BAT ZIMBABWE

Abridged Audited Financial Results

For The Year Ended 31 December 2020

CHAIRMAN'S STATEMENT

Introduction
The economic situation in the country remained challenging in 2020. The effects of the COVID-19 pandemic coupled with the shortages of foreign currency led to a significant contraction in the key economic sectors of the country. The introduction of the foreign exchange auction system by the Reserve Bank of Zimbabwe ("RBZ") at the end of June 2020, brought some exchange rate stability for the second half of the year. However, high inflation eroded the disposable income of consumers, thereby depressing domestic demand. Notwithstanding these core macro-economic variables amongst others, the Company managed to register growth in operating profit for the year under review.

Volumes
The Company's total sales volumes for the year under review declined by 12% compared to the previous financial year.

The Company's Premium Brand, Dunhill, returned to the market in March 2020 as the Company was now able to import the brand and as a result, it recorded a significant increase in volume growth of 1,481% versus prior year. In the Aspirational Premium segment (Dunhill Kingsgate and Dunhill Newbury), volumes declined by 45%. In the Value for Money segment, (Madison and Everest) and Low Value for Money brand (Ascot), volumes declined by 8% and 47% respectively. This reduction in sales volumes was driven by shrinking consumer disposable incomes due to the challenging economic environment and the COVID-19 pandemic's impact on sales.

Hyperinflationary Financial Results
Despite the drop in volumes, revenue increased by ZW$597 million or up by 40% when compared to the previous year driven by price increases as well as revenue generated from the export of cut-rag tobacco. The two revenue generating streams resulted in a gross profit increase of ZW$18 million or a growth of 2% when compared to the same period in 2019.

Selling and marketing costs increased by ZW$149 million which was 118% higher in comparison to the same period in prior year. This was mainly driven by additional marketing investments and strategic initiatives which were implemented by the Company so as to respond to, and, to satisfy the consumer preferences.

Administrative expenses were ZW$204 million (156%) higher than the previous year, driven by a general increase in costs. Other losses increased by ZW$106 million (39%) due to the devaluation of the local currency and foreign exchange losses on foreign creditors.

As a result of all the above, operating profit increased by ZW$282 million (1,077%) versus an operating loss of ZW$26 million recorded in the prior year. Net profit attributable to shareholders for the period under review was ZW$61 million compared to a net loss of ZW$124 million in 2019, recording a growth of 149%.

Cash utilised from operations was ZW$30 million compared to ZW$80 million in the previous year due to a significant increase in trade and other payables, and, inventories due to tobacco purchases for the cut-rag tobacco export business.

The Company's earnings per share increased to ZW$3.51 from a negative ZW$7.15 generated in the previous year.

Blocked Funds Registration
Subsequent to 31 December 2019, the RBZ registered blocked funds amounting to US$15.7 million in respect of outstanding dividends, in line with the blocked funds guidelines stipulated in the Exchange Control Directive RU28 dated 21 February 2019 and the Exchange Control Circular No. 8 of 24 July 2019. Following the registration of the blocked funds, an amount of ZW$15.7 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 finalising the appropriate instrument(s) to facilitate settlement of the registered blocked funds. As a result of the successful registration of blocked funds, management has continued to account for the outstanding blocked funds at a rate of US$1: ZW$1.

Dividend
As a result of the economic challenges, the Board has not declared a dividend for the year ended 31 December 2020 to allow for reinvestment into the operations of the Company.

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 from ZW$101 million in 2019 to ZW$894 million for the year ended 31 December 2020. The key contributors of the increase in tax were Excise Duty and Corporate Tax driven by the increases in selling price of our products and the profit generated before taxation.

Corporate Governance
Mr. Leslie Malunga resigned as Finance Director of the Company with effect from 17 July 2020. Ms. Lynnet Sambo was appointed Acting Finance Director with effect from 17 July 2020 pending the appointment of a substantive Finance Director for the Company.

Mr. Darryn Bassa resigned as a Non-Executive Director of the Company effective 30 September 2020.

COVID-19 response
The Board oversaw the company's response to the COVID-19 pandemic focused on protecting the health and well-being of our human capital as well as ensuring that the Company remains financially and operationally secure.

Outlook
Zimbabwe's economy is forecast to rebound in 2021 as the country shrugs off the effects of the COVID-19 pandemic and the government takes further measures to stabilize the currency and thus bring down inflation We strongly believe that the Company will continue to transform during this period of unprecedented change to ensure that we grow value for our shareholders.

Conclusion
I would like to express my thanks and appreciation to my fellow Directors on the Board, the Management Team, shareholders, staff and all other stakeholders for the support throughout the year.

Lovemore T. Manatsa
Chairman
29 March 2021

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Inflation Adjusted 31 Dec 2020 ZW$ 000	Inflation Adjusted 31 Dec 2019 ZW$ 000	Unaudited Historical Cost 31 Dec 2020 ZW$ 000	Unaudited Historical Cost 31 Dec 2019 ZW$ 000
Revenue		**2 074 453**	**1 477 847**	**1 522 516**	**152 759**
Cost of sales		(1 002 838)	(424 488)	(355 174)	(37 295)
Gross profit		**1 071 615**	**1 053 359**	**1 167 342**	**115 464**
Selling and marketing costs		(275 627)	(126 604)	(210 268)	(14 074)
Administrative expenses		(335 412)	(131 032)	(263 737)	(22 516)
Impairment loss on trade receivables		(4 601)	(29 243)	(4 601)	(6 519)
Re-measurement of share-based payment liability		(723)	(99)	(1 197)	(22)
Other income		703	7 720	515	1 324
Other (losses)/gains - net	6	(382 915)	(276 127)	(317 434)	(41 677)
Monetary gain/(loss) on hyperinflation adjustment		183 140	(524 199)	-	-
Profit before income tax		**256 180**	**(26 225)**	**370 620**	**31 980**
Income tax expense		(195 114)	(98 034)	(98 706)	(9 240)
Total comprehensive income/(loss) for the period		**61 066**	**(124 259)**	**271 914**	**22 740**
Attributable to:					
Owners of the parent		61 066	(124 259)	271 194	22 740
Basic earnings per share (ZW$)		3.51	(7.15)	15.64	1.31
Diluted earnings per share (ZW$)		3.51	(7.15)	15.64	1.31
Headline earnings per share (ZW$)		(7.02)	23.01	15.64	1.31

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	Inflation Adjusted Audited 31 Dec 2020 ZW$ 000	Inflation Adjusted Audited 31 Dec 2019 ZW$ 000	Historical Cost Unaudited 31 Dec 2020 ZW$ 000	Historical Cost Unaudited 31 Dec 2019 ZW$ 000
ASSETS					
Non-current assets					
Property, plant and equipment		206 117	237 226	6 987	6 402
Intangible assets		226	435	6	11
Investment property		5 875	6 164	157	160
Financial assets at fair value through profit or loss		1 684	2 382	1 684	531
Deferred tax asset		85 961	32 016	129 375	12 922
		299 863	**278 223**	**138 209**	**20 026**
Current assets					
Inventories		825 620	511 132	751 978	88 175
Trade and other receivables	8	325 382	148 244	325 382	33 047
Cash and cash equivalents		123 465	190 097	123 465	42 377
		1 274 467	**849 473**	**1 200 825**	**163 599**
Total assets		**1 574 330**	**1 127 696**	**1 339 034**	**183 625**
EQUITY AND LIABILITIES					
Equity attributable to the owners of the parent					
Share capital		201 428	201 428	5 214	5 214
Non distributable reserve		13 000	13 000	337	337
Retained earnings		333 565	272 499	307 146	35 232
Total equity		**547 993**	**486 927**	**312 697**	**40 783**
Current Liabilities					
Trade and other payables	9	903 295	582 390	903 295	129 828
Staff benefits liability		61 548	27 395	61 548	6 107
Share based payment liability		1 291	610	1 291	136
Current tax liability		60 203	30 374	60 203	6 771
		1 026 337	**640 769**	**1 026 337**	**142 842**
Total equity and liabilities		**1 574 330**	**1 127 696**	**1 339 034**	**183 625**

The notes are an integral part of these consolidated financial statements. These financial statements were authorised for use by the board of directors on 29 March 2021 and signed on its behalf by:

Kimesh Naidoo
Managing Director

Lynnet Sambo
Acting Finance Director

Abridged Audited Financial Results

For The Year Ended 31 December 2020

BAT ZIMBABWE

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

INFLATION ADJUSTED
ATTRIBUTABLE TO OWNERS OF THE PARENT

	Share capital	[1]Non-distributable reserves	Retained earnings	Total
	ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000
Balance at 1 January 2019	**201 428**	**13 000**	**396 758**	**611 186**
Total comprehensive (loss)/income for the year	-	-	(124 259)	(124 259)
Dividends	-	-	-	-
Balance at 31 December 2019	**201 428**	**13 000**	**272 499**	**486 927**
Balance at 1 January 2020	**201 428**	**13 000**	**272 499**	**486 927**
Total comprehensive income for the year	-	-	61 066	61 066
Dividends	-	-	-	-
Balance at 31 December 2020	**201 428**	**13 000**	**333 565**	**547 993**

UNAUDITED HISTORICAL COST
ATTRIBUTABLE TO OWNERS OF THE PARENT

	Share capital	[1]Non-distributable reserves	Retained earnings	Total
	ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000
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**
Balance at 1 January 2020	**5 214**	**337**	**35 232**	**40 783**
Total comprehensive income for the year	-	-	271 914	271 914
Dividends	-	-	-	-
Balance at 31 December 2020	**5 214**	**337**	**307 146**	**312 697**

[1]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 CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Inflation Adjusted 31 Dec 2020 ZW$ 000	Inflation Adjusted 31 Dec 2019 ZW$ 000	Unaudited Historical Cost 31 Dec 2020 ZW$ 000	Unaudited Historical Cost 31 Dec 2019 ZW$ 000
Cash flows from operating activities					
Cash (utilised)/generated from operations		(30 648)	(80 593)	244 275	25 904
Income tax paid		(219 230)	(140 331)	(161 727)	(16 711)
Net cash (utilised)/generated from operating activities		**(249 878)**	**(220 924)**	**82 548**	**9 193**
Cash flows from investing activities					
Purchase of property, plant and equipment	**7**	(1 773)	(5 545)	(1 491)	(391)
Proceeds from sale of property, plant and equipment		-	458	-	19
Net cash used in investing activities		**(1 773)**	**(5 087)**	**(1 491)**	**(372)**
Cashflows from financing activities					
Dividends paid to owners of the parent		-	(126)	-	(5)
Net cash used in financing activities		**-**	**(126)**	**-**	**(5)**
Effect of movement in exchange rates on cash held		**31**	**-**	**31**	**-**
Effect of inflation on cash and cash equivalents		**184 988**	**(518 896)**	**-**	**-**
Net (decrease) in cash and cash equivalents		**(66 632)**	**(745 033)**	**81 088**	**8 816**
Cash and cash equivalents at the beginning of the year		190 097	935 130	42 377	33 561
Cash and cash equivalents at end of the year		**123 465**	**190 097**	**123 465**	**42 377**

NOTES TO THE FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 and exports cut rag outside Zimbabwe.

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$), being the currency of the primary economic environment in which the Company operates. Additionally, blocked funds have been translated at a rate of 1:1 between ZW$ and US$.

3. Basis of preparation
The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") pronouncements and the requirements of the Companies and Other Business Entities Act (Chapter 24:31). However, compliance

NOTES TO THE FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. Basis of preparation (cont'd)
with International Financial Reporting Standards (IFRS), could not be fully achieved due to non-compliance with IAS 21. The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit and loss, which are measured 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 2020, are as follows:

Dates	Indices	Conversion Factor
CPI as at 31 December 2020	2 474.51	1.000
CPI as at 31 December 2019	551.63	4.49
Average CPI 2020	1 579.09	
Average CPI 2020	240.27	

4. Blocked funds registration
As at 31 December, the Reserve Bank of Zimbabwe ("RBZ") registered blocked funds amounting to US$15.7 million in respect of outstanding dividends and foreign suppliers, 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 ZW$15.7 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 still 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: ZW$1 and a receivable of ZW$15.7 million was recognised for the amount transferred to RBZ for the registered blocked funds.

Supplementary information

		INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
		31 Dec 2020 ZW$ 000	31 Dec 2019 ZW$ 000	31 Dec 2020 ZW$ 000	31 Dec 2019 ZW$ 000
5.	**Depreciation**				
	Depreciation charge	(33 171)	(35 667)	(909)	(929)
	Armotisation charge	(209)	(211)	(5)	(5)
		(33 380)	**(35 878)**	**(914)**	**(934)**
6.	**Other (losses)/gains - net**				
	Fair value gains	698	1 391	1 153	310
	Exchange losses	(383 613)	(277 518)	(318 587)	(41 987)
		(382 915)	**(276 127)**	**(317 434)**	**(41 677)**
7.	**Capital expenditure**	**(1 773)**	**(5 549)**	**(1 491)**	**(391)**
8.	**Trade and other receivables**				
	Trade receivables	58 225	107 953	58 225	24 244
	Amounts due from related parties	92 701	23 385	92 701	5 035
	Other receivables	35 355	-	35 355	-
	Prepayments	139 101	16 906	139 101	3 768
		325 382	**148 244**	**325 382**	**33 047**

Included in other receivables is an amount of ZW$ 15 748 856 which is a prepayment made to the Reserve Bank of Zimbabwe towards settlement of blocked funds in line with the relevant exchange control directives.

9.	**Trade and other payables**				
	Trade payables	125 448	280 527	125 448	62 536
	Amounts due to related parties	391 310	282 479	391 310	62 971
	Social and security and other taxes	114 309	305	114 309	68
	Accrued expenses	269 523	6 280	269 523	1 400
	Dividends payable	2 705	12 134	2 705	2 705
	Other	-	665	-	148
		903 295	**582 390**	**903 295**	**129 828**

10. Going concern
In March 2020, the Company started exporting cut-rag to generate foreign currency that is required to continue with normal operations of the business. The Directors assess that the export business will be very 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.

11. Subsequent events
On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Due to a spike in cases of the COVID-19 variant, the Government of Zimbabwe imposed Level 4 lockdown measures from the 4th of January 2021 for 30 days. The national lockdown was further extended for a further four weeks until the end of February 2021.

The Company's income for 2021 to date has not been materially impacted by the national lockdown because the business was considered as "essential business" and this allowed selling to continue. Management will continue to implement, actions to maximise liquidity and profitability to ensure the sustainability of the Group given the unknown outcome of the pandemic.

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that require adjustments to the reported amounts in the financial statements or disclosure in the financial statements.

12. Auditor's statement
The financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2020, which have been audited by KPMG Chartered Accountants (Zimbabwe), with the responsible partner being Vinay Ramabhai. An adverse opinion was issued thereon, in respect of functional currency and exchange rates, as requirements of IAS 21 The Effects of Foreign Exchange Rates were not complied with and the consequential impact on the inflation adjusted amounts determined in terms of IAS 29 as well as the impact on IAS 8. 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

Report on the audit of the Inflation Adjusted Consolidated and Separate Financial Statements

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 11 to 67, which comprise the inflation adjusted consolidated and separate statements of financial position as at 31 December 2020, 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 inflation adjusted the consolidated and separate statements of cash flows for the year then ended, and notes to the inflation adjusted consolidated and separate 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 inflation adjusted consolidated and separate financial position of British American Tobacco Zimbabwe (Holdings) Limited as at 31 December 2020, and its inflation adjusted consolidated and separate financial performance and inflation adjusted consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the manner required by the Companies and Other Business Entities Act [Chapter 24:31].

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 October 2018 to 22 February 2019 the Group and Company applied the United States dollar (US$) as its functional currency in order to comply with Statutory Instrument 33 (SI 33), issued on 22 February 2019, the Group and Company changed its functional currency to the Zimbabwe dollar (ZW$) 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 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. Had the Group and Company applied the requirements of IAS 21, the balances as at 31 December 2019 would have been materially impacted. This departure from IAS 21 led to an adverse opinion being issued on the comparatives.

RBZ legacy debt/blocked funds
As described in note 14 to the inflation adjusted consolidated and separate financial statements, the Group and the Company has continued to account foreign liabilities amounting to US$15.7 million, for outstanding dividends and to foreign suppliers registered and approved as blocked funds, on a 1:1 basis being ZW$15.7 million as included within the Trade and other payables balance, as the Directors believe the Reserve Bank of Zimbabwe ("RBZ") will assist the Company in sourcing foreign currency at that rate. As described in note 9, as at the date of this report, an amount of ZW$15.7 million has been placed with the RBZ (through authorised dealers) and recognised within the trade and other receivables balance under current assets. No legally binding instrument had been issued by the RBZ to confirm the contractual terms supporting settlement of the approved blocked funds. This is not in line with the requirements of IAS 21 The Effects of Changes in Foreign Exchange Rates, which requires foreign currency denominated liabilities to be translated at the closing spot rates at the respective year end.

The Group and Company have 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.

Due to the nature of matters discussed above it was impracticable to determine the effect on the closing balances as at 31 December 2019. As opening balances have a bearing into the determination of the financial performance and cash flows of the current year, the impact, whilst considered to be material, on the inflation adjusted consolidated and separate financials statements was not determined.

Furthermore, our conclusion on the current period's financial results is modified because of the possible effects of the matter on the comparability of the current period's financial results with that of the prior year.

Exchange rates used in the current year (Non-compliance with IAS 21: The Effects of Changes in Foreign Exchange Rates)
As described in note 2.1, during the period 1 January 2020 to 23 June 2020, the Group and Company translated foreign denominated transactions and balances using the interbank rate. During this period, due to the lack of access to foreign currency for immediate delivery, we do not believe interbank rate satisfied the requirements to be considered an appropriate exchange rate in accordance with IAS 21. It was impractical to quantify the impact of this departure on the inflation adjusted consolidated and separate financial statements for the year ended 31 December 2020.

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 incorrect balances due to non-compliance with IAS 21 and IAS 8, as commented on above.

The effects of the above departures from International Financial Reporting Standards 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 Auditors' Responsibilities for the Audit of the inflation adjusted consolidated and separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted consolidated and separate financial statements of the current period. Except for the matters described in the Basis for adverse opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information
The directors are responsible for the other information. The other information comprises the Chairman's Statement, the Directors' Report, and the Financial Highlights, but does not include the inflation adjusted consolidated and separate financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the inflation adjusted consolidated and separate financial statements does not cover the other information and we do not express 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, 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 translated its local currency transactions and balances to ZW$ 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 translate the local currency transactions and balances using a rate which complies with the requirements of IAS 21.

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 manner required by the Companies and Other Business Entities Act [Chapter 24:31], and for such internal control as the directors determine is necessary to enable the preparation of 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 Group and 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 and/or 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 consolidated and separate 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 the 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 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 the 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 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 communicate 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on Other Legal and Regulatory Matters

In fulfilment of the requirements of Section 193 of the Companies and Other Business Entities Act (Chapter 24:31) ("the Act"), we report to the shareholders as follows:

<u>Section 193(1)</u>

As a result of the effects of the matter described in the Basis for Adverse Opinion section of our report, the inflation adjusted financial statements of the Group and the Company are not properly drawn up in accordance with the Act and do not give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2020.

<u>Section 193(2)</u>

We have no matters to report in respect of the Section 193(2) requirements of the Act.

KPMG

Vinay Ramabhai
Chartered Accountant (Z)
Registered Auditor
PAAB Practicing Certificate Number 0569

29 March 2021

For and on behalf of, KPMG Chartered Accountants (Zimbabwe), Reporting Auditors

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100 The Chase (West)
Emerald Hill
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Zimbabwe