

Audited Abridged Financial Results

For The Year Ended 31 December 2022

Chairman's Statement

Introduction

On behalf of the Board, I am honoured to present the BAT Zimbabwe Group ("the Group" or "the Company") financial results for the year ended 31 December 2022 ("FY22") to our esteemed shareholders. The trading environment for the year ended 31 December 2022 was characterized by rising inflation, with month-to-month inflation averaging 6.3% over the period, stable exchange rates in the second half of the year, despite cash and/or local currency shortages.

Notwithstanding the above challenges, the Group was still able to deliver 50% growth in revenue and a 20% growth in profit before tax, compared to similar period last year.

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

Board Resignations and Appointments

Mr. Vincent Kaloki resigned as Finance Director for the Company effective 31 August 2022. The Board of Directors would like to thank Mr. Kaloki for his contribution to the Group's success and wish him all the best in his future endeavors.

In this vein, the Board is also pleased to announce the appointment of Mr. Wilson Chitsonga as the Company's new Finance Director, with effect from 1 September 2022.

Volumes

The Group recorded 1 054 million sticks for the year under review, compared to 1 130 million sticks the previous year ending (ending 2021), resulting in negative volume performance for the period.

However, despite increased power shortages and reduced disposable income, the Group was able to deliver a strong performance that was only 6.7% short of the previous year. This volume drop was driven by shortage of RTGS in the market which made it difficult for customers to purchase our products. Further, the Group established that the smart pricing mechanism implemented by the Company resulted in higher pricing when compared to competitor trade prices in United States Dollars (USD).

Separately, export volumes of cut-rag tobacco declined by 43% during the period under review compared to prior year as a result of decreased export market demand.

Financial Results

The Group recorded a 50% increase in revenue amount

to ZWL24.3 billion compared to the previous year. This was driven by price reviews and revenue generated from cut-rag tobacco and leaf export sales.

These two income streams generated a gross profit of ZWL 18.3 billion which represents a 74% growth when compared to the year prior.

Profit before tax for the year was finalized at ZWL9.0 billion which reflects a 20% growth compared to the same period in the prior year. However, the revenue growth did not translate into similar growth in profit before tax due to the impact of exchange losses. Groups earnings per share increased to ZWL 287.43 from ZWL 277.11 in the year prior.

Blocked Funds Registration

Subsequent to 31 December 2019, the Reserve Bank of Zimbabwe ("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 as read together with the Exchange Control Circular No. 8 of 24 July 2019. Following the registration of blocked funds, an amount of ZWL\$ 15.7 million was transferred to the RBZ, to allow for settlement of registered blocked funds.

In line with the provisions of the February 2019 Monetary Policy Statement on 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 blocked 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 USD 1: ZWL 1.

Dividend

The Company continues to hold in the highest regard the interests of its shareholders to earn reasonable returns on their investments in the Group. In view of the profit recorded for the period under review, the Board proposes the declaration of a final dividend of ZWL 88.35 per share.

Contribution to the Government Treasury

The Group's contribution to the Government Treasury through various tax heads including excise duty, corporate tax, value added tax (VAT), custom duties, pay as you earn and withholding tax remain substantial. BAT Zimbabwe's contribution to the Zimbabwe Revenue Authority ("ZIMRA") in the year under review, increased from ZWL 11.0 billion in 2021 to ZWL 17.5 billion for the

year ending 31 December 2022.

Key contributors of the Group's increased tax payments were excise duty, corporate tax and pay as you earn (PAYE), driven by increases in the selling price of our products and profit generated before taxation and rising inflation.

Sustainability

Sustainability is central to the global BAT Group's evolved strategy. The global company's sustainability agenda reflects its commitment to reducing the health impact of its products through offering a greater choice of enjoyable less risky products for consumers. The strategy has a clear focus on Environmental, Social and Governance (ESG) priorities, including addressing climate change, managing natural resources, waste reduction, supporting sustainable farmer livelihoods for our farmers and building the resilience of rural communities. This approach is also driven by extensive stakeholder insights as the Company continuously engages a wide range of stakeholders to understand what matters to them most.

In Zimbabwe, the Group continues to strive for excellence and look for new ways to preserve the natural environment, reduce waste and respond to climate changes as our three focus areas. The BAT Zimbabwe Group currently seeks to obtain Alliance for Water Stewardship (AWS) certification for 2023/24. The Group continues with the water stewardship journey, increasing water recycling from 10% to 18%. These plus other initiatives to reduce water consumption have led to a drop of 17% in water usage in 2022 compared to 2021. Our drive to reduce energy usage together with CO2 emissions led to a drop of 2.2% in absolute energy usage in 2022 compared to 2021. Despite the drop in absolute usage our specific energy was negatively affected going up by 7% driven by power unreliability from the grid which led to the factory relying more on the generator with increased diesel usage.

Looking at the base year of 2017, the group set for tracking of CO2 reduction and our CO2 emissions have reduced by 25%. We are on track to achieve 50% reduction as set by the group for 2025. The Group further seeks to reduce CO2 emissions by conducting a Factory Site Renewable Energy Study to identify new energy sources like solar that will continue our drive to carbon neutrality. On waste management the Group is pleased to report that the Group achieved the 'Zero Waste to Landfill' target in the year under review through identifying alternative uses for all waste generated in the factory, increasing the waste recycling rate to 92%. It remains the priority of the Group to maintain and sustain these efforts throughout the subsequent years.

Outlook

Although trading conditions are expected to remain challenging in 2023 characterized by high levels of inflation, exchange rate volatility and the global impacts of the Russian invasion of Ukraine, the Board is confident that the Group is in a good position to navigate these erratic economic conditions through the implementation of effective business strategies, the equity of our brands and the quality of our people. The Group will continue to deliver growth and value for its shareholders.

Conclusion

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
Chairman
14 April 2023

Dividend Notice to Shareholders

NOTICE IS HEREBY GIVEN THAT the Board of Directors of British American Tobacco Zimbabwe (Holdings) Limited ("the Company") has declared a final dividend of ZWL 88.35 per share amounting to ZWL 1 822 971 226.95 in respect of the financial year ended 31 December 2022, payable in respect of all ordinary shares of the Company.

ACTION	DATE
Announcement Date	14 April 2023
Last Date to Trade- cum dividend	25 April 2023
Share Trade Ex Dividend	26 April 2023
Last Record Date (LDR)	28 April 2023
Payment Date	30 May 2023
Dividend Per Share	ZWL \$88.35

Non-resident shareholders' tax and resident shareholders' tax will be deducted from the gross dividends where applicable.

By Order of the Board

Phyllis Chenjera
Company Secretary
14 April 2023

AUDITED ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

Notes	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
Revenue	24 279 120	16 230 030	17 447 562	3 828 144
Cost of sales	(6 018 445)	(5 738 956)	(2 965 384)	(788 342)
Gross profit	18 260 675	10 491 074	14 482 178	3 039 802
Selling and marketing costs	(2 231 814)	(2 113 931)	(1 568 736)	(490 492)
Administrative expenses	(3 075 597)	(1 836 779)	(2 286 324)	(457 302)
Impairment loss on trade receivables	33 934	(55 575)	33 934	(16 166)
Re-measurement of share-based payment liability	15 502	(17 469)	770	(5 082)
Other income	104 115	71 823	100 196	11 934
Other (loss)/gain – net	(2 283 615)	(284 399)	(3 067 140)	(50 027)
Monetary (loss)/gain on hyperinflation adjustment	(2 634 719)	1 280 612	-	-
Operating profit	8 188 481	7 535 356	7 694 878	2 032 667
Finance Income/(costs)	810 395	(41 296)	610 196	(12,013)
Profit before income tax	8 998 876	7 494 060	8 305 074	2 020 654
Income tax expense	(4 002 833)	(2 677 407)	(2 228 273)	(532 123)
Total comprehensive income/(loss) for the period	4 996 043	4 816 653	6 076 801	1 488 531
Attributable to:				
Owners of the parent	4 996 043	4 816 653	6 076 801	1 488 531
Basic earnings per share (ZW\$)	287.43	277.11	349.60	85.64
Diluted earnings per share (ZW\$)	287.43	277.11	349.60	85.64
Headline earnings per share (ZW\$)	439.00	203.43	349.60	85.64

AUDITED ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2022

Notes	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	Audited 31 Dec 2022	Audited 31 Dec 2021	Audited 31 Dec 2022	Audited 31 Dec 2021
	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
ASSETS				
Non-current assets				
Property, plant and equipment	4 044 658	1 275 497	2 187 540	85 351
Intangible assets	91	92	-	-
Investment property	30 846	30 861	141	149
Financial assets at fair value through profit or loss	6 638	28 304	6 638	8 234
Deferred tax asset	-	-	677 629	136 576
4 082 233	1 334 754	2 871 948	230 310	
Current assets				
Inventories	4 244 383	3 999 143	2 762 229	848 027
Trade and other receivables	9 924 275	1 660 426	6 795 577	467 868
Cash and cash equivalents	4 219 124	5 174 054	4 219 124	1 505 136
18 387 782	10 833 623	13 776 930	2 821 031	
Total assets	22 470 015	12 168 377	16 648 878	3 051 341
EQUITY AND LIABILITIES				
Equity attributable to the owners of the parent				
Share capital	1 113 001	1 113 001	5 214	5 214
Non distributable reserve	71 833	71 833	337	337
Retained earnings	11 655 833	6 659 790	7 872 478	1 795 677
Total equity	12 840 667	7 844 624	7 878 029	1 801 228
Non-current liabilities				
Deferred tax liability	858 493	26 373	-	-
858 493	26 373	-	-	

Current liabilities

Trade and other payables	9	7 632 139	2 871 036	7 632 133	835 189
Staff benefits liability		940 338	845 900	940 338	246 073
Share based payment liability		4 960	20 775	4 960	6 043
Current tax liability		193 418	559 669	193 418	162 808
		8 770 855	4 297 380	8 770 849	1 250 113
Total equity and liabilities		22 470 015	12 168 377	16 648 878	3 051 341

The notes are an integral part of these consolidated financial statements. These financial statements were authorised for use by the board of directors on 14 April 2023 and signed on its behalf by:

Sivenasen Moodley
Managing Director

Wilson Chitsonga
Finance Director

AUDITED ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	INFLATION ADJUSTED 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 2021	1 113 001	71 833	1 843 137	3 027 971
Total comprehensive income for the year	-	-	4 816 653	4 816 653
Dividends	-	-	-	-
Balance at 31 December 2021	1 113 001	71 833	6 659 790	7 844 624
Balance at 1 January 2022	1 113 001	71 833	6 659 790	7 844 624
Total comprehensive income for the year	-	-	4 996 043	4 996 043
Dividends	-	-	-	-
Balance at 31 December 2022	1 113 001	71 833	11 655 833	12 840 667

¹Non-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 in 2009. It represents the residual equity that existed as at 1 February 2009, the date of the 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 2021	5 214	337	307 146	312 697
Total comprehensive income for the year	-	-	1 488 531	1 488 531
Dividends	-	-	-	-
Balance at 31 December 2021	5 214	337	1 795 677	1 801 228
Balance at 1 January 2022	5 214	337	1 795 677	1 801 228
Total comprehensive income for the year	-	-	6 076 801	6 076 801
Dividends	-	-	-	-
Balance at 31 December 2022	5 214	337	7 872 478	7 878 029

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 in 2009. It represents the residual equity that existed as at 1 February 2009, the date of the changeover.

Audited Abridged Financial Results

For The Year Ended 31 December 2022

AUDITED ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

Notes	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	31 Dec 2022 ZW\$ 000	31 Dec 2021 ZW\$ 000	31 Dec 2022 ZW\$ 000	31 Dec 2021 ZW\$ 000
Cash flows from operating activities				
Cash generated from operations	7 266 065	5 473 792	7 094 232	1 913 668
Interest paid	-	(41 297)	-	(12 013)
Income tax paid	(3 536 964)	(1 949 036)	(2 737 271)	(436 719)
Net cash generated from operating activities	3 729 101	3 483 459	4 356 961	1 464 936
Cash flows from investing activities				
Purchase of property, plant and equipment	(2 860 780)	(315 609)	(2 180 714)	(82 139)
Proceeds from sale of scrap	1 064	-	784	-
Interest received	230 785	-	227 090	-
Net cash used in investing activities	(2 628 931)	(315 609)	(1 952 840)	(82 139)
Cash flows from financing activities				
Dividends paid to owners of the parent	-	-	-	-
Net cash used in financing activities	-	-	-	-
Effects of movement in exchange rates on cash held	506 371	(3 979)	309 867	(1 157)
Effects of inflation on cash and cash equivalents	(2 561 471)	1 327 969	-	-
Net (decrease)/increase in cash and cash equivalents	(954 930)	4 491 841	2 713 988	1 381 640
Cash and cash equivalents at the beginning of the year	5 174 054	682 213	1 505 136	123 496
Cash and cash equivalents at end of the year	4 219 124	5 174 054	4 219 124	1 505 136

NOTES TO THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General Information

British American Tobacco Zimbabwe (Holdings) Limited ("the Group") and its subsidiaries (together, "the Group") manufactures, distributes and sells cigarettes through a network of independent retailers and distributors. The Group has a cigarette manufacturing plant in Zimbabwe and sells cigarettes entirely on the Zimbabwean market and exports cut rag outside Zimbabwe.

These financial statements are presented in Zimbabwean dollars (ZW\$), rounded to the nearest thousand dollars.

The Group is a limited liability company incorporated and domiciled in Zimbabwe. The address of its registered office is Number 1 Manchester Road, Southerton, Harare, Zimbabwe. The Group has its primary listing on the Zimbabwe Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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). (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. Financial liabilities measured at fair value are the Share-Based Payments liabilities as explained in Note 2.25 and Note 16.

The Directors adopted the accounting treatment prescribed under SI 33 and applied an exchange rate of US\$1: ZW\$1 from October 2018 to February 2019 and thereafter the Group applied the Reserve Bank of Zimbabwe interbank rates. During the period between 1 January to 23 June 2020, the Group applied the inter-bank exchange rates as required by law and could not estimate any other suitable rate due to non-availability of an alternative rate. With effect from 23 June 2020, the Group applied auction rates to translate foreign currency transactions and balances into ZW\$. The amounts in the 2021 financial statements are the basis for the comparative financial information presented in 2022.

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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 33.

In October 2019, the Public Accountants and Auditors Board confirmed the general market consensus that Zimbabwe had become a hyperinflationary economy with effect from 1 July 2019. 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 CPI is the general price index that reflects changes in purchasing power and is the index that is being used in the country. The indices and conversion factors used to restate the accompanying financial statements at 31 December 2022 are as follows:

Dates	Indices	Conversion Factor
CPI as at 31 December 2022	13 672.91	1.00
CPI as at 31 December 2021	3 977.50	3.44
Average CPI 2022	9 189.69	
Average CPI 2021	3 135.23	

The main procedures applied for the above-mentioned restatement are as follows:

- Monetary assets and liabilities that are carried at amounts at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors.
- Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Zimbabwe dollars at the foreign exchange rate ruling at that date.
- Deferred tax items are re-measured in accordance with IAS 12 after restating the nominal carrying amounts of non-monetary items at the date of the opening statement of financial position of the reporting period by applying the measuring unit at that date. The deferred tax items are restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting period to the end of that reporting period.
- Assets and liabilities linked by agreements to changes in prices, such as index linked bonds and loans, are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the end of the reporting period. The amounts are carried at this adjusted amount in the restated statement of financial position.
- An impairment loss is recognized in profit or loss if the remeasured amount of a non-monetary item exceeds its recoverable amount.
- Comparative financial statements are restated by applying the relevant year end conversion factors.
- All items in the statement of profit or loss and other comprehensive income with the exception of unrealized gains and losses are restated by applying the relevant monthly conversion factors.
- All items in the statement of cash flows are stated in terms of the measuring unit current at the balance sheet date.
- The effect of inflation on the net monetary position of the Group is included in profit or loss as a gain or loss on net monetary position

The Group financial statements have been prepared on the going concern basis which the Directors believe to be appropriate (refer to note 34).

4. Blocked funds registration

Subsequent to 31 December 2019, the Reserve Bank of Zimbabwe ("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 as read together with the Exchange Control Circular No. 8 of 24 July 2019. Following the registration of blocked funds, an amount of ZWL\$ 15.7 million was transferred to the RBZ, to allow for settlement of registered blocked funds.

In line with the provisions of the February 2019 Monetary Policy Statement on 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 blocked 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 USD 1: ZWL 1.

During the year under review, the Company received USD 10 009.05 from the RBZ under the registered blocked funds.

Supplementary information

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	31 Dec 2022 ZW\$ 000	31 Dec 2021 ZW\$ 000	31 Dec 2022 ZW\$ 000	31 Dec 2021 ZW\$ 000
5. Depreciation				
Depreciation charge	(91 634)	(132 363)	(78 533)	(3 512)
Amortisation charge	(1)	(1 157)	-	(5)
	(91 635)	(133 520)	(78 533)	(3 517)
6. Other (losses)/gains - net				
Loss on sale of property-plant equipment	-	(777)	-	(226)
Fair value losses	(21 666)	-	(1 584)	-
Exchange losses	(2 261 949)	(283 622)	(3 065 556)	(49 801)
	(2 283 615)	(284 399)	(3 067 140)	(50 027)
7. Capital expenditure	(2 860 780)	(315 609)	(2 180 714)	(82 139)
8. Trade and other receivables				
Trade receivables	2 685 719	507 671	2 685 718	147 682
Amounts due from related parties	138 593	522 940	138 593	152 124
Other receivables	285 868	190 314	285 870	55 363
Prepayments	6 840 560	647 127	3 711 861	173 098
Provision for impairment	(26 465)	(207 626)	(26 465)	(60 399)
	9 924 275	1 660 426	6 795 577	467 868
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	31 Dec 2022 ZW\$ 000	31 Dec 2021 ZW\$ 000	31 Dec 2022 ZW\$ 000	31 Dec 2021 ZW\$ 000
Trade payables	314 056	227 193	314 050	(42 810)
Amounts due to related parties	5 771 242	1 781 834	5 771 242	518 337
Social security and other taxes	1 162 646	557 540	1 162 646	162 189
Accrued expenses	376 161	295 171	376 161	194 768
Dividends payable	2 705	9 298	2 705	2 705
Other	5 329	-	5 329	-
	7 632 139	2 871 036	7 632 133	835 189

Audited Abridged Financial Results

For The Year Ended 31 December 2022

10. Segment Information

2022

External revenue
Tobacco duties

Net revenue

Profit before interest, taxation, depreciation and amortization

Depreciation

Amortisation

Interest

Profit before income tax

Total assets

Total liabilities

	INFLATION ADJUSTED		
	Cigarettes ZW\$ 000	Leaf and Cut- rag Tobacco ZW\$ 000	Total ZW\$ 000
External revenue	36 871 626	924 412	37 796 038
Tobacco duties	(13 516 918)	-	(13 516 918)
Net revenue	23 354 708	924 412	24 279 120
Profit before interest, taxation, depreciation and amortization	8 196 079	84 037	8 280 116
Depreciation	(91 634)	-	(91 634)
Amortisation	(1)	-	(1)
Interest	810 395	-	810 395
Profit before income tax	8 914 839	84 037	8 998 876
Total assets	22 331 422	138 593	22 470 015
Total liabilities	9 629 348	-	9 629 348

2021

External revenue
Tobacco duties

Net revenue

Profit before interest, taxation, depreciation and amortization

Depreciation

Amortisation

Interest

Profit before income tax

Total assets

Total liabilities

	INFLATION ADJUSTED		
	Cigarettes ZW\$ 000	Leaf and Cut- rag Tobacco ZW\$ 000	Total ZW\$ 000
External revenue	22 920 857	1 633 973	24 554 830
Tobacco duties	(8 324 800)	-	(8 324 800)
Net revenue	14 596 057	1 633 973	16 230 030
Profit before interest, taxation, depreciation and amortization	7 520 333	148 543	7 668 876
Depreciation	(132 363)	-	(132 363)
Amortisation	(1 157)	-	(1 157)
Interest	(41 296)	-	(41 296)
Profit before income tax	7 345 517	148 543	7 494 060
Total assets	11 838 088	330 289	12 168 377
Total liabilities	4 323 753	-	4 323 753

2022

External revenue
Tobacco duties

Net revenue

Profit before interest, taxation, depreciation and amortization

Depreciation

Amortisation

Interest

Profit before income tax

Total assets

Total liabilities

	UNAUDITED HISTORICAL COST		
	Cigarettes ZW\$ 000	Leaf and Cut- rag Tobacco ZW\$ 000	Total ZW\$ 000
External revenue	26 701 928	479 927	27 181 855
Tobacco duties	(9 734 293)	-	(9 734 293)
Net revenue	16 967 635	479 927	17 447 562
Profit before interest, taxation, depreciation and amortization	7 729 781	43 630	7 773 411
Depreciation	(78 533)	-	(78 533)
Amortisation	(0)	-	(0)
Interest	610 196	-	610 196
Profit before income tax	8 261 444	43 630	8 305 074
Total assets	16 510 285	138 593	16 648 878
Total liabilities	8 770 849	-	8 770 849

2021

External revenue
Tobacco duties

Net revenue

Profit before interest, taxation, depreciation and amortization

Depreciation

Amortisation

Interest

Profit before income tax

Total assets

Total liabilities

	UNAUDITED HISTORICAL COST		
	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	2 000 242	35 942	2 036 184
Depreciation	(3 512)	-	(3 512)
Amortisation	(5)	-	(5)
Interest	(12 013)	-	(12 013)
Profit before income tax	1 984 712	35 942	2 020 654
Total assets	2 999 646	51 695	3 051 341
Total liabilities	1 250 113	-	1 250 113

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

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

13. Auditor's statement

These financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2022 which have been audited by Messrs KPMG Chartered Accountants (Zimbabwe) who expressed a qualified audit opinion because of non-compliance with International Accounting Standard 21, The Effects of Changes in Foreign Exchange Rates in the current and prior years, IAS 8, Accounting policies, Changes in Accounting Estimates and Errors, and the consequential impact on the inflation adjusted amounts determined in terms of IAS 29, Financial Reporting in Hyperinflationary Economies, in respect of the accounting for foreign creditors registered as blocked funds and as described in note 3. A copy of the auditor's audit opinion is available for inspection at the Company's registered office. The engagement partner for this audit is Vinay Ramabhai (PAAB Practising Certificate Number 0569).

DANGER: SMOKING IS HARMFUL TO HEALTH

15mgs Tar 1.2mgs Nicotine. As per Government Agreed Method



NEW ICONIC NAME.

SAME MADISON TASTE.



NOT FOR SALE TO PERSONS UNDER THE AGE OF 18



KPMG
Mutual Gardens 100 The Chase (West)
Emerald Hill, Harare, Zimbabwe
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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) which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effect of the matter 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 2022, 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 IFRS Standards as issued by the International Accounting Standards Board and in the manner required by the Companies and Other Business Entities Act [Chapter 24:31].

Basis for qualified opinion

Blocked Funds

As described in note 34 to the consolidated and separate inflation adjusted financial statements, the Group and Company have continued to account for foreign liabilities amounting to US\$15.7 million, approved as blocked funds, at an exchange rate of US\$1:ZW\$1, as included in Trade and other payables. 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 US\$1:ZW\$1 is not in line with the requirement of IAS 21 - *The Effects of Changes in Foreign Exchange Rates* (IAS 21), which requires foreign currency denominated liabilities to be translated at the closing spot rates at the respective period ends.

In the current year, as a result of the non-compliance with IAS 21, trade and other payables balance is understated by ZW\$10.76 billion, and the income statement impact is split between the current year, with other losses being understated by ZW\$ 9.07 billion and the monetary loss being overstated by ZW\$4.12 billion, and the prior year with the opening retained earnings balance as at 1 January 2022 is overstated by ZW\$ 5.81 billion.

These departures from IAS 21 also led to a qualified audit opinion being issued on the Consolidated and Separate Inflation Adjusted Financial Statements for the year ended 31 December 2021.



In addition, the non-compliance over the blocked funds will impact, IAS 29 - Financial Reporting in Hyperinflation Economies (IAS 29).

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 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 matter

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 matter described in the *Basis for qualified 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, 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 and Company have continued to account for foreign liabilities amounting to US\$15.7 million, approved as blocked funds, at an exchange rate of US\$1:Zw\$1, 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 IFRS Standards as issued by the International Accounting Standards Board 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'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'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

14 April 2023

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

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