Abridged Audited Financial Results
for the Year Ended 31 December 2019

BRITISH AMERICAN TOBACCO
ZIMBABWE

Chairman's Statement

Introduction
2019 was a challenging year for the business mainly driven by significant changes to the macroeconomic policies and in particular, the introduction of the Zimbabwe dollar that was floated against the United States dollar. The official exchange rate had very little significance to the productive sector because of the inaccessibility of foreign currency on the interbank market. The local currency devalued against major trading currencies further impacting consumer disposable incomes. Inflation increased to 521% by the end of December 2019 against 42.1% in December 2018. This increase depicted the worst annual outturn in eleven years and triggered a return to hyperinflation in the Zimbabwean economy. Power shortages persisted resulting in heavy reliance on generators which largely contributed to decreased productivity and increased operating costs for the Company. It is in this context that the Company presents its Audited Financial Results for the year ended to 31 December 2019.

Volumes
The Company's total sales volumes for the year under review decreased by 17% compared to the previous financial year. In the Aspirational Premium segment, Newbury, grew by 12% driven by consumers switching from Dunhill due to our inability to import the product as duties were required to be paid in United States dollars. Consequently, Dunhill sales declined by 94%. The Value for Money segment, (Madison and Everest) and Low Value for Money brand, Ascot, recorded a 17% and 18% decline respectively driven by shrinking consumer disposable incomes. However the Company preserved margins over the reporting period through a balanced pricing strategy.

Hyperinflationary Financial Results
Revenue decreased by ZW$16 million (5%) on an inflation adjusted basis when compared to 2018, driven by declining sales offset by numerous price increases. Gross profit decreased by ZW$16.4 million (7%) compared to 2018, driven by an increase in raw material costs and costs associated with the use of generators due to power interruptions during the year in our manufacturing activities.

Selling and marketing costs decreased by ZW$10.5 million (27%) compared to 2018 driven by route to market initiatives to manage the Company's distribution costs.

Administrative expenses were ZW$23.3 million (44%) lower than the previous year, driven by the business's ongoing cost saving initiatives.

Other expenses increased by ZW$62.1 million (398%) compared to 2018 due to foreign exchange losses on liabilities driven by the devaluation in the Zimbabwe dollar against the United States dollar.

Due to hyperinflation accounting, there was a ZW$90.8 million (348%) increase on net monetary movements mainly driven by the restatement of opening retained earnings.

As a result of the above, operating profit decreased by ZW$162.1 million (104%) versus the same period in prior year, to close at a loss of ZW$5.8 million. Net loss attributable to shareholders for the period under review was ZW$27.7 million compared to a profit of ZW$95.3 million in the previous year, representing a 129% decline. Headline Earnings per share were ZW$4.32 per share compared to ZW$5.89 per share the previous period.

Total current assets were ZW$189.4 million representing a ZW$93.7 million decrease (33%) compared to ZW$283.0 million in 2018, driven by a decrease in cash balances. Total current liabilities of ZW$142.8 million were ZW$60.8 million lower (29.8%) against ZW$203.6 million driven by a reduction in trade payables. Cash generated from operations was a negative ZW$17.9 million representing a ZW$242.6 million (108%) decrease from the ZW$224.7 million generated in 2018. This was due to a decrease in profit, increase in inventories (due to tobacco purchases for the cutrag export business that commenced in March 2020) and a decrease in payables.

Blocked funds registration
Subsequent to 31 December 2019, the Reserve Bank of Zimbabwe ("RBZ") registered blocked funds amounting to US$15.2 million in respect of outstanding dividends, consistent with the blocked funds guidelines provided in the Exchange Control Directive RU28 dated 21 February 2019 and Exchange Control Circular No. 8 of 24 July 2019. Following the registration of the blocked funds, an amount of ZWL$15.2 million was transferred to the RBZ to allow settlement of the registered blocked funds. In line with the provisions of the February 2019 Monetary Policy Statement on the settlement arrangements for these blocked funds, RBZ is now working on an appropriate Instrument(s) to facilitate settlement of the registered blocked funds. As a result of the registration, management has continued to account for the outstanding blocked funds at a rate of US$1: ZWL$1.

Dividend
As a result of the economic turbulence and loss incurred for the period, the Board has not declared a dividend for the period ended 31 December 2019.

Contribution to the Government Treasury
The Company contributes to the Government treasury through various taxes, including Excise duty, Corporate Tax, Value Added Tax, Customs Duties, Pay as You Earn and Withholding Tax. The Company's contribution to the Zimbabwe Revenue Authority (ZIMRA) in taxes increased by 138% from ZW$42.5 million in 2018 to ZW$101.3 million in 2019. The key driver of the increase in the tax contribution was Excise Duty, spurred by the increase in change from specific to mixed system (specific plus ad valorem). The specific rate moved during the year from ZW$25/1000 sticks (specific excise) to ZW$50/1000 sticks plus 20% ad valorem on the ex-factory price in August and closed the year at ZW$100/1000 sticks plus 20% ad valorem on the ex-factory price in December. The increased Corporate Tax paid was driven by the increase in the profit before tax on a historical cost basis.

Corporate Governance
In terms of Article 88 of the Company's Articles of Association, the Board appointed Mr. Kimesh Naidoo as Managing Director of the Company with effect from 18 October 2019.

Further, Mr. Alejandro Riomajor resigned on 30 April 2020 and Mr Darryn Bassa and Mr. Constantine F. Chikosi were both appointed as Non-Executive Directors with effect from 30 April 2020.

The appointments will be confirmed at the next Annual General Meeting of the Company.

Outlook
Although the economic environment is likely to remain challenging in 2020 mainly driven by macro-economic movements and the effects of the Corona Virus disease (COVID-19), we are confident that through our effective business strategies, the equity of our brands and the quality of our people, the Company will deliver value growth for its shareholders.

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Lovemore T. Manatsa
Chairman
10 June 2020

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	INFLATION ADJUSTED 31 Dec 2019 ZW$000	INFLATION ADJUSTED 31 Dec 2018 ZW$000	UNAUDITED HISTORICAL COST 31 Dec 2019 ZW$000	UNAUDITED HISTORICAL COST 31 Dec 2018 ZW$000
Revenue		**329 446**	**345 536**	**152 759**	**42 704**
Cost of sales		(94 628)	(94 309)	(37 295)	(11 273)
Gross profit		**234 818**	**251 227**	**115 464**	**31 431**
Selling and marketing costs		(28 223)	(38 680)	(14 074)	(4 990)
Administrative expenses		(29 210)	(52 464)	(22 516)	(6 949)
Impairment (loss)/gain on trade receivables		(6 519)	646	(6 519)	104
Re-measurement of share-based payment liability		(22)	112	(22)	13
Other income		1 721	20 968	1 324	2 941
Other (losses)/gains- net	5	(61 555)	547	(41 677)	88
Monetary loss on hyperinflation adjustment		(116 856)	(26 089)	-	-
(Loss)/profit before income tax		**(5 846)**	**156 267**	**31 980**	**22 638**
Income tax expense		(21 854)	(60 895)	(9 240)	(7 830)
Total comprehensive (loss) /income for the period		**(27 700)**	**95 372**	**22 740**	**14 808**
Attributable to:					
Owners of the parent		**(27 700)**	**95 372**	**22 740**	**14 808**
Basic earnings per share (ZW$)		(1.34)	4.62	1.10	0.72
Diluted earnings per share (ZW$)		(1.34)	4.62	1.10	0.72
Headline earnings per share (ZW$)		4.32	5.89	1.10	0.72

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Notes	INFLATION ADJUSTED 31 Dec 2019 ZW$000	INFLATION ADJUSTED 31 Dec 2018 ZW$000	UNAUDITED HISTORICAL COST 31 Dec 2019 ZW$000	UNAUDITED HISTORICAL COST 31 Dec 2018 ZW$000
ASSETS					
Non-current assets					
Property, plant and equipment		52 883	59 594	6 402	6 941
Intangible assets		97	144	11	18
Investment property		1 374	1 432	160	164
Financial assets at fair value through profit or loss		531	1 376	531	221
Deferred tax asset		7 137	-	12 922	-
		62 022	**62 546**	**20 026**	**7 344**
Current assets					
Inventories		113 943	45 188	88 175	5 805
Trade and other receivables		33 047	29 361	33 047	4 727
Cash and cash equivalents		42 377	208 462	42 377	33 561
		189 367	**283 011**	**163 599**	**44 093**
Total assets		**251 389**	**345 557**	**183 625**	**51 437**
EQUITY AND LIABILITIES					
Equity attributable to the owners of the parent					
Share capital		44 903	44 903	5 214	5 214
Non-distributable reserve		2 898	2 898	337	337
Retained earnings		60 746	88 446	35 232	12 492
Total equity		**108 547**	**136 247**	**40 783**	**18 043**
Non-current liabilities					
Deferred income tax liabilities		-	5 690	-	613
Current liabilities					
Trade and other payables	7	129 828	189 482	129 828	30 505
Staff benefits liability		6 107	9 386	6 107	1 511
Share-based payment liability		136	1 379	136	222
Current tax liability		6 771	3 373	6 771	543
		142 842	**203 620**	**142 842**	**32 781**
Total equity and liabilities		**251 389**	**345 557**	**183 625**	**51 437**

The notes are an integral part of these consolidated financial statements. These financial statements were authorised for use by the board of directors on 10 June 2020 and signed on its behalf by:

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Kimesh Naidoo
Managing Director

....
Leslie Malunga
Finance Director

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Directors: L. T. Manatsa (Chairman), K. Naidoo (Managing Director), L. Malunga (Finance Director), D.V. Bassa (Non-Executive Director), F.C. Chikosi (Non-Executive Director), R. P. Kupara (Non-Executive Director), E. I. Manikai (Non-Executive Director), N. Mapanzure (Non-Executive Director), H. C. Sadza (Non-Executive Director).

Abridged Audited Financial Results
for the Year Ended 31 December 2019

BRITISH AMERICAN TOBACCO
ZIMBABWE

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

INFLATION ADJUSTED

	ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Share capital ZW$000	Non-distributable reserve ZW$000	Retained earnings ZW$000	Total ZW$000
Balance at 1 January 2018	**44 903**	**2 898**	**69 159**	**116 960**
Total comprehensive income for the year	-	-	95 372	**95 372**
Dividends	-	-	(76 085)	**(76 085)**
Balance at 31 December 2018	**44 903**	**2 898**	**88 446**	**136 247**
Balance at 1 January 2019	**44 903**	**2 898**	**88 446**	**136 247**
Total comprehensive (loss)/ income for the year	-	-	(27 700)	**(27 700)**
Dividends	-	-	-	-
Balance at 31 December 2019	**44 903**	**2 898**	**60 746**	**108 547**

Non-distributable reserve
This reserve arose as a result of the change in the Company's functional currency from the Zimbabwe dollar to the United States dollar. It represents the residual equity that existed as at 1 February 2009, the date of the changeover.

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

UNAUDITED HISTORICAL COST

	ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Share capital ZW$000	Non-distributable reserves ZW$000	Retained earnings ZW$000	Total ZW$000
Balance at 1 January 2018	**5 214**	**337**	**8 035**	**13 586**
Total comprehensive income for the year	-	-	14 808	**14 808**
Dividends	-	-	(10 351)	**(10 351)**
Balance at 31 December 2018	**5 214**	**337**	**12 492**	**18 043**
Balance at 1 January 2019	**5 214**	**337**	**12 492**	**18 043**
Total comprehensive income for the year	-	-	22 740	**22 740**
Dividends	-	-	-	-
Balance at 31 December 2019	**5 214**	**337**	**35 232**	**40 783**

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	31 Dec 2019 ZW$000	31 Dec 2018 ZW$000	31 Dec 2019 ZW$000	31 Dec 2018 ZW$000
Cash flows from operating activities				
Cash (utilised in)/generated from operations	(17 966)	224 711	25 904	24 844
Income tax paid	(31 283)	(60 761)	(16 711)	(7 783)
Net cash (utilised in)/generated from operating activities	**(49 249)**	**163 950**	**9 193**	**17 061**
Cash flows from investing activities				
Purchase of property, plant and equipment	(1 237)	(2 394)	(391)	(278)
Proceeds on disposal of property, plant and equipment	102	175	19	20
Net cash from investing activities	**(1 135)**	**(2 219)**	**(372)**	**(258)**
Cash flows from financing activities				
Dividends paid to owners of the parent	(28)	(41 059)	(5)	(4 712)
Dividends paid to non-controlling interests	-	-	-	-
Net cash used in financing activities	**(28)**	**(41 059)**	**(5)**	**(4 712)**
Effect of inflation on cash and cash equivalents	(115 673)	(45 571)	-	-
(Decrease)/increase in cash and cash equivalents	(166 085)	75 101	8 816	12 091
Cash and cash equivalents at the beginning of the period	208 462	133 361	33 561	21 470
Cash and cash equivalents at end of the period	**42 377**	**208 462**	**42 377**	**33 561**

NOTES TO THE ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General Information
British American Tobacco Zimbabwe (Holdings) Limited ("the Company") manufactures, distributes and markets cigarettes to a network of independent distributors, wholesalers and retailers. The Company has a cigarette manufacturing plant in Zimbabwe and sells cigarettes solely on the Zimbabwe market.

2. Accounting policies and reporting currency
There has been no change in the Company's accounting policies since the date of the last audited financial statements, however, these financial statements are presented in Zimbabwe dollars (ZW$), being the currency of the primary economic environment in which the Company operates. Comparator periods have been translated at the rate of 1:1 between ZW$ and US$. Additionally, legacy debt has been translated at a rate of 1:1 between ZW$ and US$.

3. Basis of preparation
The Company's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and are based on statutory records that are maintained under the historical cost convention, except for financial assets at fair value through profit or loss, which are carried at fair value. Appropriate adjustments for changes in the general purchasing power of the Zimbabwe dollar for the purposes of fair presentation in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*, have been made in these financial statements to the historical cost financial information of the Company.

IAS 29 *Financial Reporting in Hyperinflationary Economies*, requires that the financial statements be prepared in the currency of a hyperinflationary economy and be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement was calculated by means of conversion factors derived from the Zimbabwe Consumer Price Index (CPI) issued by the Zimbabwe Central Statistical Office. The indices and conversion factors used to restate the accompanying financial statements at 31 December 2019, are as follows:

Dates	Indices	Conversion factor
CPI as at 31 December 2019	551.6	1.000
CPI as at 31 December 2018	88.8	6.211
Average CPI 2019	240.27	
Average CPI 2018	67.63	

Supplementary information

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	31 Dec 2019 ZW$000	31 Dec 2018 ZW$000	31 Dec 2019 ZW$000	31 Dec 2018 ZW$000
4. Depreciation				
Depreciation charge	(7 951)	(7 636)	(929)	(992)
Amortisation charge	(47)	(54)	(5)	(5)
	(7 998)	**(7 690)**	**(934)**	**(997)**
5. Other (losses)/gains - net				
Fair value gains	310	547	310	88
Foreign exchange losses	(61 865)	-	(41 987)	-
	(61 555)	**547**	**(41 677)**	**88**
6. Capital expenditure	**(1 237)**	**(2 394)**	**(391)**	**(278)**

7. Trade and other payables

	31 Dec 2019 ZW$ 000	31 Dec 2018 ZW$ 000	31 Dec 2019 ZW$ 000	31 Dec 2018 ZW$ 000
Trade payables	62 536	16 057	62 536	2 585
Amounts due to related parties	62 971	126 758	62 971	20 407
Social security and other taxes	68	19 063	68	3 069
Accrued expenses	1 400	10 292	1 400	1 657
Dividends payable	2 705	16 833	2 705	2 710
Other	148	479	148	77
	129 828	**189 482**	**129 828**	**30 505**

8. Going concern
The Directors believe that the Company is a going concern and will continue to be for the foreseeable future. The recent development of export markets is expected to provide enough foreign currency required to source raw materials to maintain and continue day to day operations. The Directors are confident that the export business is pivotal in strengthening the future development, performance and position of the Company.

In light of the global pandemic, COVID-19, the Directors are of the view that the significant doubt associated with the current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Auditor's statement
The financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2019, which have been audited by KPMG Chartered Accountants (Zimbabwe), with the responsible partner being Craig Adamson. An adverse opinion was issued thereon, in respect of functional currency, as requirements of IAS 21 *The Effects of Foreign Exchange Rates* were not complied with. The auditor's report on the financial statements, which forms the basis of these financial results, is available for inspection at the Company's registered office.

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Independent Auditors' Report

To the shareholders of British American Tobacco Zimbabwe (Holdings) Limited

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Adverse Opinion

We have audited the inflation adjusted consolidated and separate financial statements of British American Tobacco Zimbabwe (Holdings) Limited ('the Group and Company'), set out on pages 12 to 68 which comprise the inflation adjusted consolidated and separate statements of financial position as at 31 December 2019, and the inflation adjusted consolidated and separate statements of profit or loss and other comprehensive income, the inflation adjusted consolidated and separate statements of changes in equity and the inflation adjusted consolidated and separate statements of cash flows for the year then ended, and notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of our report, the inflation adjusted consolidated and separate financial statements do not present fairly the inflation adjusted consolidated and separate financial position of British American Tobacco Zimbabwe (Holdings) Limited as at 31 December 2019, and its inflation adjusted consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act (Chapter 24:03) of Zimbabwe.

Basis for Adverse Opinion

Non-compliance with International Financial Reporting Standards IAS 21 - The Effects of Changes in Foreign Exchange Rates (IAS 21) in the prior and current financial year and inappropriate application of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)

As described in note 2.6 to the inflation adjusted consolidated and separate financial statements for the period 1 January 2019 to 22 February 2019 the Group and Company applied the United States dollar (US$) as its functional currency. In order to comply with Statutory Instrument 33 (SI 33), issued on 22 February 2019, the Group and Company changed its functional currency to the Zimbabwe dollar (ZWL$) with effect from 23 February 2019. SI 33 precluded the use of any other currency other than US$ as functional currency prior to 22 February 2019 and this impacted on the financial statements as at 31 December 2018. The inflation adjusted consolidated and separate financial statements are presented in Zimbabwe dollars, also referred to as the RTGS dollar in SI 33.

The Directors, based on their interpretation of IAS 21, acknowledged that there was a functional currency change in the prior year from the US$ to RTGS dollar, with effect from 1 October 2018, and that the market exchange rate between the US$ and RTGS dollar was not 1:1 after 1 October 2018. However, the Group and Company only accounted for the change in functional currency prospectively from 23 February 2019, in compliance with SI 33. This constitutes a departure from the requirements of IAS 21 due to the need to comply with local regulations as enunciated under SI 33. An adverse opinion was issued in the prior year for the departure from IAS 21. The Group and Company has not restated the inflation adjusted consolidated and separate financial statements, as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* to resolve the matters which resulted in the adverse opinion in the prior year relating to the non-compliance with IAS 21, and therefore the matter continued into 2019.

Due to the matters discussed above, we were unable to obtain sufficient appropriate audit evidence that the closing balances as at 31 December 2018 were free of material misstatement and have been brought forward correctly. We were unable to satisfy ourselves by alternative means concerning the opening balances. Since opening balances have a bearing into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the movements in the statements of profit and loss and other comprehensive income, the statements of cash flows and the statements of changes in equity reported in the statements of changes in equity.

Hyperinflation reporting

In addition, as described in note 2.1 to the inflation adjusted consolidated and separate financial statements, Zimbabwe became a hyperinflationary economy with effect from 1 July 2019. IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29) has been applied to the 2018 comparatives with effect from 1 October 2018. IAS 29 has been applied to the incorrect balances due to non-compliance with IAS 21 and IAS 8, as commented on above.

RBZ legacy debt/blocked funds

As described in note 14 to the inflation adjusted consolidated and separate financial statements, included in balances with related parties are foreign liabilities amounting to US$18 570 958.00, for which management sought approval for registration with the Reserve Bank of Zimbabwe (RBZ) during the year, in line with the Monetary Policy issued on 20 February 2019. Subsequent to year end, the RBZ approved an amount of US$15 150 978 for registration as legacy debt, as described in note 34 (b) to the inflation adjusted consolidated and separate financial statements. These foreign liabilities have been translated to ZWL$ using a rate of 1:1, as the Directors believe that the RBZ will assist the Company with sourcing foreign currency at that rate. Note 34 (b) further explains that the Exchange Control performed a validation of the documentation provided in respect of the foreign liabilities owing and, following the validation of the information provided, an amount of US$15 150 958.00 was registered as blocked funds. Following the registration of the blocked funds, an amount of ZWL$15.2 million was transferred to RBZ to allow settlement of the registered blocked funds. As at the date of this report, there is no legally binding instrument that had been issued by the RBZ that defines how this commitment will be implemented and the specific terms and conditions thereof in order to support its commitment to assist in obtaining foreign currency required to settle such foreign liabilities on a 1:1 basis. Consequently, we were unable to obtain sufficient appropriate audit evidence to support the translation and measurement of the foreign liabilities using a rate of 1:1. This departure from IAS 21 is considered to be material.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted consolidated and separate financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Inflation Adjusted Consolidated and Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the inflation adjusted consolidated and separate financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

This section of our Auditors' report is intended to describe the matters selected from those communicated with those charged with governance that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the inflation adjusted financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the *Basis for Adverse Opinion* section, we have determined that there are no key audit matters to report.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors report, the Chairman's statement, and Financial Highlights but does not include the inflation adjusted consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the inflation adjusted consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, the Group and Company should have accounted for the change in functional currency from US$ to RTGS in the prior year and should have translated its US$ transactions and balances to local currency using a rate determined in accordance with IAS 21. We have therefore concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Chairman's Statement, the Directors' Report and the Financial highlights affected by the failure to comply with the requirements of the IAS21.

Responsibilities of the Directors for the Inflation Adjusted Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03) of Zimbabwe, and for such internal control as the Directors determine is necessary to enable the preparation of the inflation adjusted consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated and separate financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Inflation Adjusted Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 inflation adjusted financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the inflation adjusted consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated and separate financial statements, including the disclosures, and whether the inflation adjusted consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the inflation adjusted financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

- We communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

- From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Craig Adamson
Partner
Registered Auditor
PAAB Practicing Certificate Number 208

11 June 2020

For and on behalf of KPMG Chartered Accountants (Zimbabwe),
Reporting Auditor
Mutual Gardens
100 The Chase West
Emerald Hill
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