estimation and quantification of this provision and amounts may change in the future, but this provision is expected to be utilised within the next two years.

Other provisions include £30 million (2024: £29 million) relating to various local tax or duty requirements, £8 million (2024: £8 million) of market exit provisions and £2 million for factory closure provisions (2024: £12 million).

The provisions are spread throughout the Group and payment will be dependent on local statutory requirements.

Most of the provisions will also be utilised within the next two years, though certain employee-related and restructuring provisions may be required to be held for a period of up to 10 years where they relate to requirements to provide benefits for defined periods of time after an employee leaves employment.

26. SHARE CAPITAL

	2025		2024	
	Ordinary shares 10p each		Ordinary shares 10p each	
	Number	**£ million**	Number	£ million
Authorised, issued and fully paid:				
1 October	**914,502,882**	**91**	968,590,194	97
Shares cancelled	**(44,612,248)**	**(4)**	(54,087,312)	(6)
30 September	**869,890,634**	**87**	914,502,882	91

On 5 October 2023, the Board approved a £1,100 million share buyback programme in order to return capital to shareholders. Pursuant to the completion of this programme, the Group purchased 3,565,595 shares for a cost of £80 million in the period from 1 October 2024 to 29 October 2024.

On 8 October 2024, the Board approved a £1,250 million share buyback programme in order to return capital to shareholders, which has been completed on 29 October 2025. On 30 October 2024 it was announced that in order to execute the first tranche of this buyback, the Group had entered into an irrevocable and non-discretionary arrangement with its broker Morgan Stanley & Co. International Plc ("Morgan Stanley") to buy back up to £625 million of its shares, commencing from 30 October 2024 and ended on 30 April 2025. The first tranche purchased 23,488,623 shares for a cost of £625 million. Upon completion of the purchase, these shares were cancelled and transferred to the capital redemption reserve. For the second tranche of the programme, the Group entered into an irrevocable and non-discretionary arrangement with Barclays Capital Securities Limited ("Barclays") to buy back up to £625 million of its shares. The second tranche commenced on 1 May 2025 and in the period to 30 September 2025, the second tranche purchased 17,558,030 shares for a cost of £519 million.

In the period to 30 September 2025 44,612,248 shares have been bought back and cancelled at a cost of £1,224 million. The stamp duty and other tax costs were £11 million and the fees charged for the share repurchase were £2 million. Upon completion of the purchase, these shares were cancelled and transferred to the capital redemption reserve. As at 30 September 2025, the Group has recognised a liability of £116 million for the remaining shares to be purchased.

For the year ended 30 September 2025 the amounts recognised in the share premium and capital redemption reserves were £5,833 million (2024: £5,833 million) and £20 million (2024: £16 million) respectively.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. SHARE SCHEMES

The Group operates four types of share-based incentive programmes, designed to incentivise staff and to encourage them to build a stake in the Group.

Share Matching Scheme

Awards are made to eligible employees who are invited to invest a proportion of their eligible bonus in shares for a period of three years, after which matching shares are awarded on a 1:1 ratio, plus dividend equivalents.

Long-Term Incentive Plan (LTIP)

Awards of shares under the LTIP are made to the Executive Directors and senior executives at the discretion of the Remuneration Committee. They vest three years after grant and are subject to performance criteria. Dividend equivalents accrue on vested shares.

Sharesave Plan

Options are granted to eligible employees who participate in a designated savings scheme for a three-year period.

Discretionary Share Awards Plan (DSAP)

Under the DSAP, one-off conditional awards are made to individuals to recognise exceptional contributions within the business. Awards, which are not subject to performance conditions and under which vested shares do not attract dividend roll-up, will normally vest on the third anniversary of the date of grant subject to the participant's continued employment. The limit of an award under the DSAP is capped at 25% of the participant's salary at the date of grant. Shares used to settle awards under the DSAP will be market purchased.

Further details of the schemes including additional criteria applying to Directors and some senior executives are provided within the "Determination of 2025 annual bonus plan" and "Long-Term Incentive Plan awards vesting" sections of the Directors' Remuneration Report.

Analysis of charge to the consolidated income statement

£ million	2025	2024
Share Matching Scheme	**2**	2
Long Term Incentive Plan	**32**	28
Sharesave Plan	**1**	1
Discretionary Share Awards Plan	**1**	1
	36	32

The awards are predominantly equity settled. The balance sheet liability in respect of cash-settled schemes at 30 September 2025 was £1.8 million (2024: £3.5 million).

Reconciliation of movements in awards/options

Thousands of shares unless otherwise indicated	2025 Share Matching Scheme awards	LTIP awards	Sharesave options	DSAP awards	Sharesave weighted average exercise price £
Outstanding at 1 October 2024	**371**	**8,565**	**1,540**	**211**	**14.78**
Granted	**104**	**3,296**	**311**	**166**	**21.64**
Cancelled/forfeited/lapsed	**(15)**	**(1,171)**	**(75)**	**(15)**	**14.80**
Exercised	**(167)**	**(2,383)**	**(231)**	**(75)**	**14.36**
Outstanding at 30 September 2025	**293**	**8,307**	**1,545**	**287**	**16.22**
Exercisable at 30 September 2025	**-**	**-**	**34**	**-**	**14.56**

Thousands of shares unless otherwise indicated	2024 Share Matching Scheme awards	LTIP awards	Sharesave options	DSAP awards	Sharesave weighted average exercise price £
Outstanding at 1 October 2023	453	8,502	1,686	173	13.72
Granted	172	4,341	445	73	15.96
Cancelled/forfeited/lapsed	(20)	(1,608)	(138)	(11)	13.61
Exercised	(234)	(2,670)	(453)	(24)	13.10
Outstanding at 30 September 2024	371	8,565	1,540	211	14.78
Exercisable at 30 September 2024	-	-	42	-	13.09

The weighted average Imperial Brands PLC share price at the date of exercise of awards and options was £29.16 (2024: £20.06). The weighted average fair value of Sharesave options granted during the year was £4.99 (2024: £3.40).

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Summary of awards/options outstanding at 30 September 2025

Thousands of shares unless otherwise indicated	Number of awards/options outstanding	Vesting period remaining in months	Exercise price of options outstanding £
Share Matching Scheme			
2023	**109**	**5**	**n/a**
2024	**112**	**17**	**n/a**
2025	**72**	**29**	**n/a**
Total awards outstanding	**293**		
Long Term Incentive Plan			
2023	**2,413**	**5**	**n/a**
2024	**3,256**	**17**	**n/a**
2025	**2,638**	**29**	**n/a**
Total awards outstanding	**8,307**		
Sharesave Plan			
2022	**34**	**-**	**14.56**
2023	**786**	**10**	**14.29**
2024	**415**	**22**	**15.96**
2025	**310**	**34**	**21.64**
Total options outstanding	**1,545**		
Discretionary Share Awards Plan			
2023	**58**	**6**	**n/a**
2024	**63**	**17**	**n/a**
2025	**166**	**29**	**n/a**
Total options outstanding	**287**		

The vesting period is the period between the grant of awards or options and the earliest date on which they are exercisable. The vesting period remaining and the exercise price of options outstanding are weighted averages. Participants in the Sharesave Plan have six months from the maturity date to exercise their options. Participants in the LTIP generally have seven years from the end of the vesting period to exercise their options. The exercise price of the options is fixed over the life of each option.

Pricing

For the purposes of valuing options to calculate the share-based payment charge, the Black-Scholes option pricing model has been used for the Share Matching Scheme, Sharesave Plan, and Discretionary Share Awards Plan with no market conditions. A summary of the assumptions used in the Black-Scholes model for 2025 and 2024 is as follows:

			2025
	Share Matching Scheme	**Sharesave**	**DSAP**
Risk-free interest rate %	**4.0**	**3.7**	**3.9**
Volatility (based on 3-year history)%	**20.0**	**19.0**	**19.7**
Expected lives of options granted years	**3.0**	**3.0**	**3.0**
Dividend yield %	**7.8**	**7.8**	**7.8**
Fair value £	**22.01**	**4.99**	**21.97**
Share price used to determine exercise price £	**27.80**	**29.09**	**27.75**
Exercise price £	**n/a**	**21.64**	**n/a**

			2024
	Share Matching Scheme	Sharesave	DSAP
Risk-free interest rate %	4.2	4.3	4.2
Volatility (based on 3-year history)%	25.0	24.1	25.0
Expected lives of options granted years	3.0	3.0	3.0
Dividend yield %	7.6	7.6	7.6
Fair value £	14.56	3.40	14.55
Share price used to determine exercise price £	18.31	19.80	18.31
Exercise price £	n/a	15.96	n/a

Market conditions were incorporated into the Monte Carlo method used in determining the fair value of LTIP awards at grant date. Assumptions in 2025 and 2024 are given in the following table:

%	**2025**	2024
Future Imperial Brands share price volatility	**17.8**	18.1
Share price volatility of the tobacco and alcohol comparator group	**14.0-24.7**	15.4-23.1
Correlation between Imperial Tobacco and the alcohol and tobacco comparator group	**21.0**	18.9

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Employee Share Ownership Trusts

The Imperial Tobacco Group PLC Employee and Executive Benefit Trust and the Imperial Tobacco Group PLC 2001 Employee Benefit Trust (the Trusts) have been established to acquire ordinary shares in the Company to satisfy rights to shares arising on the exercise and vesting of options and awards. The purchase of shares by the Trusts has been financed by a gift of £19.2 million and an interest free loan of £147.5 million. In addition the Group has gifted treasury shares to the Trusts. None of the Trusts' shares has been allocated to employees or Executive Directors as at 30 September 2025. All finance costs and administration expenses connected with the Trusts are charged to the consolidated income statement as they accrue. The Trusts have waived their rights to dividends and the shares held by the Trusts are excluded from the calculation of basic earnings per share.

Shares held by Employee Share Ownership Trusts

Millions of shares	2025	2024
At 1 October	**0.3**	1.6
Gift of shares from Treasury	**5.7**	2.0
Distribution of shares held by Employee Share Ownership Trusts	**(3.0)**	(3.3)
At 30 September	**3.0**	0.3

The shares in the Trusts are accounted for on a first in first out basis and comprise nil shares acquired in the open market (2024: nil) and 3.0 million (2024: 0.3 million) treasury shares gifted to the Trusts by the Group. 5.7 million (2024: 2.0 million) shares were gifted in the financial year 2025.

28. TREASURY SHARES

Subject to authorisation by special resolution, the Group may purchase its own shares in accordance with the Companies Act. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of Group's issued share capital. Shares held in treasury do not qualify for dividends. Shares purchased under the share buyback programme initiated on 8 October 2024 were cancelled immediately on completion of the purchase. During the financial year 5.7 million shares (2024: 2.0 million shares) were gifted to Employee Share Ownership Trusts.

	2025		2024	
£ million unless otherwise indicated	Millions of shares (number)	Value £	Millions of shares (number)	Value £
At 1 October	**68.3**	**2,183**	70.3	2,183
Gifted to Employee Share Ownership Trusts	**(5.7)**	**-**	(2.0)	-
At 30 September	**62.6**	**2,183**	68.3	2,183
Percentage of issued share capital	**7.2**	**n/a**	7.5	n/a

29. COMMITMENTS

Capital commitments

£ million	2025	2024
Contracted but not provided for:		
Property, plant and equipment and software	**160**	207

30. CONTINGENT LIABILITIES

The following summary includes updates to matters that have developed since the 2024 Annual Report and Accounts.

USA state settlement agreements

In November 1998, the major United States cigarette manufacturers, including Reynolds and Philip Morris, entered into the Master Settlement Agreement ("MSA") with 52 US states and territories. These cigarette manufacturers previously settled four other cases, brought by Mississippi, Florida, Texas and Minnesota, by separate agreements with each state (collectively with the MSA, the "State Settlement Agreements", with Mississippi, Florida, Texas and Minnesota known collectively as the "Previously Settled States"). ITG Brands (ITGB) is a party to the MSA and to the Mississippi, Minnesota, and Texas State Settlement Agreements.

In connection with its 12 June 2015 acquisition of four cigarette brands (Winston, Salem, Kool and Maverick, referred to as the "Acquired Brands") from Reynolds and Lorillard, ITGB has been involved in litigation and other disputes with the Previously Settled States, Philip Morris, and Reynolds in the Previously Settled States' state courts and elsewhere. The cases in the Previously Settled States' courts are now resolved, with the Florida court holding ITGB did not assume settlement payment liability through the acquisition and the remainder resolved by settlement. Litigation with Reynolds related to the acquisition continues in Delaware.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Delaware

ITGB is involved in litigation with Reynolds in the Delaware court that has jurisdiction over disputes under the Asset Purchase Agreement (APA) for the Acquired Brands. The current case in progress involves Reynolds' claim to indemnity for Florida settlement payments.

On 30 September 2022, the trial court granted summary judgment to Reynolds and denied summary judgment to ITGB. It held that the Florida court's determination that ITGB did not assume payments under the Florida settlement unless it agreed to do so was not binding on the Delaware courts under principles of issue preclusion. It further held that as a matter of law the contract provisions unambiguously provided ITGB had assumed and was required to indemnify Reynolds for Florida settlement payments. The Court did not determine the amount of Reynolds' damages but left that question open for further proceedings.

On 2 October 2023 the Court issued an initial order on damages. The court rejected ITGB's claim that no damages could be assessed but declined to decide the amount of damages and other issues until after a trial. On 31 October 2023 Philip Morris USA moved to intervene in the damages determination on the theory that any profit adjustment gain belongs to Philip Morris, not ITGB or Reynolds. On 1 April 2024 the court denied intervention. Philip Morris dismissed its appeal from that denial, but has stated it may raise independent claims against Reynolds and/or ITGB on its unjust enrichment and other theories.

Following the Court's 30 September 2022 opinion on liability which found against ITGB, the Court held a trial on damages on 8-9 July 2024. The Court issued an opinion on 3 March 2025 on the matter of damages, finding in favour of Reynolds based on contract language rather than the evidence at trial, except with regard to Reynolds' claim for attorney's fees. A final order reflecting the Court's opinions was issued on 9 April 2025. Damages include US$ 276 million through 2024, plus accrued interest of US$ 94 million calculated through the date of the judgment entered in April 2025. Additional damages through the end of 2025 are estimated at US$ 50.8 million, including US$ 24.2 million for the annual settlement payment for 2025 and additional interest from April 2025 through December 2025 of US$ 26.6 million. Additional amounts based on the annual settlement payment will accrue for 2026 and each year after, estimated at US$ 24.2 million for each year, plus additional interest so long as the prior balance remains unpaid.

ITGB filed a notice of appeal to the Delaware Supreme Court on 8 May 2025 both on the question of liability and on the calculation of damages and has posted a bond to suspend the payment of damages. The amount of the bond is costed at circa US$ 1.5 million per year. The appeal is based on arguments that ITGB has no liability under the APA and that, if liable, damages should be reduced. Oral argument in the appeal has been set for 3 December 2025, and a ruling is expected approximately 90 days later. If our appeal is successful, the subsequent legal processes are expected to take one to three years or more to conclude.

MSA Previously Settled States Reduction

The MSA contains a downward adjustment, called the Previously Settled States Reduction, which reduces aggregate payments made by Philip Morris, Reynolds, and ITGB by a specified percentage each year. The State of California, later joined by the remainder of the MSA states and by Philip Morris, challenged the application of that Reduction to ITGB for every year from 2016 forward, claiming that it cannot apply to ITGB since it is not making settlement payments to Florida, Minnesota, or Texas under their settlements. The Independent Auditor to the MSA, which initially addresses disputes related to payments, has rejected that challenge every year. Philip Morris has settled that claim as it relates to Minnesota and Texas, but not Florida. It is possible that one of the parties making the challenge may seek to arbitrate the claim under the MSA. The PSS Reduction provides annual MSA payment reductions of up to circa US$ 65 million.

Overall summary of liability position associated with USA state settlement agreements

The Group's legal advice is that it has a strong position on pending claims related to the Acquired Brands and the Group therefore considers that no provision is required for these matters.

Product liability investigations

The Group is currently involved in a number of legal cases in which claimants are seeking damages for alleged smoking and health related effects. The Group believes it has meritorious defences to these actions, all of which are being vigorously contested. Although it is not possible to predict the outcome of the pending litigation, the Directors believe that the pending actions will not have a material adverse effect upon the results of the operations, cash flow or financial condition of the Group. This assessment of the probability of economic outflows at the year-end is a judgement which has been taken by management. Consequently, the Group has not provided for any amounts in respect of these cases in the financial statements. There have been no material updates to matters in any product liability investigations in the period since the 2024 Annual Report and Accounts.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Competition authority investigations

Spain

On 12 April 2019 the Spanish National Commission on Markets and Competition ("CNMC") announced penalties against Philip Morris Spain, Altadis, JT International Iberia and Logista. Altadis and Logista received fines of €11.4 million and €20.9 million, respectively, from the CNMC. According to the decision, Altadis and Logista were alleged to have infringed competition law by participating in an exchange of sales volume data between 2008 and February 2017. The CNMC considered that this conduct had the effect of restricting competition in the Spanish tobacco market. In June 2019, both Altadis and Logista commenced appeals to the CNMC's decision, and the fines imposed in the Spanish High Court. In September 2019 Altadis and, separately, Logista arranged bank guarantees for the full amount of the fines with the result that payment of the fines had been suspended pending the outcome of the appeals. Therefore, provision for these amounts was not considered appropriate.

On 7 November 2025, Altadis was notified of the judgment from the Spanish High Court, annulling the CNMC's decision and the penalty imposed on Altadis, which is now entitled to cancel the bank guarantee arranged for the fine. Logista was subsequently notified of the High Court's ruling on 11 November 2025, which also confirmed the annulment of the penalty imposed on Logista. According to the judgment, the alleged exchange of sales volume data between 2008 and February 2017 did not have the effect of restricting competition in the Spanish tobacco market. The National Court has ordered the CNMC to pay court costs. There are thirty days to appeal the Spanish High Court's judgment before the Spanish Supreme Court.

Other litigation

US Helms-Burton litigation

Imperial Brands PLC has been named as a defendant in a civil action in federal court in Miami, Florida under Title III of the Cuban Liberty and Democratic Solidarity Act of 1996 ("Helms-Burton") filed on 6 August 2020. Title III provides United States nationals with a cause of action and a claim for treble damages against persons who have "trafficked" in property expropriated by the Cuban government. Although the filed claim is for unquantified damages, we understand the claim could potentially reach approximately US$ 365 million, based on the claimants' claim to own 90% of the property, which they value at US$ 135 million (and then treble based on the claimants' interpretation of the legislation). The claim is based on allegations that Imperial, through Corporación Habanos S.A. (a joint venture between one of Imperial's now former subsidiaries and the Cuban government), has "trafficked" in a factory in Havana, Cuba that the Cuban government confiscated from the claimants' ancestor in the early 1960s, by using the factory to manufacture, market, sell, and distribute Habanos cigars.

At the time the claim was filed against Imperial and up until the conclusion of the Brexit "transition period" on 31 December 2020, Imperial was subject to an EU law known as the EU Blocking Statute (Regulation (EC) No. 2271/96), which conflicts with Helms-Burton, protected Imperial against the impact of Title III, and impacted how Imperial might respond to the threatened litigation. The EU Blocking Statute has been transposed into domestic law with only minimal changes. Accordingly, on 10 January 2021, Imperial submitted an application to the UK Department for International Trade (now the Department for Business and Trade) for authorisation from the Secretary of State for International Trade to defend the action or, at a minimum, to file and litigate a motion to dismiss the action and this was granted on 8 February 2021.

Following a lengthy motion to dismiss proceeding, on 28 November 2023, a magistrate issued a recommended ruling, and recommended dismissal of the case in its entirety as against Imperial on three separate grounds. On 8 April 2024, the judge adopted the magistrate's recommendation that the case be dismissed for lack of personal jurisdiction and entered an order dismissing and closing the case.

The Claimants filed an appeal against the judge's dismissal of the claim on 7 May 2024. The claimants' appeal submissions were filed on 16 August 2024 and the Group response was submitted on 16 October 2024. The appeal hearing took place on 12 August 2025. A decision on the appeal could take 3-12 months. No provision has been made for potential liabilities related to this claim based on the current accounting assessment of the probability of a future economic outflow.

UK

In June 2020, the Group responded to a claimant law firm's allegation of human rights issues in the Malawian tobacco supply chain, which included allegations relating to child and forced labour. In December 2020, a claim was filed in the English High Court against Imperial Brands plc, Imperial Tobacco Limited and four of its subsidiaries (the Imperial Defendants) and two entities in the British American Tobacco (the BAT Defendants) group by a group of Malawian tobacco farm workers. The Imperial Defendants have acknowledged service and confirmed to the claimants that they intend to defend the claim in full.

The Imperial Defendants have not yet been required to file their Defence. The deadline for the Imperial and BAT Defendants to do so has been postponed pending other case management actions and will be determined at a subsequent case management hearing after the completion of a matching exercise (which will seek to establish whether the claimants worked for farmers who grew tobacco purchased by either Defendant group). That hearing is not expected to take place until 2026. The claim is unquantified and given the early stage of the litigation a provision would not be appropriate.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. NET DEBT

The movements in cash and cash equivalents, borrowings, and derivative financial instruments in the year were as follows:

£ million	Current borrowings	Lease liabilities	Non-current borrowings	Derivative financial instruments	Liabilities from financing activities	Cash and cash equivalents	Total
At 1 October 2024	**(1,191)**	**(386)**	**(7,506)**	**(335)**	**(9,418)**	**1,078**	**(8,340)**
Reallocation of current borrowings from non-current borrowings	**(1,613)**	**-**	**1,613**	**-**	**-**	**-**	**-**
Cash flow	**1,774**	**109**	**(2,438)**	**144**	**(411)**	**310**	**(101)**
Change in accrued interest	**12**	**(15)**	**(38)**	**3**	**(38)**	**-**	**(38)**
Change in fair values	**-**	**-**	**-**	**8**	**8**	**-**	**8**
New leases, terminations and modifications	**-**	**(95)**	**-**	**-**	**(95)**	**-**	**(95)**
Exchange movements	**(52)**	**(15)**	**(155)**	**(217)**	**(439)**	**51**	**(388)**
At 30 September 2025	**(1,070)**	**(402)**	**(8,524)**	**(397)**	**(10,393)**	**1,439**	**(8,954)**

£ million	Current borrowings	Lease liabilities	Non-current borrowings	Derivative financial instruments	Liabilities from financing activities	Cash and cash equivalents	Total
At 1 October 2023	(1,499)	(349)	(7,882)	(53)	(9,783)	1,345	(8,438)
Reallocation of current borrowings from non-current borrowings	(1,673)	-	1,673	-	-	-	-
Cash flow	1,760	107	(1,660)	34	241	(203)	38
Change in accrued interest	37	(14)	(21)	12	14	-	14
Change in fair values	-	-	-	(119)	(119)	-	(119)
New leases, terminations and modifications	-	(144)	-	-	(144)	-	(144)
Exchange movements	184	14	384	(209)	373	(64)	309
At 30 September 2024	(1,191)	(386)	(7,506)	(335)	(9,418)	1,078	(8,340)

Average reported net debt during the year was £10,131 million (2024: £10,037 million).

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Analysis by denomination currency

£ million	GBP	EUR	USD	Other	2025 Total
Cash and cash equivalents	**185**	**522**	**256**	**476**	**1,439**
Total borrowings	**(693)**	**(3,943)**	**(4,950)**	**(8)**	**(9,594)**
	(508)	**(3,421)**	**(4,694)**	**468**	**(8,155)**
Effect of cross-currency swaps	**477**	**(5,519)**	**4,662**	**-**	**(380)**
	(31)	**(8,940)**	**(32)**	**468**	**(8,535)**
Lease liabilities	**(36)**	**(291)**	**(37)**	**(38)**	**(402)**
Derivative financial instruments					**(17)**
Net debt					**(8,954)**

£ million	GBP	EUR	USD	Other	2024 Total
Cash and cash equivalents	356	179	129	414	1,078
Total borrowings	(1,014)	(3,383)	(4,291)	(9)	(8,697)
	(658)	(3,204)	(4,162)	405	(7,619)
Effect of cross-currency swaps	1,022	(5,532)	4,292	-	(218)
	364	(8,736)	130	405	(7,837)
Lease liabilities	(39)	(265)	(47)	(35)	(386)
Derivative financial instruments					(117)
Net debt					(8,340)

32. RECONCILIATION OF CASH FLOW TO MOVEMENT IN NET DEBT

£ million	2025	2024
Increase/(decrease) in cash and cash equivalents	**310**	(203)
Cash flows relating to derivative financial instruments	**144**	34
Repayment of lease liabilities	**109**	107
Increase in borrowings	**(3,899)**	(3,848)
Repayment of borrowings	**3,235**	3,948
Change in net debt resulting from cash flows	**(101)**	38
Other non-cash movements including revaluation of derivative financial instruments	**(30)**	(105)
New leases, terminations and modifications	**(95)**	(144)
Exchange movements	**(388)**	309
Movement in net debt during the year	**(614)**	98
Opening net debt	**(8,340)**	(8,438)
Closing net debt	**(8,954)**	(8,340)

The increase in borrowings and repayment of borrowings reflect the cash flow movements relating to borrowings outstanding at the start and at the end of each financial year; cash flows relating to short-term borrowings drawn down and repaid within the year are not included in this analysis.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

33. NON-CONTROLLING INTERESTS

Material non-controlling interests

Detailed below is the summarised financial information of Logista, being a subsidiary where the non-controlling interest of 49.99% is considered material to the Group.

Summarised balance sheet
at 30 September

Euro million	2025	2024
Current assets	**6,575**	6,290
Current liabilities	**(7,251)**	(6,990)
Current net liabilities	**(676)**	(700)
Non-current assets	**1,732**	1,790
Non-current liabilities	**(414)**	(449)
Non-current net assets	**1,318**	1,341
Net assets	**642**	641

Summarised statement of comprehensive income
for the year ended 30 September

Euro million	2025	2024
Revenue	**13,536**	12,986
Profit for the year	**281**	308
Total comprehensive income	**281**	308

Summarised cash flow statement
for the year ended 30 September

Euro million	2025	2024
Cash flows from operating activities	**601**	397
Cash flows from investing activities	**(223)**	(51)
Cash flows from financing activities	**(373)**	(370)
Net increase/(decrease) in cash and cash equivalents	**5**	(24)

34. POST BALANCE SHEET EVENTS

Langenhagen factory

On 1 October 2025 the Group announced its intention to cease production at its Langenhagen factory in Germany. The future of the site is currently subject to a consultation with the works councils which will involve a review of available options. The outcome of the consultation will either be a sale of the site to a third party or the closure of the factory, supporting the Group's 2030 Strategy Review Programme.

Share buybacks

On 8 October 2024 Imperial Brands PLC ('the Company') announced a share buyback programme to repurchase up to £1.25 billion of shares. This programme completed on 29 October 2025 with the Company having repurchased 3,501,120 million shares for a total consideration of £106 million in the period from 1 October 2025 to 29 October 2025.

On 7 October 2025 Imperial Brands PLC ("the Company") announced the start of a new ongoing share buyback programme, to initially repurchase up to £1.45 billion of shares in the period to 28 October 2026. On 30 October 2025, in order to execute the first tranche of this buyback, the Company announced it had entered into an irrevocable and non-discretionary arrangement with its broker Morgan Stanley & Co. International Plc to buy back up to £725 million of its shares commencing from 30 October 2025 and expected to end no later than 30 April 2026.

35. RELATED UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates, and joint ventures, the principal activity, the full registered address and the effective percentage of equity owned by Imperial Brands PLC, as at 30 September 2025, are provided in the entity financial statements of Imperial Brands PLC. There are no material related parties other than Group companies.