

# Reviewed Financial Results

For The Half Year Ended 30 June 2021

## CHAIRMAN'S STATEMENT

### Introduction

The operating environment continued to be challenging during the half year ended 30 June 2021. The disruptions caused by the COVID-19 pandemic continued to weigh down on economic activity in the country, limiting consumers' purchasing power and the normal trading hours of most businesses. Despite these challenges, the Group came up with mitigatory measures to ensure consistent product supply thus satisfying our consumer needs.

The Group presents its Reviewed Condensed Financial Results for the half year ended 30 June 2021.

### Condensed Financial Results

Commentary on financial performance is based on hyperinflation adjusted figures.

Despite the challenging operating environment, increased investment behind our brands and a focused investment in our route-to-market strategy led to a 27% growth in sales volume versus the same period last year. Revenue grew by ZW\$538.3 million (63%) from ZW\$848.3 million to ZW\$1.4 billion, when compared to same period in 2020. The increase in revenue was driven by three factors: increased sales volume, price increases implemented during the current period and the export of cut rag tobacco.

These factors resulted in a gross profit growth of ZW\$30.8 million (5%) compared to the same period in 2020.

Selling and marketing costs went up by ZW\$80.2 million (92%) compared to the same period in prior year, driven by additional marketing investments aimed at driving sales volumes.

Administrative expenses were ZW\$109.3 million (168%) higher than the same period in prior year driven by a general increase in costs. Other losses decreased by ZW\$264.9 million (88%) due to the stability of the Zimbabwean Dollar since the introduction of the foreign exchange auction system.

As a result of all the above, operating profit was up by ZW\$315.2 million (140%) versus the same period last year. Net profit attributable to shareholders for the period under review was ZW\$470.3 million compared to a net profit of ZW\$152.5 million in the same period in prior year, representing a 209% increase. The Group's earnings per share grew by 209% from ZW\$7.39 to ZW\$22.79 generated in the same period in 2020.

Cash generated from operations was a positive ZW\$556.5 million against a negative ZW\$115.4 million in the prior year because of diligent customer collections, an increase in trade payables and a decrease in inventories as of 30 June 2021.

### Dividend

As a result of the unpredictable operating environment, the Board decided not to declare an interim dividend for the period ended 30 June 2021, to allow for reinvestment into the operations of the Group.

### Contribution to the Government Treasury

The Group 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 Group's contribution to the Zimbabwe Revenue Authority ("ZIMRA") went up from ZW\$173 million in 2020 to ZW\$828 million for the period ended 30 June 2021. The key contributors to the increase in the tax payments related to the legislated upward adjustment in Excise Duty payable year-on-year as well as price increases effected by the Group.

### Corporate Governance

The Group continues to ensure that strict adherence to prevailing regulations and Corporate Governance requirements are above reproach. The Board confirms that the condensed financial results have been prepared in line with the requirements of the Securities and Exchange Rules (Zimbabwe Stock Exchange Listing Requirements) as well as the Zimbabwe National Code on Corporate Governance as read with the British American Tobacco Plc Corporate Governance Booklet. The Chairman of the Board is a Non-Executive Director and the majority of the Board is also constituted by Non-Executive Directors in line with

good Corporate Governance precepts. The Board operates through Committees.

### COVID-19 response

The Board continues to oversee the Group's response to the COVID-19 pandemic focused on protecting the health and well-being of our staff as well as ensuring that the Group remains financially and operationally viable. The Group ensures the protection of its customers, by observing strict adherence to the Government COVID-19 restrictions as well as the World Health Organisation's COVID-19 recommended protocols.

### Outlook

Despite the economic challenges which are exacerbated by the COVID-19 pandemic, Zimbabwe's economy is set to rebound in 2021, supported by the recovery of the agricultural sector and a continuation of fiscal and monetary policy reforms. We remain committed and confident that our business strategies will deliver value growth for our stakeholders.

Lovemore T. Manatsa  
Chairman

31 August 2021

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2021

Notes	Inflation Adjusted Half Year ended 30 Jun. 2021	Inflation Adjusted Half Year ended 30 Jun. 2021	Unreviewed Historical Cost Half Year ended 30 Jun. 2021	Unreviewed Historical Cost Half Year ended 30 Jun. 2021
	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	<b>1 386 636</b>	<b>848 330</b>	<b>1 299 550</b>	<b>288 444</b>
Revenue				
Cost of sales	(784 188)	(276 660)	(425 438)	(65 067)
	<b>602 448</b>	<b>571 670</b>	<b>874 112</b>	<b>223 377</b>
Gross profit				
Selling and marketing costs	(167 042)	(86 844)	(161 211)	(26 978)
Administrative expenses	(174 312)	(65 060)	(150 289)	(15 538)
Re-measurement of share-based payment liability	(495)	(1 002)	(495)	(485)
Other income	1 805	549	1 699	266
Other losses - net	(36 360)	(301 279)	(25 639)	(119 904)
Monetary gain on hyperinflation adjustment	314 040	106 897		
<b>Profit before income tax</b>	<b>540 084</b>	<b>224 931</b>	<b>538 177</b>	<b>60 738</b>
Income tax expense	(69 762)	(72 481)	(39 678)	(8 934)
<b>Total comprehensive income for the period</b>	<b>470 322</b>	<b>152 450</b>	<b>498 499</b>	<b>51 804</b>
<b>Attributable to:</b>				
Owners of the parent	470 322	152 450	498 499	51 804
Basic earnings per share (ZW\$)	22.79	7.39	24.16	2.51
Diluted earnings per share (ZW\$)	22.79	7.39	24.16	2.51
Headline earnings per share (ZW\$)	22.79	7.39	24.16	2.51

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

Notes	Inflation Adjusted 30 Jun. 2021	Inflation Adjusted 31 Dec. 2020	Unreviewed Historical Cost 30 Jun. 2021	Unaudited Historical Cost 31 Dec. 2020
	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	<b>2 325 217</b>	<b>1 900 030</b>	<b>2 004 729</b>	<b>1 339 034</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	238 316	248 760	13 085	6 987
Intangible assets	254	273	3	6
Investment property	6 597	7 090	158	157
Financial assets at fair value through profit or loss	10 701	2 033	10 701	1 684
Deferred tax asset	74 659	103 745	123 235	129 375
	<b>330 527</b>	<b>361 901</b>	<b>147 182</b>	<b>138 209</b>
<b>Current assets</b>				
Inventories	844 759	996 424	707 616	751 978
Trade and other receivables	256 624	392 698	256 624	325 382
Current tax asset	86 595	-	86 595	-
Cash and cash equivalents	806 712	149 007	806 712	123 465
	<b>1 994 690</b>	<b>1 538 129</b>	<b>1 857 547</b>	<b>1 200 825</b>
<b>Total assets</b>	<b>2 325 217</b>	<b>1 900 030</b>	<b>2 004 729</b>	<b>1 339 034</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to the owners of the parent</b>				
Share capital	243 099	243 099	5 214	5 214
Non distributable reserve	15 690	15 690	337	337
Retained earnings	872 895	402 573	805 645	307 146
<b>Total equity</b>	<b>1 131 684</b>	<b>661 362</b>	<b>811 196</b>	<b>312 697</b>
<b>Non-current Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables	1 155 442	1 090 171	1 155 442	903 295
Staff benefits liability	36 306	74 281	36 306	61 548
Share based payment liability	1 785	1 558	1 785	1 291
Current tax liability	-	72 658	-	60 203
	<b>1 193 533</b>	<b>1 238 668</b>	<b>1 193 533</b>	<b>1 026 337</b>
<b>Total equity and liabilities</b>	<b>2 325 217</b>	<b>1 900 030</b>	<b>2 004 729</b>	<b>1 339 034</b>

The notes are an integral part of these condensed consolidated financial results. This financial information was authorised for use by the board of directors on 31 August 2021 and signed on its behalf by:

Kimesh Naidoo  
Managing Director

Vincent Kaloki  
Finance Director

Directors: L. T. Manatsa (Chairman), F. C. Chikosi (Non-Executive Director), R. P. Kupara (Non-Executive Director), E. I. Manikai (Non-Executive Director), C. Supparayen-Romeo (Non-Executive Director), K. Naidoo (Managing Director), V. K. Kaloki (Finance Director).

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2021

	INFLATION ADJUSTED ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Share capital ZW\$ 000	<sup>1</sup> Non-distributable reserves ZW\$ 000	Retained earnings ZW\$ 000	Total ZW\$ 000
<b>Balance at 1 January 2020</b>	<b>243 099</b>	<b>15 690</b>	<b>328 873</b>	<b>587 662</b>
Total comprehensive income for the year	-	-	73 700	73 700
Dividends	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>243 099</b>	<b>15 690</b>	<b>402 573</b>	<b>661 362</b>
<b>Balance at 1 January 2021</b>	<b>243 099</b>	<b>15 690</b>	<b>402 573</b>	<b>661 362</b>
Total comprehensive income for the period	-	-	470 322	470 322
Dividends	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>243 099</b>	<b>15 690</b>	<b>872 895</b>	<b>1 131 684</b>

### <sup>1</sup>Non-distributable reserve

This reserve arose as a result of the change in the Group'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.

	UNREVIEWED HISTORICAL COST ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Share capital ZW\$ 000	<sup>1</sup> Non-distributable reserves ZW\$ 000	Retained earnings ZW\$ 000	Total ZW\$ 000
<b>Balance at 1 January 2020</b>	<b>5 214</b>	<b>337</b>	<b>35 232</b>	<b>40 783</b>
Total comprehensive income for the year	-	-	271 914	271 914
Dividends	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>5 214</b>	<b>337</b>	<b>307 146</b>	<b>312 697</b>
<b>Balance at 1 January 2021</b>	<b>5 214</b>	<b>337</b>	<b>307 146</b>	<b>312 697</b>
Total comprehensive income for the period	-	-	498 499	498 499
Dividends	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>5 214</b>	<b>337</b>	<b>805 645</b>	<b>811 196</b>

### <sup>1</sup>Non-distributable reserve

This reserve arose as a result of the change in the Group'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.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2021

Notes	Inflation Adjusted Half Year ended 30 Jun. 2021	Inflation Adjusted Half Year ended 30 Jun. 2020	Unreviewed Historical Cost Half Year ended 30 Jun. 2021	Unreviewed Historical Cost Half Year ended 30 Jun. 2020
	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	<b>556 494</b>	<b>(115 367)</b>	<b>876 698</b>	<b>51 187</b>
<b>Cash flows from operating activities</b>				
Cash generated from operations	(193 778)	(52 031)	(186 735)	(20 944)
Income tax paid				
<b>Net cash generated from operating activities</b>	<b>362 716</b>	<b>(167 398)</b>	<b>689 963</b>	<b>30 243</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(6 850)	(502)	(6 716)	(184)
<b>Net cash used in investing activities</b>	<b>(6 850)</b>	<b>(502)</b>	<b>(6 716)</b>	<b>(184)</b>
<b>Cashflows from financing activities</b>				
Dividends paid	-	-	-	-
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Inflation effect on cash and cash equivalents	301 839	88 160	-	-
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>657 704</b>	<b>(79 740)</b>	<b>683 247</b>	<b>30 059</b>
Cash and cash equivalents at the beginning of the period	149 007	229 425	123 465	42 377
<b>Cash and cash equivalents at end of the period</b>	<b>806 712</b>	<b>149 685</b>	<b>806 712</b>	<b>72 436</b>



# Reviewed Financial Results

For The Half Year Ended 30 June 2021

## NOTES TO THE CONDENSED FINANCIAL RESULTS (continued) FOR THE HALF YEAR ENDED 30 June 2021

### 1. General Information

British American Tobacco Zimbabwe (Holdings) Limited ("the Group") manufactures, distributes and markets cigarettes to a network of independent distributors, wholesalers and retailers. The Group has a cigarette manufacturing plant in Zimbabwe and sells cigarettes solely on the Zimbabwe market and exports cut-rag outside Zimbabwe.

### 2. Basis of preparation

The Group's condensed financial results were prepared in accordance with IAS 34, Interim Financial Reporting and in the manner required by the Securities and Exchange Rules (Zimbabwe Stock Exchange Listing Requirements). The Group's condensed financial results are based on statutory records that are maintained under the historical cost convention, except for financial assets at fair value through profit and 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 Group.

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 30 June 2020, are as follows:

Dates	Indices	Conversion Factor
CPI as at 30 June 2021	2 986.44	1.00
CPI as at 31 December 2020	2 474.51	1.21
CPI as at 30 June 2020	1 445.21	2.07
Average CPI 2021	2 788.73	
Average CPI 2020	918.45	

### 3. Accounting policies and reporting currency

The same accounting policies and methods of computation are followed in these condensed financial results as compared with the most recent annual financial statements. These financial results are presented in Zimbabwe Dollars ("ZWS"), being the currency of the primary economic environment in which the Group operates.

### 4. Blocked funds registration

As at 30 June 2021, 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 ZWS15.7 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: ZWS1 and a receivable of ZWS15.7 million was recognised for the amount transferred to RBZ for the registered blocked funds.

#### Supplementary information

	INFLATION ADJUSTED		UNREVIEWED HISTORICAL COST	
	30 Jun. 2021 ZWS 000	30 Jun. 2020 ZWS 000	30 Jun. 2021 ZWS 000	30 Jun. 2020 ZWS 000
<b>5. Revenue</b>				
Revenue from sale of goods in domestic market	1 303 507	801 677	1 221 278	269 102
Revenue from cut-rag exports to foreign market	83 129	46 653	78 272	19 342
<b>Total</b>	<b>1 386 636</b>	<b>848 330</b>	<b>1 299 550</b>	<b>288 444</b>
<b>6. Depreciation</b>				
Depreciation charge	17 786	20 282	616	451
Amortisation charge	19	6	3	3
<b>Total</b>	<b>17 805</b>	<b>20 288</b>	<b>619</b>	<b>454</b>
<b>7. Other (losses)/gains - net</b>				
Fair value gains	8 668	1 190	9 016	576
Exchange losses	(45 028)	(302 469)	(34 655)	(120 480)
<b>Total</b>	<b>(36 360)</b>	<b>(301 279)</b>	<b>(25 639)</b>	<b>(119 904)</b>
<b>8. Capital expenditure</b>	<b>6 850</b>	<b>502</b>	<b>6 716</b>	<b>184</b>

### 9. Financial instruments by category

	INFLATION ADJUSTED			UNREVIEWED HISTORICAL COST		
	Assets at amortised cost ZWS 000	Assets at fair value through profit or loss ZWS 000	Total ZWS 000	Assets at amortised cost ZWS 000	Assets at fair value through profit or loss ZWS 000	Total ZWS 000
<b>30 June 2021</b>						
<b>Assets as per statement of financial position</b>						
Trade and other receivables excluding prepayments	176 706	-	176 706	176 706	-	176 706
Financial assets at fair value through profit and loss	-	10 701	10 701	-	10 701	10 701
Cash and cash equivalents	806 712	-	806 712	806 712	-	806 712
<b>Total</b>	<b>983 418</b>	<b>10 701</b>	<b>994 119</b>	<b>983 418</b>	<b>10 701</b>	<b>994 119</b>

	Other financial liabilities		Other financial liabilities	
	ZWS 000	Total ZWS 000	ZWS 000	Total ZWS 000
<b>Liabilities as per statement of financial position</b>				
Trade and other payables excluding statutory liabilities	1 025 704	1 025 704	1 025 704	1 025 704
<b>Total</b>	<b>1 025 704</b>	<b>1 025 704</b>	<b>1 025 704</b>	<b>1 025 704</b>

	INFLATION ADJUSTED			UNREVIEWED HISTORICAL COST		
	Assets at amortised cost ZWS 000	Assets at fair value through profit or loss ZWS 000	Total ZWS 000	Assets at amortised cost ZWS 000	Assets at fair value through profit or loss ZWS 000	Total ZWS 000
<b>31 December 2020</b>						
<b>Assets as per statement of financial position</b>						
Trade and other receivables excluding prepayments	224 819	-	224 819	186 281	-	186 281
Financial assets at fair value through profit and loss	-	2 033	2 033	-	1 684	1 684
Cash and cash equivalents	149 007	-	149 007	123 465	-	123 465
<b>Total</b>	<b>373 826</b>	<b>2 033</b>	<b>375 859</b>	<b>309 745</b>	<b>1 684</b>	<b>311 430</b>

	Other financial liabilities		Other financial liabilities	
	ZWS 000	Total ZWS 000	ZWS 000	Total ZWS 000
<b>Liabilities as per statement of financial position</b>				
Trade and other payables excluding statutory liabilities	942 962	942 962	781 321	781 321
<b>Total</b>	<b>942 962</b>	<b>942 962</b>	<b>781 321</b>	<b>781 321</b>

Directors: L. T. Manatsa (Chairman), F. C. Chikosi (Non-Executive Director), R. P. Kupara (Non-Executive Director), E. I. Manikai (Non-Executive Director), C. Supparayen-Romeo (Non-Executive Director), K. Naidoo (Managing Director), V. K. Kaloki (Finance Director).

## NOTES TO THE CONDENSED FINANCIAL RESULTS (continued) FOR THE HALF YEAR ENDED 30 June 2021

### 10. Trade and other receivables

	INFLATION ADJUSTED		UNREVIEWED HISTORICAL COST	
	30 Jun. 2021 ZWS 000	31 Dec. 2020 ZWS 000	30 Jun. 2021 ZWS 000	31 Dec. 2020 ZWS 000
Trade receivables	96 684	70 271	96 684	58 225
Amounts due from related parties	63 417	111 879	63 417	92 701
Other receivables	16 606	42 669	16 606	35 355
Prepayments	79 917	167 879	79 917	139 101
<b>Total</b>	<b>256 624</b>	<b>392 698</b>	<b>256 624</b>	<b>325 382</b>

Included in other receivables is an amount of ZWS15 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.

### 11. Trade and other payables

	INFLATION ADJUSTED		UNREVIEWED HISTORICAL COST	
	30 Jun. 2021 ZWS 000	31 Dec. 2020 ZWS 000	30 Jun. 2021 ZWS 000	31 Dec. 2020 ZWS 000
Trade payables	142 366	151 401	142 366	125 448
Amounts due to related parties	560 405	472 265	560 405	391 310
Accrued expenses	449 966	463 240	449 966	383 832
Dividends payable	2 705	3 265	2 705	2 705
<b>Total</b>	<b>1 155 442</b>	<b>1 090 171</b>	<b>1 155 442</b>	<b>903 295</b>

### 12. Related Party Transactions

The Group is controlled by British American Tobacco International Holdings Limited, incorporated in the United Kingdom, which owns 43% of the Group's shares. The remaining 57% shares are widely held. The ultimate holding company of the Group is British American Tobacco PLC, incorporated in the United Kingdom.

	INFLATION ADJUSTED		UNREVIEWED HISTORICAL COST	
	30 Jun. 2021 ZWS 000	30 Jun. 2020 ZWS 000	30 Jun. 2021 ZWS 000	30 Jun. 2020 ZWS 000
Sales	83 129	46 677	78 272	19 354
Purchase of goods and services	84 010	58 156	79 681	28 143

The following transactions were carried out with related parties:

Sales	83 129	46 677	78 272	19 354
Purchase of goods and services	84 010	58 156	79 681	28 143

### 13. Segment Information

	INFLATION ADJUSTED		
	Cigarettes ZWS 000	Cut-rag ZWS 000	Total ZWS 000
<b>30 June 2021</b>			
Net Revenue	1 303 507	83 129	1 386 636
Profit before tax	532 527	7 557	540 084
Total Assets	2 325 217	-	2 325 217
Total Liabilities	1 193 192	341	1 193 533
<b>30 June 2020</b>			
Net Revenue	801 677	46 653	848 330
Profit before tax	220 690	4 241	224 931
<b>31 December 2020</b>			
Total Assets	1 808 639	91 391	1 900 030
Total Liabilities	1 238 668	-	1 238 668

	UNREVIEWED HISTORICAL COST		
	Cigarettes ZWS 000	Cut-rag ZWS 000	Total ZWS 000
<b>30 June 2021</b>			
Net Revenue	1 221 278	78 272	1 299 550
Profit before tax	531 061	7 116	538 177
Total Assets	2 004 729	-	2 004 729
Total Liabilities	1 193 192	341	1 193 533
<b>30 June 2020</b>			
Net Revenue	269 102	19 342	288 444
Profit before tax	58 960	1 758	60 738
<b>31 December 2020</b>			
Total Assets	1 266 309	72 725	1 339 034
Total Liabilities	1 026 337	-	1 026 337

### 14. Going concern

In light of the global pandemic, COVID-19, and the possible impact on going concern of the blocked funds as described in Note 4, the Directors are of the view that the uncertainties related to these events do not result in a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

### 15. Subsequent events

The Group has evaluated events from 30 June 2021 and there were no subsequent events that need disclosure.

### 16. Statement on review report

These condensed consolidated financial results for the period ended 30 June 2021 have been reviewed by Messrs KPMG Chartered Accountants (Zimbabwe) who expressed a qualified review conclusion because of non-compliance with International Accounting Standard 21, The Effects of Changes in Foreign Exchange Rates in the current and prior years, International Accounting Standard 8, Changes in Accounting Estimates and Errors, Changes in Accounting Estimates and Errors, and the consequential impact on the inflation adjusted amounts determined in terms of International Accounting Standard 29, Financial Reporting in Hyperinflationary Economies.

A copy of the auditor's review conclusion is available for inspection at the company's registered office. The engagement partner for this review is Vinay Ramabhai (PAAB Practising Certificate Number 0569).



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**Independent Auditor's Report on Review of Financial Results for the Half Year Ended 30 June 2021**

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

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**Introduction**

We have reviewed the accompanying condensed consolidated inflation adjusted interim financial results of British American Tobacco Zimbabwe (Holdings) Limited and its subsidiaries ("the Group"), set out on pages 1 to 2, which comprise the condensed consolidated inflation adjusted statement of financial position as at 30 June 2021, the condensed consolidated inflation adjusted statement of comprehensive income, condensed consolidated inflation adjusted statement of changes in equity and condensed consolidated inflation adjusted statement of cash flows for the half year period then ended, and notes to the condensed consolidated inflation adjusted interim financial results.

The Directors are responsible for the preparation and presentation of these condensed consolidated inflation adjusted interim financial results in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* and in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019. Our responsibility is to express a conclusion on the financial results based on our review.

**Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis for Qualified Conclusion**

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

During the period 1 January 2020 to 23 June 2020, the Group 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



through the interbank foreign currency market, the interbank rate did not satisfy the requirements to be considered an appropriate exchange rate in accordance with IAS 21. The impact of this departure from IAS 21 affected the consolidated inflation adjusted financial statements for the year ended 31 December 2020, and whilst considered to be material it was impractical to quantify the misstatement, due to the lack of an appropriate alternate rate that would satisfy the requirements of IAS 21.

As described in note 4 to the condensed consolidated inflation adjusted interim financial results, the Group has continued to account for foreign liabilities amounting to US\$15.7 million, approved as blocked funds on a 1:1 basis being ZW\$15.7 million as included in Trade and other payables, as the Directors believe the Reserve Bank of Zimbabwe ("RBZ") will assist the Group in sourcing foreign currency at that rate. No legally binding instrument had been issued by the RBZ to confirm the contractual terms supporting settlement of the approved blocked funds. The accounting of these foreign liabilities at a rate of 1:1 is not in line with the requirement of IAS 21, which requires foreign currency denominated liabilities to be translated at the closing spot rates at the respective period end. Accordingly, other losses is understated by ZW\$56.4 million, monetary gain is understated by ZW\$266.2 million, trade and other payables balance is understated by ZW\$1,328.7 million, and the opening retained earnings balance as at 1 January 2021 is overstated by ZW\$1,538.5 million.

These departures from IAS 21 led to an adverse audit opinion being issued on the consolidated inflation adjusted financial statements for the year ended 31 December 2020.

The Group has not restated the condensed consolidated inflation adjusted interim financial results, as required by IAS 8 to resolve the matters which resulted in the adverse opinion in the prior years relating to the non-compliance with IAS 21.

*Non-compliance with International Financial Reporting Standards IAS 29 - Financial Reporting in Hyperinflation Economies (IAS 29)*

In addition, IAS 29 has been applied to the incorrect balances due to the non-compliance with IAS 21 in the prior year, as commented on above.

Our conclusion on the condensed consolidated inflation adjusted interim financial results is modified because of the possible effects of the non-compliance with IAS 21 in respect of the prior year due to the Group translating foreign denominated transactions and balances using the interbank rate for the period 1 January 2020 to 23 June 2020 on the comparability of the current year's condensed consolidated inflation adjusted interim financial results with that of the prior year and the impact of non-compliance with IAS 21 with regards to the incorrect accounting for foreign liabilities of US\$15.7 million as at 30 June 2021.

**Qualified Conclusion**

Based on our review, except for the effects of the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated inflation adjusted interim results of British American Tobacco Zimbabwe (Holdings) Limited for the half year period ended 30 June 2021, are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*, and in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019.



### **Other Information**

The Directors are responsible for the other information included in the Reviewed Financial Results for the half year ended 30 June 2021. The other information comprises the Chairman's Statement and the financial information in the financial results titled "Unaudited Historical Cost" or "Unreviewed Historical Cost" but does not include the condensed consolidated inflation adjusted interim results.

Our conclusion on the condensed consolidated inflation adjusted interim results does not cover the other information and we do not express a conclusion or any form of assurance conclusion thereon.

In connection with our review of the condensed consolidated inflation adjusted interim results, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the condensed consolidated inflation adjusted interim results or our knowledge obtained in the review, 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 Qualified Conclusion section above, the Group has not restated the condensed consolidated inflation adjusted interim results, as required by IAS 8 to resolve the matters which resulted in the adverse opinion in the prior years relating to the non-compliance with IAS 21. In addition, the Group continued to account for foreign liabilities, approved as blocked funds, at an exchange rate of 1:1 as at 30 June 2021, which is not in compliance with IAS 21. We have, therefore, concluded that the other information is materially misstated for the same reasons with respect to the financial information in the Chairman's statement and the financial information in the condensed consolidated inflation adjusted interim results titled "Unaudited Historical Cost" or "Unreviewed Historical Cost", affected by the failure to comply with the requirements of IAS 21.

**KPMG**

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

6 September 2021

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

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