Abridged Financial Results

For The Year Ended 31 December 2021

CHAIRMAN'S STATEMENT

The trading environment for the year ended 31 December 2021 showed improvement as compared to 2020, driven by a decline in the inflation rate, stability of the exchange rate, and, increased economic and social activity as there was relaxation of the COVID-19 lockdown restrictions. As a result, the Group managed to deliver a remarkable financial performance for the year under

The Group remains committed to ensuring long-term sustainability of the business and value creation for its shareholders.

The Group recorded a positive volume performance for the year under review mainly attributable to increased consumer demand, increased export of cut-rag tobacco, consistent product supply and the easing of the COVID-19 lockdown restrictions.

Volume growth of 25% was recorded from the sale of cigarettes compared to the same period in prior year. The volume growth was on the back of increased demand, excellence in execution by our staff and improved access to market.

Export volumes of leaf and cut-rag tobacco were up by 74% in the period under review compared to prior year due to increased demand from our export markets.

Financial Results

Commentary on the financial performance is based on inflation adjusted figures.

The Group recorded an increase in revenue of 42%, which amounts to ZW\$1.4 billion when compared to the previous year, driven by volume growth, price reviews as well as revenue generated from the export of cut-rag tobacco and leaf. The two income generating

streams resulted in a gross profit increase of ZW\$1.3 billion (77%), when compared to the same period in 2020.

Selling and marketing costs increased by ZW\$172 million which was 39% higher in comparison to the same period in prior year. This was mainly driven by trade activations which we carried out during the launch of our brand migration from Everest Menthol to Lucky Strike. Other marketing investments and strategic initiatives which were implemented by the Group to respond to and satisfy consumer preferences also added to the increase in selling and marketing costs.

Administrative expenses were flat compared to the previous year Other losses decreased by ZW\$539 million (87%) due to the stabilisation of the local currency.

As a result of all the above, operating profit increased by ZW\$1.8 billion (432%) versus an operating profit of ZW\$412 million recorded in the prior year. Net profit attributable to shareholders for the period under review was ZW\$1.4 billion compared to a net profit of ZW\$98 million in 2020, recording a growth of 1,327%.

Cash generated from operations was ZW\$1.6 billion compared to cash utilised from operations of ZW\$49 million in the previous ear due to the significantly improved operating profit and a decrease in trade and other receivables.

The Group's earnings per share increased to ZW\$80.61 from ZW\$5.65 recorded 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. In line with the provisions of the February 2019 Monetary Policy Statement on

INFLATION ADJUSTED UNAUDITED HISTORICAL COST

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, which were listed as approved plocked funds under Annex 1 of the Finance Act (no 7) of 2021, (gazetted on 21 December 2021), management has continued to account for the outstanding blocked funds at a rate of US\$1: ZW\$1.

As a result of the prevailing economic challenges, the Board has not declared a dividend for the year ended 31 December 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") in taxes increased from ZW\$894 million in 2020 to ZW\$2.1 billion for the year ended 31 December 2021. 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.

Sustainability

As part of our commitment to building a better tomorrow, sustainability remains at the core of our business focus. We strive to operate our business in a socially and environmentally responsible manner. To achieve this, the Group continues to strengthen its systems to address both environmental and social aspects associated with its operations. British American Tobacco Zimbabwe (Holdings) Limited, continues to demonstrate its commitment to sustainable development by enhancing the livelihood of Tobacco Farmers to build long term resilience in farming communities. To this end, the Tobacco Empowerment Trust (TET) was established in 2015. The main thrust of the Trust is to empower indigenous farmers with both technical and financial assistance and to help

build best agricultural practices. In 2021, we raised the bar with our sustainability agenda and we intend to reduce our carbon footprint as a group by increasing our renewable energy use and achieving 100% renewable energy use in our operational sites by 2030. To this end, we are gradually switching to solar power for all our trade depots sites and to date we have built solar sites for two depots. We also aim to increase the amount of water recycled to 30% by 2025.

COVID-19 response

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

The Board is confident that the Group is in a good position to navigate through the turbulent economic environment. Furthermore, Zimbabwe's economy is forecast to continue on a growth trajectory as the country shrugs off the effects of the COVID-19 pandemic. We strongly believe that the Group will continue to perform to shareholders' expectations. As the conflict in Ukraine continues to escalate, we continue to monitor developments in Ukraine and their potential impact on the Zimbabwean business. In the short term the business anticipates a potential increase in the cost of production.

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

Lovemore T. Manatsa

30 March 2022

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME **FOR THE YEAR ENDED 31 DECEMBER 2021**

	=	10100120	0.0.000	
Notes	31 Dec 2021 ZW\$ 000	31 Dec 2020 ZW\$ 000	31 Dec 2021 ZW\$ 000	31 Dec 2020 ZW\$ 000
Revenue Cost of sales	4721 328 (1 669 467)	3 334 453 (1 611 950)	3 828 144 (788 342)	1 522 516 (355 174)
Gross profit	3 051 861	1 722 503	3 039 802	1 167 342
Selling and marketing costs Administrative expenses Impairment loss on trade receivables Re-measurement of share-based payment	(614 944) (534 320) (16 167)	(443 039) (539 139) (7 395)	(490 492) (457 302) (16 167)	(210 268) (263 737) (4 601)
liability Other income	(5 082) 20 893	(1 162) 2 252	(5 082) 18 710	(1 197) 1 668
Other losses Monetary gain on hyperinflation adjustment	(82 731) 372 531	(616 615) 294 377	(56 802)	(318 587)
Operating profit Finance Costs	2 192 041 (12 013)	411 782	2 032 667 (12 013)	370 620
Profit before income tax Income tax expense	2 180 028 (778 860)	411 782 (313 624)	2 020 654 (532 123)	370 620 (98 706)
Total comprehensive income/(loss) for the period	1 401 168	98 158	1 488 531	271 914
Attributable to: Owners of the parent	1 401 168	98 158	1 488 531	271 914
Basic earnings per share (ZW\$) Diluted earnings per share (ZW\$) Headline earnings per share (ZW\$)	80.61 80.61 59.18	5.65 5.65 (11.29)	85.64 85.64 85.64	15.64 15.64 15.64
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ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2021						
		INFLATION	ADJUSTED	UNAUDITED HIS	STORICAL COST	
	Notes	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000	
ASSETS						
Non-current assets				0	6 - 0 -	
Property, plant and equipment		371 042	331 310	85 351	6 987	
Intangible assets		27 8 977	363	1/0	6	
Investment property Financial assets at fair value through profit or loss		8 2 3 4	9 443 2 708	149 8 234	157 1 684	
Deferred tax asset		0 234	138 173	136 576	129 375	
Deferred tax asset		388 280	481 997	230 310	138 209	
Current assets		300 200	401 997	250 510	130 209	
Inventories		1 163 354	1 327 092	848 027	751 979	
Trade and other receivables	8	483 021	523 015	467 868	325 381	
Cash and cash equivalents		1 505 136	198 456	1 505 136	123 465	
·		3 151 511	2 048 563	2 821 031	1 200 825	
		2 121 211	2 040 505	2 021 031	1 200 625	
Total assets		3 539 791	2 530 560	3 051 341	1 339 034	
EQUITY AND LIABILITIES						
Equity attributable to the owners of the parent						
Share capital		323 773	323 773	5 214	5 214	
Non distributable reserve		20 896	20 896	337	337	
Retained earnings		1 937 338	536 170	1 795 677	307 146	
Total equity		2 282 007	880 839	1 801 228	312 697	
Non-current liabilities						
Deferred tax liability		7 672	_			
Determed tax traditing		7 672	-	-	-	
Current liabilities		, , ,				
Trade and other payables	9	835 188	1 451 945	835 189	903 295	
Staff benefits liability		246 073	98 932	246 073	61 548	
Share based payment liability		6 043	2 075	6 043	1 291	
Current tax liability		162 808	96 770	162 808	60 203	
		1 250 112	1 649 721	1 250 113	1 026 337	
Total equity and liabilities		3 539 791	2 530 560	3 051 341	1 339 034	

The notes are an integral part of these consolidated financial statements. These financial statements were authorised for use by the board of directors on 30 March 2022 and signed on its behalf by:

Kimesh Naidoo Managing Director



ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital ZW\$ 000	INFLATION ADJUSTED ATTRIBUTABLE TO OWNERS OF THE PARENT 1. Non- distributable Retained Share capital reserves earnings Total ZW\$ 000 ZW\$ 000 ZW\$ 000 ZW\$ 000			
Balance at 1 January 2020	323 773	20 896	438 012	782 681	
Total comprehensive income for the year Dividends	-	-	98 158 -	98 158 -	
Balance at 31 December 2020	323 773	20 896	536 170	880 839	
Balance at 1 January 2021 Total comprehensive income for the period Dividends	323 773 - -	20 896 - -	536 170 1 401 168	880 839 1 401 168	
Balance at 31 December 2021	323 773	20 896	1 937 338	2 282 007	

¹Non-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 in 2009. It represents the residual equity t	hat existed as at	1 February 200	9, the date of th	ie changeover.
	UNAUDITED HISTORICAL COST ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Share capital ZW\$ 000	^{1.} Non- distributable reserves ZW\$ 000	Retained earnings ZW\$ 000	Total ZW\$ 000
Balance at 1 January 2020	5 214	337	35 232	40 783
Total comprehensive income for the year Dividends	-	-	271 914 -	271 914 -
Balance at 31 December 2020	5 214	337	307 146	312 697
Balance at 1 January 2021 Total comprehensive income for the period Dividends	5 214 - -	337 - -	307 146 1 488 531	312 697 1 488 531
Balance at 31 December 2021	5 214	337	1 795 677	1 801 228

^L 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 in 2009. 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 2021	FOR THE YEAR ENDED 31 DECEMBER 2021					
		INFLATION	ADJUSTED	UNAUDITED HIS	STORICAL COST	
No	otes	31 Dec 2021 ZW\$ 000	31 Dec 2020 ZW\$ 000		31 Dec 2020 ZW\$ 000	
Cash flows from operating activities Cash generated/(utilised) from operations Interest paid Income tax paid		1 592 329 (12 013) (566 976)	(49 263) - (352 388)	(12 013)	244 275 - (161 727)	
Net cash generated/(utilised) from operating activities		1 013 340	(401 651)	1 464 967	82 548	
Cash flows from investing activities Purchase of property, plant and equipment Proceeds from sale of property, plant and equipment	7	(91 811) -	(2 850) -	(82 139) -	(1 491)	
Net cash used in investing activities		(91 811)	(2 850)	(82 139)	(1 491)	
Cashflows from financing activities Dividends paid to owners of the parent		-	-	-	-	
Net cash used in financing activities		-	-	-	-	
Net increase / (decrease) in cash and cash equivalents Before effects of inflation		921 529	(404 501)	1 382 828	81 007	
Effect of inflation on cash and cash equivalents		386 307	297 347	-	-	
Net increase / (decrease) in cash and cash equivalents		1 307 836	(107 154)	1 382 828	81 007	
Cash and cash equivalents at the beginning of the year Effect of movement in exchange rates on cash held Cash and cash equivalents at end of the year		198 456 (1 157) 1 505 136	305 560 50 198 456	(1 157)	42 377 31 123 465	



For The Year Ended 31 December 2021

NOTES TO THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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. Accounting policies and reporting currency

There has been no change in the Group'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 Group 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). 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 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 acGrouping financial statements at 31 December 2021, are as follows:

Dates	Indices	Conversion Factor
CPI as at 31 December 2021	3 977.50	1.000
CPI as at 31 December 2020	2 474.51	1.61
Average CPI 2021	3 135.23	
Average CPI 2020	1 579.09	

4. Blocked funds registration

Supplementary information

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, which were listed as approved blocked funds under Annex 1 of the Finance Act (no 7) of 2021, (gazetted on 21 December 2021). 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.

	•	INFLATION	ADJUSTED	UNAUDITED HISTORICAL COST		
		31 Dec 2021 ZW\$ 000	31 Dec 2020 ZW\$ 000	31 Dec 2021 ZW\$ 000	31 Dec 2020 ZW\$ 000	
5. Depi	reciation					
Depr	reciation charge	(38 504)	(53 320)	(3 520)	(909)	
Amo	rtisation charge	(336)	(336)	(5)	(5)	
		(38 840)	(53 656)	(3 525)	(914)	
o. Othe	er losses					
Loss	on sale of property, plant and equipment	(226)	-	(226)	-	
Exch	ange losses	(82 505)	(616 615)	(56 576)	(318 587)	
		(82 731)	(616 615)	(56 802)	(318 587)	
7. Capi	tal expenditure	(91 811)	(2 850)	(82 139)	(1 491)	
3. Trad	e and other receivables					
Trade	e receivables	147 682	96 192	147 682	59 844	
Amo	unts due from related parties	152 124	217 502	152 124	135 314	
Othe	r receivables	55 363	56 829	55 363	35 354	
Prep	ayments	188 250	223 590	173 098	139 101	
Prov	ision for impairment	(60 398)	(71 098)	(60 399)	(44 232)	
		483 021	523 015	467 868	325 381	

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.

Trade and other payables

Trade payables	66 092	201 644	(42 811)	125 448
Amounts due to related parties	518 337	628 988	518 337	391 310
Social security and other taxes	162 189	183 739	162 189	114 309
Accrued expenses	85 865	433 226	194 769	269 523
Dividends payable	2 705	4 348	2 705	2 705
	835 188	1 451 945	835 189	903 295

: 10.	Segment Information	INF	LATION ADJUST	ED
	2021	Cigarettes ZW\$ 000	Leaf and Cut- rag Tobacco ZW\$ 000	Total ZW\$ 000
:	External revenue	6,667,694	475,324	7,143,018
	Tobacco duties	(2,421,690)	-	(2,421,690)
	Net revenue	4,246,004	475,324	4,721,328
	Profit before interest, taxation, depreciation and amortization	2,187,670	43,211	2,230,882
	Depreciation	(38,504)	-	(38,504)
	Amortisation	(336)	-	(336)
	Interest	(12,013)	-	(12,013)
	Profit before income tax	2,136,817	43,211	2,180,028
	Total assets	3,488,096	51,695	3,539,791
	Total liabilities	1,257,784	-	1,257,784

	INFLATION ADJUSTED		
2020	Cigarettes ZW\$ 000	Leaf and Cut-rag Tobacco ZW\$ 000	Total ZW\$ 000
External revenue	4,505,864	346,060	4,851,924
Tobacco duties	(1,517,471)	-	(1,517,471)
Net revenue	2,988,393	346,060	3,334,453
Profit before interest, taxation, depreciation and amortization	433,977	31,461	465,438
Depreciation	(53,320)	-	(53,320)
Amortisation	(336)	-	(336)
Profit before income tax	380,321	31,461	411,782
Total assets	2,408,840	121,720	2,530,560
Total liabilities	1,649,722	-	1,649,722

	UNAUDITED HISTORICAL COST		
2021	Cigarettes ZW\$ 000	Leaf and Cut-rag Tobacco ZW\$ 000	Total ZW\$ 000
External revenue	5,375,424	395,367	5,770,791
Tobacco duties	(1,942,647)	-	(1,942,647)
Net revenue	3,432,777	395,367	3,828,144
Profit before interest, taxation, depreciation and amortization	2,000,249	35,942	2,036,192
Depreciation	(3,520)	-	(3,520)
Amortisation	(5)	-	(5)
Interest	(12,013)	-	(12,013)
Profit before income tax	1,984,711	35,942	2,020,654
Total assets	2,999,646	51,695	3,051,341
Total liabilities	1,250,112	-	1,250,112

2020	Cigarettes ZW\$ 000	Leaf and Cut-rag Tobacco ZW\$ 000	Total ZW\$ 000
External revenue	1,994,172	175,494	2,169,666
Tobacco duties	(647,149)	-	(647,149)
Net revenue	1,347,023	175,494	1,522,516
Profit before interest, taxation, depreciation and amortization	353,985	17,549	371,534
Depreciation	(909)	-	(909)
Amortisation	(5)	-	(5)
Profit before income tax	353,071	17,549	370,620
Total assets	1,263,309	75,725	1,339,034
Total liabilities	1,026,337	-	1,026,337

UNAUDITED HISTORICAL COST

11. Going Concern

The Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future and is expected to continue to generate profits.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to settle all its outstanding obligations.

12. Subsequent events

Since the year end, there has been significant movement of the auction exchange rates. As at the reporting date, the rate had increased from a closing rate of US\$1:ZW\$108.7 to US\$1:ZW\$142. 4. This represents an average of 31% increase in a period of 3 months. Should this trend continue, the 2022 closing interbank rate could be significantly above the 2021 closing rate. In addition to the rate movement, the CPI index has significantly increased to current rate of 4,483 as of February 2022, from 3,977 as at 31 December 2021.

As the conflict in Ukraine continues to escalate, we continue to monitor developments in Ukraine and their potential impact on the Zimbabwean business. In the short term the business anticipates a potential increase in the cost of production.

13. Auditor's statement

The financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2021, which have been audited by KPMG Chartered Accountants (Zimbabwe), with the responsible partner being Vinay Ramabhai. A qualified audit opinion was issued thereon, in respect the exchange rates being applied to foreign creditors, related to approved Blocked Funds, in the current and prior periods, and in respect of exchange rates applied in the comparative period, as the 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 Group's registered office.



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Independent Auditors' Report

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

Qualified 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 13 to 67, which comprise the inflation adjusted consolidated and separate statements of financial position as at 31 December 2021, 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 financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matters described in the *Basis for qualified opinion* section of our report, the inflation adjusted consolidated and separate financial statements present fairly, in all material respects, the inflation adjusted consolidated and separate financial position of British American Tobacco Zimbabwe (Holdings) Limited as at 31 December 2021, 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 qualified opinion

Non-compliance with International Financial Reporting Standards IAS 21 – The Effects of Changes in Foreign Exchange Rates (IAS 21) 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 inflation adjusted consolidated and separate financial statements for the year 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.



Management has not restated the prior year amounts in line with the requirements of IAS 8; and consequently, many corresponding numbers, in respect of the financial performance and cash flows, remain misstated on the inflation adjusted consolidated and separate financial statements of 31 December 2020.

Non-compliance with International Financial Reporting Standards IAS 29 – Financial Reporting in Hyperinflationary Economies (IAS 29)

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

Our opinion on the current year's inflation adjusted consolidated and separate financial statements has been qualified because of the possible effects of these matters on the comparability of the current year's inflation adjusted financial statements with those of the prior year.

RBZ blocked funds

As described in note 14 to the inflation adjusted consolidated and separate financial statements, 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 balance, as the Directors believe the Reserve Bank of Zimbabwe (RBZ) will assist the Group in sourcing foreign currency at that rate. Whilst the amount has been listed as approved blocked funds in the Finance Act (No.7) of 2021, enacted on 31 December 2021, 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\$423.9 million, monetary gain on hyperinflation adjustment is understated by ZW\$769.6 million, the trade and other payables balance is understated by ZW\$1,706.6 million and the opening retained earnings balance as at 1 January 2021 is overstated by ZW\$2,052.3 million.

This departure from IAS 21 on the inflation adjusted consolidated and separate financial statements is material and our opinion on the current year's inflation adjusted consolidated and separate financial statements has been qualified as a result.

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 qualified 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. These matters were addressed in the context of our audit of the inflation adjusted consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for qualified opinion*, section we have determined the matters described below to be the key audit matters to be communicated in our report.

Application of IAS 21 – The Effects of Changes in Foreign Exchange Rates (IAS 21) with respect to the appropriateness of the determined spot rate

(Group and Company) - Refer to accounting policies note 2.6

Key audit matter

The Zimbabwean economy is currently characterized by two exchange rates: the official exchange rate, prescribed by the Reserve Bank of Zimbabwe (RBZ) (the auction rate) and the parallel market rate, which is unofficial.

The Group and Company's transactions include a mix of Zimbabwe Dollar (ZW\$), Pounds Sterling (GBP) and US Dollar (US\$) based transactions, both from a sale (cutrag exports), expenses and foreign balances perspective, all of which are required to be translated to ZW\$ at the prevailing spot rate at the dates of the transactions or valuation, where items are re-measured.

The Group and Company has applied the auction rate in its determination of the appropriate spot rate pursuant to complying with IAS 21 for the financial year ended 31 December 2021. Foreign currency transactions and balances were thus translated to ZW\$ at the auction rate, as the Group and Company has concluded that there is no lack nor a temporary lack of exchangeability of foreign currency in terms of IAS 21 given that the Group and Company participated in the foreign exchange auction and were allotted foreign currency which demonstrated exchangeability.

Due to the uncertainty surrounding which exchange rate should be considered as the prevailing spot rate for the purpose of translating foreign currency transactions and balances to ZW\$, the appropriateness of the determined spot rate was considered a key audit matter.

How the matter was addressed in our audit

Our audit procedures performed included the following:

- 1. We evaluated management's technical analysis outlining their considerations for the basis of using the auction rate as the spot rate in accordance with the requirements of IAS 21 by performing an analysis of the amount of successful bids against the amounts allocated, thereby assessing whether the Group and Company were able to obtain foreign currency from the auction market;
- 2. We assessed the adequacy of the disclosures made in the financial statements in respect of the significant estimates and judgements made the in determination of the appropriate foreign currency exchange translation rate in terms of IAS 21 -The Effects of Changes in Foreign Exchange Rates.



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 identified above when it becomes available 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.

As described in the *Basis for qualified opinion* section above, the Group has not restated the inflation adjusted consolidated and separate comparative financial statements, as required by IAS 8, to resolve the matters which resulted in the adverse opinion in the prior year 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 31 December 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 amounts or other items in the Chairman's statement, the Directors' report and the Financial highlights.

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 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 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 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.



From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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

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

31 March 2022

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

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