

# Building A Better Tomorrow™



Annual Report 2022





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# DANGER: SMOKING IS HARMFUL TO HEALTH

15mg Tar 1.2mg Nicotine. As Per Government Agreement Method



NOT FOR SALE TO PERSONS UNDER THE AGE OF 18

# OUR STRATEGY

**Combustible tobacco remains the core of our business and will continue to provide us with opportunities for growth.**

Our strategy enables the business to deliver A Better Tomorrow™ for our consumers who will have a range of enjoyable choices for every mood and moment; for our society by supporting agricultural communities and minimising our impact on the environment, for our employees by creating a dynamic and purposeful place to work and for our shareholders by delivering sustainable superior returns.



## OUR MISSION

### Stimulating the senses of new adult generations

Today, we see opportunities to capture consumer moments which have, over time, become limited by societal and regulatory shifts, and to satisfy evolving consumer needs and preferences.

Our mission is to anticipate and satisfy this ever-evolving consumer need by providing pleasure, increase choice and stimulate the senses of adult consumers worldwide.

## HOW WE WIN

### People and partnerships

Our highly motivated people are being empowered through a new ethos that is responsive to constant change, embodies a learning culture and is dedicated to continuous improvement.

But we cannot succeed on our own, and our partnerships with farmers, suppliers and customers are also key for ensuring sustainable future growth.

### Powerful brands

For over a century, we have built trusted and powerful brands that satisfy our consumers and serve as a promise for quality and enjoyment.

## OUR PURPOSE

**By stimulating the senses of new adult generations, our purpose is to create A Better Tomorrow™ for all our stakeholders.**

### KEY STAKEHOLDER OUTCOMES

We will create A Better Tomorrow™ for:

#### Consumers

By responsibly offering enjoyable and stimulating choices for every mood and every moment, today and tomorrow.

#### Society

We are part of a major international business and with this status comes the responsibility of being open about the risks of all our products, supporting agricultural communities and minimising our impact on the environment.

By reducing the health impact of our business by offering a range of alternative products, as well as by reducing our environmental and social impacts.

#### Employees

By creating a dynamic, inspiring and purposeful place to work.

#### Shareholders

By delivering sustainable and superior returns.

# OUR ETHOS

Our Ethos are an evolution of our Guiding Principles which guides our culture and behaviours across the group. It has been developed with significant input from our employees and ensures an organization that is future fit for sustainable growth.







## INTERNATIONAL MARKETING PRINCIPLES

Our International Marketing Principles guide the decisions we make in our mission to create A Better Tomorrow™; our International Marketing Principles (IMP) ensure we will all continue to market our products, responsibly and sustainably, to successfully grow our Global brands.

Youth should never smoke or use products containing tobacco or nicotine. We are committed to applying our

International Marketing Principles to all our products and upholding the same high standards in every market we operate, even when they are stricter than applicable local laws.

We market our cigarettes responsibly meeting the preferences of today's adult smokers. Consumer responsive, meeting unmet and evolving consumer needs.

## OUR PRINCIPLES

Our five core principles relating to all our products are that our marketing will be:



# Our sustainability agenda

Our Sustainability Agenda is central to our evolved Group strategy. Our sustainability agenda reflects our commitment to reducing the health impact of our business through offering a greater choice of enjoyable less risky products for our consumers. Our Sustainability Agenda is central to our evolved Group strategy. Our approach is also driven by extensive

stakeholder insights as we continuously engage with a wide range of Stakeholders to understand what matters to them most.

The Company continues to strive for excellence and looks for new ways to preserve the natural environment, reduce waste and improve safety as our three key focus areas for 2022.



## Created shared value for;





# A BETTER TOMORROW™

## Our Sustainability Agenda (continued)



### Water

Access to safe water and sanitation is a fundamental human right. As water scarcity risks may increase with the changing climate, we must drive water efficiencies across the value chain.

#### Our Goals

35%

reduction in the total amount of water we withdraw in our own operations by 2025

15%

In 2022, we achieved a water recycling rate of over 15% from 9% in 2021.

17%

reduction of water consumption by 17% in 2022 compared to 2021.

For the year 2023, the Company seeks to attain AWS (International Water Stewardship Standard) certification which is a globally recognized framework for major water users to understand their water use and impacts, and to work collaboratively and transparently for sustainable water management within a catchment context.



*Sustainable water usage*

The company seeks to further improve the recycling rate of water by further extending the use of the recycled process water, allowing it back into the process and reducing the water withdrawn on site.

By 2025, we aim to reduce the total amount of water we withdraw by 35% for our own operations.

In 2022, we achieved a water recycling rate of over 15% from 9% in 2021. This was achieved through recycling process water from our Primary Manufacturing Department which was completed in December 2022.

Our continued focus on water usage has enabled the Company to reduce water consumption by 17% in 2022, compared to 2021. We continue this journey in 2023 through the initiation of a feasibility study to install RO (Reverse Osmosis) plant, which would enable the Company to generate portable water from wastewater.



*Recycled Water storage for re-purposing*

# Our Sustainability Agenda (continued)



## Waste

Circularity is at the heart of how we manage resources. From minimising operational waste to innovative New Category product designs, we are addressing a growing global concern about plastic and other waste.

### Our Goals

100% 93% 93.5%

of our plastic packaging will be reusable, recyclable, or compostable by 2025.

reduction in our waste to landfill for the past two years.

was our waste recycling rate in 2022.

Our efforts as BAT Zimbabwe in achieving this targets around waste management has resulted in a 93% reduction in our waste to landfill for the past two years. The waste management sustainability drive is based on the circular economy and is aimed at gaining more ground to achieving 100% waste to land fill by improving our waste segregation and by involving more recyclers in the re-use of polypropylene and tow. On waste management, we continue to focus on creating a cyclic economy. In the year 2022, we achieved a Zero waste to landfill (ZWTLF) by Q3, 2022. We continue to focus on recycling and reuse of our waste to reduce impact on the environment. Our waste recycling rate in 2022 stood at 93.5% and we continue to focus on extending the lifecycle of

our products that would otherwise be waste.

The business generated positive returns on our waste, earning more on sale of waste for recycling compared to what was paid for disposal.

To further enhance and reduce our environmental impact the focus is on reducing significantly waste generation at source with improved manufacturing efficiencies and efficient segregation of waste to allow reuse in our circular economy drive

*Some of the recycled products:*





# Our Sustainability Agenda (continued)



## Climate Change

By addressing climate risks and opportunities across our value chain, we can ensure long term sustainability

### Our Goals

**34%** **year 2030**

carbon reduction over the past 5 years

we aim to be carbon neutral across our own operations, and across our value chain by 2050.

## Our Environmental Priorities

**01**

→ Minimising impacts on the environment, increasing climate change resilience and protecting natural resources

→ Supporting sustainable farmer livelihoods for our farmers and building the resilience of rural communities

**02**

**03**

→ Raising standards and improving workplace conditions for people in our supply chain.

→ Implementing collaborative solutions to complex sustainable development challenges.

**04**

**Climate change:** The Company seeks to reduce CO2 emissions with the most significant environmental efforts deployed through efficiencies in the manufacturing process. Strategic interventions have seen the business reduce its CO2 emissions with focus on improved efficiency and investments on systems that efficiently use less energy. Over the past 5 years, the Company has reduced its CO2 emissions by 34%.

We continue to conduct Factory Site Renewable Energy Studies to find new energy sources that will help protect our climate, reduce emissions, and promote a safe working environment.

# Our Sustainability Agenda (continued)

## ⚡ Energy

Supplementing the Environmental Policy, the Climate Change and Energy Standard supports our markets in implementing five-year energy plans that include a growth in renewable energy use.

### Our Goals

# 100%

renewable energy in operation sites to be achieved by 2030.

## Site Safety

BAT Zimbabwe is particularly focused on the safety of its people and dedicated to the prevention of accidents at work. We continue to make significant investments in safety at the workplace, inclusive of improvements in the existing structures with regards to safety preparedness and site-specific training. The focus for 2023 is enhancing the compliance and controls in our safety tools Pulsar, Near Misses and Job safety analysis in order to **Close the Gap to Zero**. In our drive to address safety in 2022, we were able to install an automatic diesel fire engine with a dedicated 150,000 litre tank that kicks in automatically should there be fire, and/or electricity is disconnected.







# Sustainable Farmer **Livelihoods**

# DIRECTORATE, COMMITTEES & ADMINISTRATION

## Directorate

### Non-Executive Chairman

Mr Lovemore T. Manatsa

### Non – Executive Directors

Mrs Rachel P. Kupara

Mr Edwin I. Manikai

Mrs Christelle Supparayen-Romeo

Mr Constantine F. Chikosi

### Executive Directors

Mr Sivenasen Moodley

Mr Wilson Chitsonga

## Committees

### Board Audit Risk and CSR Committee

Mrs Rachel P. Kupara (Chairperson)

Mr Edwin I. Manikai

Mr Constantine F. Chikosi

Mrs Christelle Supparayen-Romeo

Mr Lovemore T. Manatsa

### Board Remuneration and Nominations Committee

Mr Edwin I. Manikai (Chairperson)

Mrs Rachel P. Kupara

Mr Lovemore T. Manatsa

Mr Constantine F. Chikosi

Mrs. Christelle Supparayen-Romeo

## Auditors

KPMG Chartered Accountants (Zimbabwe)

Mutual Gardens

100 The Chase (West)

Emerald Hill

Harare

## Administration

Company Secretary

Registered Office

1 Manchester road

P. O. Box ST98

Southerton

Harare

## Transfer Secretaries

First Transfer Secretaries

1 Armagh Avenue

Off Enterprise Road

Eastlea

Harare

## Bankers

Standard Chartered Bank Zimbabwe Limited

Africa Unity Square Branch

68 Nelson Mandela Avenue

Africa Unity Square Building

P.O. Box 60

Harare

## Legal Practitioners

Chihambakwe, Mutizwa and Partners

7 Lawson Avenue

Milton Park

Harare

Mawere and Sibanda Commercial Lawyers

10th Floor Chiedza House

Corner 1st Street and Kwame Nkrumah Avenue

Harare



# DIRECTORATE



## CHAIRMAN

**Lovemore T. Manatsa**

Mr Lovemore T. Manatsa was appointed Chairman of British American Tobacco Zimbabwe (Holdings) Limited (BAT Zimbabwe) in 2016, having served as Managing Director for British American Tobacco Zimbabwe (Holdings) Limited since September 2008. He holds an MSc in Leadership & Change Management (Leeds Metropolitan University), Bachelor of Commerce (University of South Africa) and a Diploma in Journalism (International Press Institute). He joined the Company as the Advertising Manager in 1995, and occupied various senior roles within the Company and within the BAT Southern Africa Markets Area. In mid - 2007 Lovemore was appointed Country Manager for the BAT Zambia & Malawi Cluster and was based in Lusaka. Lovemore retired from his last position as Managing Director of the Company on 31 January 2016 but remained as a Non-Executive Director. Lovemore also sits on the Board of Irvines Zimbabwe.



## NON- EXECUTIVE DIRECTOR

**Constantine F. Chikosi**

Mr Constantine F. Chikosi holds a law degree from the University of Zimbabwe, a MSc (Economics) from the University of Surrey (UK), is a Chartered Management Accountant (UK) and a graduate of INSEAD Business School (France). In over 19 years with the World Bank Group, Constantine held operational, management and strategy roles delivering development solutions for the Bank's client countries through analytical work, high level policy dialogue and advising the Board on internal corporate strategy and forward-looking initiatives. He oversaw a threefold growth of the Bank's investment portfolio in Southeast Asia as Chair of committees that shaped the Bank's investment portfolios. Constantine led the opening of the World Bank Office in Mauritius where he assisted the government in developing policy responses to the 2008 global financial crisis. Constantine is an independent director of Mauritius Commercial Bank Group Ltd and serves on its Group Strategy Committee. He sits on the Board of African Sun Limited as a non-executive Director.



## NON- EXECUTIVE DIRECTOR

**Edwin I. Manikai**

Mr Edwin I. Manikai is a Senior Partner of Dube Manikai and Hwacha law firm since 1998. He holds a BL (Hons), LLB (UZ) and was admitted as a legal practitioner in 1986. He has 34 years experience as a lawyer focusing on commercial legal practice. He commenced practice as an attorney with Gill, Godlonton & Gerrans, one of the established Harare law firms in 1985. He was a partner at this firm until May 1998 when he co-founded the commercial law firm, Dube Manikai & Hwacha Legal Practitioners in June 1998. He has advised on significant mining energy and telecommunications transactions at world class levels. He is the leading figure in restructurings through schemes of arrangements, reconstructions in Zimbabwe. He sits on the Board of the Reserve Bank of Zimbabwe.



## NON- EXECUTIVE DIRECTOR

**Rachel P. Kupara**

Mrs Rachel P. Kupara holds a Bachelor of Accountancy (Hons) and is a Chartered Accountant. She also has an MBA from Bradford University (UK). She has previously worked in the financial services sector, specifically banking and insurance at various senior levels. She is the former Managing Director of Zimnat Life Insurance Company Limited and Zimnat Life Assurance Company Limited. She also served as Finance Director and Chief Executive Officer of Ariston Holdings Limited, a ZSE listed, agriculture and agro-processing business.



## NON- EXECUTIVE DIRECTOR

**Christelle Supparayen-Romeo**

Mrs. Christelle Supparayen-Romeo is the General Manager for British American Tobacco Southern Africa Markets (SAM). Prior to being appointed General Manager, Mrs. Christelle Supparayen-Romeo held various senior positions within the BAT Group, including, being the Cluster Manager for British American Tobacco Central Africa. Mrs Supparayen-Romeo brings to the Board, a wealth of experience in marketing and trade. She holds an MBA International Business from the University of Mauritius and a BSc (Hons) Management from the University of Mauritius.

## DIRECTORATE (continued)



### MANAGING DIRECTOR Sivenasen Moodley

Mr. Sivenasen Moodley holds a Masters in Business Administration from the University of Stellenbosch Business School and a Bachelor of Business Science Honours in Marketing from the University of Cape Town. He has over 15 years experience as Commercial Business Leader. Mr. Moodley brings a wealth of consumer experience to the Company, with a proven track record in the consumer space. Prior to joining the Company, Mr. Moodley occupied various senior management roles at Unilever South Africa (PTY) Ltd, for over 12 years where he left as the Account Director. Mr. Moodley joined British American Tobacco South Africa in August 2018 and was subsequently appointed BAT Zimbabwe Managing Director effective 22 March 2022.



### FINANCE DIRECTOR Wilson Chitsonga

Mr. Wilson Chitsonga is a member of the Association of Chartered Certified Accountants as well as a member of the Institute of Chartered Accountants of Malawi. Mr. Chitsonga brings a great wealth of experience and knowledge and has over 17 years of professional experience with 14 years being shared with BAT. Mr. Chitsonga's experience and proven track record will be a tremendous asset to the Company. Mr. Chitsonga has occupied various senior management roles at Dairibord Malawi, BAT Malawi and BAT Mozambique. Mr. Chitsonga joined BAT in 2008 as the Planning and Reporting Manager and rose through the ranks to Head of Finance and the Managing Director for BAT Malawi thereafter. Mr. Chitsonga has also served as the Cluster Finance Director for BAT Mozambique, Malawi, Lesotho and eSwatini and continues to excel and rise in rank. Mr. Chitsonga is appointed Acting Finance Director for BAT Zimbabwe effective 01 September 2022.



### COMPANY SECRETARY Phyllis Chenjera

Ms. Phyllis Chenjera has been appointed as the Company Secretary effective 01 April 2021. Ms. Chenjera is a seasoned Company Secretary with vast experience in the fields of Corporate Governance, Corporate Litigation, Internal and External Stakeholder Management. She holds a Master of Laws degree from Stellenbosch University and a Bachelor of Law (Honors) Degree from Midlands State University. In her working career, she has held various senior legal positions in reputable organisations such as Old Mutual Zimbabwe and Powertel Communications.

# LEADERSHIP



## Managing Director Sivenasen Moodley

Mr. Sivenasen Moodley holds a Masters in Business Administration from the University of Stellenbosch Business School and a Bachelor of Business Science Honours in Marketing from the University of Cape Town. He has over 15 years experience as Commercial Business Leader. Mr. Moodley brings a wealth of consumer experience to the Company, with a proven track record in the consumer space. Prior to joining the Company, Mr. Moodley occupied various senior management roles at Unilever South Africa (PTY) Ltd, for over 12 years where he left as the Account Director. Mr. Moodley joined British American Tobacco South Africa in August 2018 and was subsequently appointed BAT Zimbabwe Managing Director effective 22 March 2022.



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## Head Of Trade Dorothy Makau

Dorothy Makau holds a Bachelor of Commerce with a specialty in Marketing from the University of Nairobi. She has over 15 years' experience and holds a wealth of experience in Trade Marketing, Route to Market, Brand and Channel Management gained from the Fast-Moving Consumer Goods industry. She worked with various multi-national organizations before joining the BAT Group in 2015. Prior to being appointed the Head of Trade at BAT Zimbabwe, Dorothy held various positions within the BAT Group including British American Tobacco Congo as Trade Marketing and Distribution Lead.



## Human Resources Business Partner Kudzai Chamba

Mr Kudzai Chamba has been with BAT Zimbabwe since September 2012 as a Human Resources Manager, bringing with him 8 years of progressive experience gained from the Packaging and Retail industry. Kudzai was elevated in 2016 to the role of Human Resources Business Partner for Zimbabwe, Zambia and Malawi. In the year 2022 Kudzai was promoted to the role of Senior Human Resources Business Partner for Southern African Markets. He holds a Degree in Politics and Administration from the University of Zimbabwe

## LEADERSHIP (continued)



### Company Secretary

#### Phyllis Chenjera

Ms. Phyllis Chenjera has been appointed as the Company Secretary effective 01 April 2021. Ms. Chenjera is a seasoned Company Secretary with vast experience in the fields of Corporate Governance, Corporate Litigation, Internal and External Stakeholder Management. She holds a Master of Laws degree from Stellenbosch University and a Bachelor of Law (Honors) Degree from Midlands State University. In her working career, she has held various senior legal positions in reputable organisations such as Old Mutual and Powertel Communications.



### Head Of Operations

#### Emmanuel Chesire

Mr. Emmanuel Chesire is the Head of Operations for South African Markets since July 2022. Mr. Emmanuel Chesire has been with BAT for over 12 years and before his appointment as the Head of Operations for South African Markets, Mr. Chesire served as the Engineering and Projects Manager for BAT Kenya. Mr. Chesire has vast knowledge and experience within the business and has risen through the ranks. Mr. Chesire has held various posts within the business which include Shift Manager in the year 2006, Quality Assurance Manager in the year 2012, Production Manager in the year 2017 and Head of Operations in BAT Papua New Guinea from 2019 to 2021. Mr. Chesire is a holder of a Masters of Science Degree in Accounting and Finance and a Bachelor of Chemical and Process Engineering. Mr. Chesire is also a member of the Association of Chartered Certified Accountants.



### Marketing Deployment Manager

#### Simbarashe Nyaruwanga

Mr. Simbarashe Nyaruwanga is the Marketing Deployment Manager effective January 2023. Mr. Nyaruwanga joined BAT Zimbabwe in 2013 as a Distribution Representative. Mr. Nyaruwanga has risen through the ranks and served as the Route to Market Manager for Southern African Markets prior to his appointment as the Marketing Deployment Manager.





## CHAIRMAN'S STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2022



“ In view of the profit for the period under review, the Board proposes the declaration of a final dividend of ZW\$ 88.35 per share ”

**Lovemore T. Manatsa**  
Chairman

#### 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 ZW\$24.3 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 ZW\$ 18.3billion which represents a 74% growth when compared to the year prior.

Profit before tax for the year was finalized at ZW\$9.0 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 ZW\$ 287.43 from ZW\$ 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 ZW\$ 15.7 million was



## CHAIRMAN'S STATEMENT (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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: ZW\$ 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 ZW\$ 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 ZW\$ 11.0 billion in 2021 to ZW\$ 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

## MANAGING DIRECTOR'S REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022



“ In the year under review, the business continued to deliver sustained performance, achieving a 100% GDSB portfolio ”

### SIVENASEN MOODLEY Managing Director

#### Introduction

I am pleased to present to all our Stakeholders the financial results of British American Tobacco Zimbabwe (Holdings) Limited (“the Group”) for the year 2022. Our Teams’ combined effort across the region has ensured that we continue to grow shareholder value albeit operating on the backdrop of a volatile and complex macro-economic environment

In the year under review, the business continued to deliver sustained performance, achieving a 100% GDSB portfolio and standardization of our products under the tobacco harm reduction agenda. The group remains focused on its renewed strategy and purpose- to build A Better Tomorrow™ for all our stakeholders.

Although the issue of blocked funds remains a challenge to the Group, engagements with the Reserve Bank of Zimbabwe to ensure that the Central bank honours its legacy debt remained paramount during the period under review. The engagements will continue in 2023 to ensure the Group continues to deliver value for its shareholders. The Group’s blocked funds were listed as approved blocked funds under Annex 1 of the finance Act (No7 of 2021) gazetted on 21 December 2021.

#### Group Performance

The Group’s financial performance remained solid despite the persistence of macro-economic fragility and structural challenges, particularly in the payments and currency management systems, which exerted negative pressure on the business’ customers.

Net attributable to shareholders for the period under review was ZW\$ \$5.0 billion compared to a net of ZW\$ \$4.8 billion in 2021, recording a growth of 4%. Basic Earnings per share increased to ZW\$ \$287.43 from ZW\$ \$277.11 generated in the previous year.

The Group’s investment in brand migration, consistent product supply and consumer outreach and efficient route to market strategy, delivered a strong volume growth across our product offerings over the comparative period.

The Group recorded a decrease in volume of 6.7% from the sale of cigarettes and a decrease in cut-rag export of 43% spurred by decreased demand from our export markets(s). The Premium brand segment (Dunhill) decreased by 0.27% whilst the Value for Money segment (Lucky Strike Madison and Lucky Strike Everest) grew by 0.80%. The decrease in premium brand sales was due to the hyperinflationary environment and reduced disposable income.

In view of the profit for the period under review, the Board of Directors decided to declare a final dividend of ZW\$ 88.35 per share.

#### Operating environment and overview

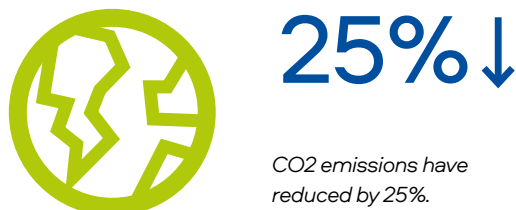
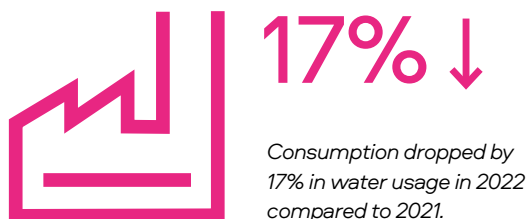
Zimbabwe’s Gross Domestic Product (GDP) is reported to have grown by 6.5% in 2022 spurred by strong performance in the agriculture and mining sectors. The trading environment for the period under review showed a notable improvement in inflation in the second half of the year due to improved economic measures. The Group remains optimistic that more policies will be implemented to continue improving the economic environment in Zimbabwe.

#### 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

## MANAGING DIRECTOR'S REPORT (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2022



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.

#### Acknowledgements

On behalf of the Board and Management, we thank our trusted employees who continue to live by our Ethos. We thank them for their commitment to the highest standards of business conduct and their team spirit which has been instrumental in us delivering another year of solid results. I would like to acknowledge our trade partners and stakeholders for their continued support to our business despite challenges faced during 2022.

Finally, I am grateful to our loyal consumers for their continued support. Going forward, our business remains committed to "A Better Tomorrow™" through our differentiated portfolio.

**Sivenasen Moodley**  
Managing Director

14 April 2023

## FINANCE DIRECTOR'S REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022



“ Net profit before taxation totalled ZW\$9.0 billion whilst profit attributable to ordinary shareholders totalled ZW\$5.0 billion. ”

### WILSON CHITSONGA

#### Finance Director

#### Introduction

The Directors have pleasure in presenting the audited financial statements for the year ended 31 December 2022.

The Directors' report has been drawn up and is presented in accordance with and reliance upon applicable Zimbabwe company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

#### Group Results

The Group's results are addressed fully in the financial statements.

Net profit before taxation totalled ZW\$9.0 billion whilst profit attributable to ordinary shareholders totalled ZW\$5.0 billion (ZW\$287.43 per share).

#### Dividends

In view of the profit for the period under review, the board proposes the declaration of a final dividend of ZW\$88.35 per share.

#### Reserves

The movements in reserves are shown in the statement of changes in shareholders' equity.

#### Investments

Particulars of subsidiaries, associate companies and other investments are disclosed in note 6 of the financial statements.

#### Directors' Interest

As at 31 December 2022, the Directors held, directly and indirectly, an interest of 0.005% (31 December 2021: 0.005%) in the issued share capital of the Group. No change in the interest of Directors has taken place between the financial year end and the date of this report.

#### Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and further analysis of the factors likely to affect the business are set out in note 34.

#### Stock Market Listings

The ordinary shares of the Group as British American Tobacco Zimbabwe (Holdings) Limited are listed and are trading on the Zimbabwe Stock Exchange.

#### Share Capital

As at 31 December 2022, the Group had an authorised issued share capital comprising of 20 633 517 ordinary shares. Of these shares, 3 252 000 shares are held as treasury shares as explained under Note 12.

#### Auditors

The Group's auditors, KPMG Chartered Accountants (Zimbabwe), have indicated their willingness to continue in office.

**Wilson Chitsonga**  
Finance Director

14 April 2023

## REPORT OF THE AUDIT COMMITTEE

### FOR THE YEAR ENDED 31 DECEMBER 2022



“ The report outlined all key governance, regulatory and legislation matters which affected the Group. ”

### RACHEL KUPARA

#### Non-Executive Director

#### Introduction

The Audit Committee is responsible for oversight over financial reporting and related internal controls, risk management and the appointment of independent external auditors. The Audit Committee meets four times a year and receives reports from the Finance Director, Company Secretary, and the external auditors.

#### Financial Reporting

The Audit Committee reviews the financial results, half year and full year financial statements prior to the Board's approval.

In the current financial year, the key issues were as follows:

- Financial Reporting in a hyper inflationary economy: The economy continues to be categorized as hyperinflationary which requires the application of IAS29, Financial Reporting in Hyperinflationary Economies, on the basis that the functional currency remains ZW\$ \$.
- Accounting for legacy debt: The Group accounts for the registered blocked funds of US\$15.7 million (relating to dividends) on a US\$ 1:1 ZW\$ basis. The RBZ issued a circular in accordance with the Finance Act in which they acknowledged the legacy debt that they have registered.
- Appropriateness of exchange rates in accordance with International Accounting Standards 21: The Zimbabwean economy is currently characterized with three exchange rates, the official rate as prescribed by the RBZ, the willing-buyer-willing seller rate as agreed upon by transacting parties and the parallel market rate. The determination of the appropriate exchange rate remains a challenge as there is a disparity amongst the official rate, willing-buyer-willing-seller rate and the parallel market rate.
- Estimates Reassessments: The RBZ announced the policy which introduced gold coins and other monetary policies and emanating from this announcement there has been an increased shortage of RTGS in the market and balances due from customers have been rising. There is an increased risk of default from trade debtors leading to lost value through credit losses and inflation.

#### Internal controls and Risk Management

The following matters were presented to the Audit Committee for review:

- The Control Navigator was presented by the Finance Director for review. The Control Navigator is in the framework that the Group uses to monitor the effectiveness and implementation of internal controls.
- The Committee reviewed the Business Risk Register presented by Management which detailed the identified risks that the Group is facing and proposed updates to the risk register. The risk register is updated and reviewed on a quarterly basis.
- The Finance Director also presented a BAT Group internal audit plan and provided a readiness update. It was advised that the BAT Group internal auditors will be in the market from October 2023 to audit various commercial controls and aspects of the business.
- The Loss Report and Security Incidents Report was presented by Management and reviewed by the Committee. Four incidents were reported during the period and mitigatory actions taken to minimize the risk of re-occurrence of the incidents were reported.
- The Legal and External Affairs Report was presented by the Company Secretary. The report outlined all key governance, regulatory and legislation matters which affected the Group.

#### Appointment of Auditors

The Audit Committee recommends the reappointment of KPMG Chartered Accountants (Zimbabwe) as the Group's external auditors for the financial year ending 31 December 2023.

**R. Kupara**  
Audit Committee Chairperson

14 April 2023



# CORPORATE GOVERNANCE REPORT

## FOR THE YEAR ENDED 31 DECEMBER 2022



“

...ensuring that correct procedures are followed as well as adherence to corporate governance principles and standards.

”

**Phyllis Chenjera**  
Company Secretary

### Introduction

British American Tobacco Zimbabwe (Holdings) Limited remains committed to the principles of transparency, responsibility, integrity, accounting, independence and fairness in its dealings with stakeholders. The Company's structures are continuously reviewed and updated to ensure compliance with applicable laws and generally acceptable Corporate Governance practices.

The Directors confirm that the company materially complied with the National Corporate Governance Code of Zimbabwe, the Companies and Other Business Entities Act, principles of the UK Code on Corporate Governance as read together with the British American Tobacco Group Corporate Governance Booklet throughout the financial year.

### Board Composition

The Board is responsible for maintaining the direction and control of the company through setting the strategic direction of the Company, establishing goals for Executive Management, Monitoring management performance against goals, liaising with internal and external auditors on the financial and business affairs of the Company and reviewing, deciding and acting on material business transactions and or matters among other responsibilities.

The board composition ensures a well-balanced directorate with a broad range of business and industry expertise. The Board is composed of seven (7) Directors, five (5) Non-Executive Directors and two (2) Executive Directors. The Chairman is an Independent Non-Executive Director, and the Managing Director is responsible for the day-to-day management of the Company. There is a clear separation of responsibilities between the Board and Management.

The Company Secretary is responsible for the Board and ensures that correct procedures are followed as well as adherence to corporate governance principles and standards. The Board meets at least four times a year. Additional meetings may be convened to consider specific business issues which may arise between scheduled meetings. For the year under review, no additional meetings were required.

### Standards of Business Conduct

Conducting our affairs with honesty, integrity and transparency is key for our continual development as a responsible, successful and sustainable business. The Company has clear principles and policies in place setting out the way we operate. Integral to this are our Standards of Business Conduct, which outline our values and high standards of business integrity. Every year our Directors and employees are required to sign-off that they have read, understood and complied with the Standards of Business Conduct and to declare any conflicts of interest.

### Board Appointments

The Board notes the resignation of Mr. Vincent Kaloki as the Finance Director of BAT Zimbabwe. Mr. Kaloki has diligently served the Group for the last two years and has been instrumental to the growth of the Group. The Board extends its appreciation to Mr. Kaloki for his service and wishes him the very best in his future endeavors.

The Board further congratulates Mr. Wilson Chitsonga who will succeed Mr. Kaloki as Finance Director of the Group. The appointment of Mr. Chitsonga will be ratified at the next Annual General Meeting.

In terms of Article 96 of the Company's Articles of Association, at least one third of the Directors must retire by rotation in each year. In this regard, Mrs. Rachel P. Kupara and Mr. Edwin I. Manikai will retire at the next Annual General Meeting and



# CORPORATE GOVERNANCE REPORT

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 2022 BOARD ATTENDANCE

Director	Year of Appointment	Main Board	Audit, risk, CSR Committee	Remuneration and Nominations Committee
Mr. Lovemore T. Manatsa	2016	4/4	4/4	4/4
Mr. Edwin I. Manikai	2017	4/4	4/4	4/4
Mr. Constantine F. Chikosi	2019	2/4	2/4	2/4
Mrs. Rachel P. Kupara	2019	4/4	4/4	4/4
Mr. Sivenasen Moodley	2022	4/4	4/4	4/4
Mr. Vincent Kaloki	2021	2/4	2/4	2/4
Mr. Wilson Chitsonga	2022	2/4	2/4	2/4
Mrs. Christelle S. Romeo	2021	4/4	4/4	4/4

being eligible, offer themselves for re-election in terms of the Company's Articles of Association.

#### Board Committees

The Board Committees are chaired by Non-Executive Directors and governed by specific terms of references. The following are the Board Committees:

#### The Remuneration and Nominations Committee

The Committee comprises of four (4) Non-Executive Directors. The Committee is chaired by Mr. Edwin I. Manikai. The Committee is responsible for assisting the Board in fulfilling Corporate Governance responsibilities with regard to remuneration matters including the following:

- Remuneration framework for Non-executive Directors;
- Remuneration and incentive framework including any proposed equity incentive awards to Executive Directors and other senior employees;
- Strategic human resources direction.

#### Audit, Risk and Corporate Social Responsibility Committee

The Audit, Risk and Corporate Social Responsibility Committee comprises of four (4) Non-Executive Directors. The Committee is chaired by Mrs. Rachel P. Kupara, and all its members are financially literate. The Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities in relation inter alia to the following:

- The integrity of financial reporting;
- Compliance with legal and regulatory obligations;
- Monitoring the effectiveness of BAT Zimbabwe's

enterprise-wide risk management and internal controls framework;

- Oversight of the independence of external auditors.

#### Conflict Of Interest

The Board has formal procedures for managing conflicts of interest in accordance with the provisions of the Companies and Other Business Entities Act (Chapter 24:31) as read together with the Company's constitutional documents. Directors are required to give advance notice of any conflict issues to the Company Secretary, and these are considered at the next Board meeting. No material conflicts were reported by Directors in the year 2022.

#### ZSE Listing Rules Annual Compliance Certificate

I, Phyllis Chenjera in my capacity as Company Secretary of British American Tobacco Zimbabwe (Holdings) Limited ("the Company"), being duly authorised hereto, certify that the Company has, during the twelve months ended 31 December 2022, complied with every disclosure requirement for continued listing on the Zimbabwe Stock Exchange ("ZSE") imposed by the Committee of the ZSE during that period.



Phyllis Chenjera  
Company Secretary

14 April 2023

## STATEMENT OF DIRECTORS RESPONSIBILITY

The Directors of the Company are required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit and cash flows for the period. In preparing the accompanying financial statements, generally accepted accounting practices have been followed. Suitable accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made.

The principal accounting policies of the Group are consistent with those applied in the previous year and conform to International Financial Reporting Standards (IFRS).

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Board recognises and acknowledges its responsibility for the Group's systems of internal financial control. BAT Zimbabwe maintains internal controls and systems that are designed to safeguard the assets of the Group, prevent and detect errors and fraud and ensure the completeness and accuracy of the Group's records. The Group's Audit Committee has met with the external auditors to discuss their reports and the results of their work, which includes assessments of the relative strengths and weaknesses of key control areas. In a growing Group of the size, complexity and diversity of BAT Zimbabwe may be expected that occasional breakdowns in established control procedures may occur; any such breakdowns have been reported to the Group's Audit Committee and the Board.

The financial statements for the year ended 31 December 2022, which appear on pages 32 to 77 have been approved by the Board of Directors and are signed on its behalf by:



**Lovemore Manatsa**  
Chairman  
Harare



**Sivenasen Moodley**  
Managing Director  
Harare

These consolidated financial statements have been prepared under the supervision of Wilson Chitsonga.



**Wilson Chitsonga**  
Finance Director

### Company Secretary's certification

I certify that, to the best of my knowledge and belief the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by the entity in terms of the Companies and Other Business Entities Act [Chapter 24:31] and all such returns are true, correct and up to date.



**Phyllis Chenjera**  
Company Secretary  
Harare

14 April 2023

# INDEX TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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## FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### INFLATION ADJUSTED YEAR ENDED 31 DECEMBER

	2022	2021
	ZW\$ 000	ZW\$ 000
Revenue	24 279 120	16 230 030
Operating profit	8 188 481	7 535 356
Profit before income tax	8 998 876	7 494 060
Profit/(Loss) attributable to shareholders	4 996 043	4 816 653
Total assets	22 470 015	12 168 78
Basic earnings per share (ZW\$)	287.43	277.11
Diluted earnings per share (ZW\$)	287.43	277.11



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## Independent Auditors' Report

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

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

##### 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:ZWS\$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

Mutual Gardens  
100 The Chase (West)  
Emerald Hill  
PO Box 6, Harare  
Zimbabwe

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

		INFLATION ADJUSTED	
		YEAR ENDED 31 DECEMBER	
		2022	2021
	Note	ZW\$ 000	ZW\$ 000
<b>Revenue</b>	20	24 279 120	16 230 030
Cost of sales		(6 018 445)	(5 738 956)
Gross profit		<b>18 260 675</b>	<b>10 491 074</b>
Selling and marketing costs		(2 231 814)	(2 113 931)
Administrative expenses		(3 075 597)	(1 836 779)
Impairment loss on trade receivables	30.1	33 934	(55 575)
Re-measurement of share-based payment liability	16	15 502	(17 469)
Other income	21	104 115	71 823
Other losses	23	(2 283 615)	(284 399)
Monetary (loss)/gain on hyperinflation adjustment		(2 634 719)	1 280 612
<b>Operating profit</b>	<b>22</b>	<b>8 188 481</b>	<b>7 535 356</b>
Finance income/(costs)		810 395	(41 296)
<b>Profit before income tax</b>		<b>8 998 876</b>	<b>7 494 060</b>
Income tax expense	24	(4 002 833)	(2 677 407)
<b>Total comprehensive income for the year</b>		<b>4 996 043</b>	<b>4 816 653</b>
<b>Attributable to:</b>			
Owners of the parent		<b>4 996 043</b>	<b>4 816 653</b>
Basic earnings per share (ZW\$)	26	287.43	277.11
Diluted earnings per share (ZW\$)	26	287.43	277.11
Headline earnings per share (ZW\$)	26	439.00	203.43

The notes on pages 40 to 77 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 14 April 2023 and signed on its behalf by:



Managing Director



Finance Director

# SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

INFLATION ADJUSTED YEAR ENDED 31 DECEMBER			
		2022	2021
	Note	ZW\$ 000	ZW\$ 000
<b>Revenue</b>	20	24 279 120	16 230 030
Cost of sales		(6 018 445)	(5 738 956)
Gross profit		<b>18 260 675</b>	<b>10 491 074</b>
Selling and marketing costs		(2 231 814)	(2 113 931)
Administrative expenses		(3 075 597)	(1 836 779)
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<b>Operating profit</b>	<b>22</b>	<b>8 188 481</b>	<b>7 535 356</b>
Finance income/(costs)		810 395	(41 296)
<b>Profit before income tax</b>		<b>8 998 876</b>	<b>7 494 060</b>
Income tax expense	24	(4 002 833)	(2 677 407)
<b>Total comprehensive income for the year</b>		<b>4 996 043</b>	<b>4 816 653</b>
<b>Attributable to:</b>			
Owners of the parent		<b>4 996 043</b>	<b>4 816 653</b>
Basic earnings per share (ZW\$)	26	287.43	277.11
Diluted earnings per share (ZW\$)	26	287.43	277.11
Headline earnings per share (ZW\$)	26	439.00	203.43

The notes on pages 40 to 77 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 14 April 2023 and signed on its behalf by:



Managing Director



Finance Director

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

FOR THE YEAR ENDED 31 DECEMBER 2022

		INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
		2022	2021
	Note	ZW\$ 000	ZW\$ 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	3	4 044 658	1 275 497
Intangible assets	4	91	92
Investment property	5	30 846	30 861
Financial assets at fair value through profit or loss	10	6 638	28 304
		<b>4 082 233</b>	<b>1 334 754</b>
<b>Current assets</b>			
Inventories	8	4 244 383	3 999 143
Trade and other receivables	9	9 924 275	1 660 426
Cash and cash equivalents	11	4 219 124	5 174 054
		<b>18 387 782</b>	<b>10 833 623</b>
<b>Total assets</b>		<b>22 470 015</b>	<b>12 168 377</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the owners of the parent</b>			
Share capital	12	1 113 001	1 113 001
Non-distributable reserve		71 833	71 833
Retained earnings		11 655 833	6 659 790
<b>Total equity</b>		<b>12 840 667</b>	<b>7 844 624</b>
<b>Non-current liabilities</b>			
Deferred tax liability	17	858 493	26 373
		<b>858 493</b>	<b>26 373</b>
<b>Current liabilities</b>			
Trade and other payables	14	7 632 139	2 871 036
Staff benefits provisions	15	940 338	845 900
Share-based payment liability	16	4 960	20 775
Current income tax liability	25	193 418	559 669
		<b>8 770 855</b>	<b>4 297 380</b>
<b>Total equity and liabilities</b>		<b>22 470 015</b>	<b>12 168 377</b>

The notes on pages 40 to 77 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 14 April 2023 and signed on its behalf by:



Managing Director



Finance Director

# SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

FOR THE YEAR ENDED 31 DECEMBER 2022

		INFLATION ADJUSTED	
		YEAR ENDED 31 DECEMBER	
		2022	2021
	Note	ZW\$ 000	ZW\$ 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	3	4 044 658	1 275 497
Intangible assets	4	91	92
Investment property	5	30 846	30 861
Financial assets at fair value through profit or loss	10	6 638	28 304
		<b>4 082 233</b>	<b>1 334 754</b>
<b>Current assets</b>			
Inventories	8	4 244 383	3 999 143
Trade and other receivables	9	9 924 275	1 660 426
Cash and cash equivalents	11	4 219 124	5 174 054
		<b>18 387 782</b>	<b>10 833 623</b>
<b>Total assets</b>		<b>22 470 015</b>	<b>12 168 377</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the owners of the parent</b>			
Share capital	12	1 113 001	1 113 001
Non-distributable reserve		71 833	71 833
Retained earnings		11 655 833	6 659 790
<b>Total equity</b>		<b>12 840 667</b>	<b>7 844 624</b>
<b>Non-current liabilities</b>			
Deferred tax liability	17	858 493	26 373
		<b>858 493</b>	<b>26 373</b>
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		<b>8 770 855</b>	<b>4 297 380</b>
<b>Total equity and liabilities</b>		<b>22 470 015</b>	<b>12 168 377</b>

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Managing Director



Finance Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	INFLATION ADJUSTED ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Non-		Retained earnings	Total
	Share distributable capital	reserve		
	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
<b>Balance as at 1 January 2021</b>	<b>1 113 001</b>	<b>71 833</b>	<b>1 843 137</b>	<b>3 027 971</b>
Total comprehensive income for the year	-	-	4 816 653	4 816 653
<b>Balance as at 31 December 2021</b>	<b>1 113 001</b>	<b>71 833</b>	<b>6 659 790</b>	<b>7 844 624</b>
<b>Balance as at 1 January 2022</b>	<b>1 113 001</b>	<b>71 833</b>	<b>6 659 790</b>	<b>7 844 624</b>
Total comprehensive income for the year	-	-	4 996 043	4 996 043
<b>Balance as at 31 December 2022</b>	<b>1 113 001</b>	<b>71 833</b>	<b>11 655 833</b>	<b>12 840 667</b>

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Managing Director



Finance Director

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

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



## SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

### INFLATION ADJUSTED ATTRIBUTABLE TO OWNERS OF THE PARENT

	Non-			
	Share distributable	Retained		
	capital	reserve	earnings	Total
	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
<b>Balance as at 1 January 2021</b>	<b>1 113 001</b>	<b>71 833</b>	<b>1 843 137</b>	<b>3 027 971</b>
Total comprehensive income for the year	-	-	4 816 653	4 816 653
<b>Balance as at 31 December 2021</b>	<b>1 113 001</b>	<b>71 833</b>	<b>6 659 790</b>	<b>7 844 624</b>
<b>Balance as at 1 January 2022</b>	<b>1 113 001</b>	<b>71 833</b>	<b>6 659 790</b>	<b>7 844 624</b>
Total comprehensive income for the year	-	-	4 996 043	4 996 043
<b>Balance as at 31 December 2022</b>	<b>1 113 001</b>	<b>71 833</b>	<b>11 655 833</b>	<b>12 840 667</b>

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Managing Director



Finance Director

#### <sup>2</sup>Non-distributable reserve

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

		INFLATION ADJUSTED	
		YEAR ENDED 31 DECEMBER	
		2022	2021
	Note	ZW\$ 000	ZW\$ 000
<b>Cash flows from operating activities</b>			
Cash generated from operations	18	7 266 065	5 473 792
Interest paid		-	(41 297)
Income tax paid	25	(3 536 964)	(1 949 036)
<b>Net cash generated from operating activities</b>		<b>3 729 101</b>	<b>3 483 459</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(2 860 780)	(315 609)
Proceeds from sale of scrap		1 064	
Interest received		230 785	
<b>Net cash used in investing activities</b>		<b>(2 628 931)</b>	<b>(315 609)</b>
<b>Net cash used in financing activities</b>			
		-	-
<b>Net increase in cash and cash equivalents Before effects of inflation</b>		<b>1 100 170</b>	<b>3 167 850</b>
Effects of movement in exchange rates on cash held		506 371	(3 979)
Effects of inflation on cash and cash equivalents		(2 561 471)	1 327 969
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(954 930)</b>	<b>4 491 840</b>
Cash and cash equivalents at the beginning of the year		5 174 054	682 214
<b>Cash and cash equivalents at the end of the year</b>	11	<b>4 219 124</b>	<b>5 174 054</b>

The notes on pages 40 to 77 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 14 April 2023 and signed on its behalf by:



Managing Director



Finance Director

## SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

		INFLATION ADJUSTED	
		YEAR ENDED 31 DECEMBER	
		2022	2021
	Note	ZW\$ 000	ZW\$ 000
<b>Cash flows from operating activities</b>			
Cash generated from operations	18	7 266 065	5 473 792
Interest paid		-	(41 297)
Income tax paid	25	(3 536 964)	(1 949 036)
<b>Net cash generated from operating activities</b>		<b>3 729 101</b>	<b>3 483 459</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(2 860 780)	(315 609)
Proceeds from sale of scrap		1 064	
Interest received		230 785	
<b>Net cash used in investing activities</b>		<b>(2 628 931)</b>	<b>(315 609)</b>
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents Before effects of inflation</b>		<b>1 100 170</b>	<b>3 167 850</b>
Effects of movement in exchange rates on cash held		506 371	(3 979)
Effects of inflation on cash and cash equivalents		(2 561 471)	1 327 969
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(954 930)</b>	<b>4 491 840</b>
Cash and cash equivalents at the beginning of the year		5 174 054	682 214
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The notes on pages 40 to 77 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 14 April 2023 and signed on its behalf by:



Managing Director



Finance Director

# NOTES TO THE FINANCIAL STATEMENTS

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.

### 2.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Standards as issued by the International Accounting Standards Board") 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 32.

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	
verage 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

- 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 recognised 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 unrealised 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).

#### 2.1.1 New and amended standards and interpretations for 2021 and forthcoming requirements

The following standards and interpretations were in issue and effective:

<b>IFRS 3</b>	Reference to the Conceptual Framework (Amendments to IFRS 3). Effective 1 January 2022
<b>IAS 16</b>	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). Effective 1 January 2022
<b>IAS 37</b>	Onerous Contracts – costs of fulfilling a

contract (Amendments to IAS 37). Effective 1 January 2022

**Other** Annual Improvements to IFRS Standards 2018-2020

The following standards and interpretations are required to be applied in future periods and are available for early adoption:

<b>IAS 1</b>	Classification of Liabilities as Current or Non-current (Amendments to IAS 1). Effective 1 January 2023
<b>IAS 1</b>	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). Effective 1 January 2023
<b>IAS 8</b>	Definition of Accounting Estimates (Amendments to IAS 8). Effective 1 January 2023
<b>IAS 12</b>	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). Effective 1 January 2023
<b>IFRS 17</b>	Insurance contracts and amendments to IFRS 17 Insurance Contracts. Annual periods beginning on or after 1 January 2023
<b>IFRS 16</b>	Lease Liability in a sale and Leaseback – Amendments to IFRS 16 Leases effective 1 January 2024
<b>IFRS 16</b>	Classification of Liabilities as Current or Non-current Liabilities with covenants – Amendments to IAS 1 Presentation of Financial Statements effective 1 January 2024

#### 2.1.2 New And Amended Standards and Interpretations not yet Adopted

Several new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted, however, the Group has not early adopted the new or amended standards. The amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

#### 2.2 Consolidation

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Consolidation (continued)

#### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

### 2.3 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the Company's separate financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

The Group owns 100% interest in subsidiaries and therefore no non-controlling interests exist.

### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the leadership team that makes strategic leadership decisions.

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Zimbabwe dollar (ZWL), referred to in SI33 as the RTGS dollar (ZWL) has been adopted as the functional currency and presentation currency from the 2020 financial statements.

In the February 2020 Monetary Policy Statement, the Governor of the RBZ announced significant currency reforms. The Governor established an inter-bank foreign exchange market in Zimbabwe to formalise the trading of RTGS balances and bond notes with US\$ and other currencies on a willing-buyer willing-seller basis through banks and bureau de change. Under the framework, RTGS balances, bond notes and coins were denominated as RTGS dollars (ZWL) in order to establish an exchange rate between the current monetary balances and foreign currency. RTGS dollars (ZWL) were also added to the

basket of currencies in the multi-currency environment. Statutory Instrument 33 of 2019 (SI 33) issued on 22 February 2019 gave effect to the introduction of the RTGS dollar (ZWL) as legal tender and prescribed that, for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be RTGS dollars (ZWL) at a rate of 1:1 to the US\$ and would become opening RTGS dollar (ZWL) values from the effective date.

Given the observed market conditions and the RBZ's clear separation between the local RTGS and foreign FCAs, the directors re-evaluated the functional currency and the reporting currency implications of the Group. This assessment was performed considering the requirements of IAS 21, The Effects of Changes in Foreign Exchange Rates and considered the following factors:

- The currency that mainly influences sales prices for goods and services.
- The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services.
- The currency that mainly influences labour, material and other costs of providing goods or services.
- The currency in which funds from financing activities are generated.
- The currency in which receipts from operating activities are usually retained.

The United States dollar ceased from being the primary driver for most of the factors above and was replaced by the Zimbabwe dollar in 2019. Therefore, the directors concluded that the functional currency had changed to the Zimbabwe dollar in 2019. However, the directors adopted the accounting treatment prescribed by Statutory Instrument 33 (SI33) of 2019 and used an exchange rate of 1:1 between Zimbabwe dollar balances and the US\$.

From October 2018 to February 2019, the Group maintained a rate of US\$1: ZWL\$1 as prescribed by the Government in compliance with Statutory Instrument 33 of 2020 and thereafter the Group applied the exchange

#### (a) Functional and presentation currency (continued)

rates available from the Reserve Bank of Zimbabwe. In 2020, the stagnation of the official exchange rate during the first half of the year and the disparity between the official exchange rate and parallel rates might point towards the legal exchange market not being a "perfect" market with lack of exchangeability as the Group was not able to access foreign currency from the inter-bank exchange market. IAS 21 The Effects of Changes in Foreign Exchange Rates requires an entity to estimate the exchange rate where there is long-term lack of exchangeability. During the period between 1 January to 23 June 2020, the Group applied the inter-bank exchange



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Foreign currency translation (continued)

rates as required by law and could not estimate any other suitable rate due to non-availability of an alternative rate.

The Reserve Bank of Zimbabwe, through the Monetary Policy Committee introduced a Foreign Exchange Auction Trading System from 23 June 2020. The system was introduced to bring transparency and efficiency in the trading of foreign currency in the economy. Following the introduction of the foreign exchange auction system, after months of stagnation, the exchange rate started increasing and large volumes of bids were allocated as the auction system progressed which indicated exchangeability of the rate. The Group participated in the foreign exchange auction and were allotted foreign currency which demonstrated exchangeability, from 23 June 2020, in 2020, and throughout 2021. With effect from 23 June 2020, the Group applied auction rates to translate foreign currency transactions and balances into ZW\$ and has continued to apply the ZW\$ as the functional currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within "other gains/losses".

### 2.6 Property, plant and equipment

#### Recognition and measurement

Items of property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings	5 - 50 years
Plant and machinery	5 - 25 years
Motor vehicles	5 - 8 years
Furniture, fittings and equipment	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount, which is the higher of its value in use and its fair value less costs to sell, in profit or loss, if the asset's carrying amount is greater than its estimated recoverable amount.

#### Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount thereof and are recognised net within other income in profit or loss.

### 2.7 Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. The cost includes expenditures that are directly attributable to the acquisition of the intangible asset. The carrying amount is reduced by any provision for impairment, to its recoverable amount, which is the higher of its value in use and its fair value less costs to sell, in profit or loss, if the asset's carrying amount is greater than its estimated recoverable amount.

Amortisation of intangible assets is charged over their useful economic life on the following basis:

Accounting system software	8 years
----------------------------	---------

The residual values and useful lives are reassessed annually.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from use or disposal. The resulting gain/loss is the difference between any proceeds received and the carrying amount of the intangible asset. The gain/loss is recognised in profit or loss when the assets are derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Investment property

Investment property consists of residential land and buildings let out to third parties or operating lease agreements. Investment property is accounted for in accordance with the cost model as set out in IAS 16 Property, Plant and Equipment - at cost less accumulated depreciation and less accumulated impairment losses.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses on disposal of investment property are determined by comparing the proceeds from disposal with the carrying amount thereof and are recognised net within other income in profit or loss.

Land is not depreciated. Depreciation on buildings is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives of 40 years.

The buildings' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

### 2.9 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date. In the event of an impairment reversal the asset is only reversed to the extent that assets carrying amount would have been had the asset never been impaired.

### 2.10 Financial assets

#### 2.10.1 Classification

The Group classified its financial assets in the following categories: at fair value through profit or loss or amortised cost.

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

#### (b) Amortised cost

Financial assets measured at amortised cost are financial assets held within a business model whose objective is to hold assets to collect contractual cashflows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets held at amortised cost comprise "trade and other receivables" and "cash and cash and equivalents" in the statement of financial position.

#### 2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets held at amortised cost are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income within "other gains/(losses) - net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established.

#### 2.10.3 Offset

If a legally enforceable right exists to set-off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts and the Group intends to settle on a net basis, the relevant financial assets and liabilities are offset. Nonetheless, the group has no intention of offsetting any financial assets and financial liabilities and this has never been done before..

#### 2.11 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average costing method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less costs necessary to make the sale. The main types of inventories that the group carries are the Raw materials and Finished goods, and the raw materials primarily includes the leaf of different grades, wrapping materials such as cigarette papers, cork tipping and filter tow. Finished goods, include the imported cigarettes of Dunhill as well as locally manufactured such as Lucky strike and Rothmans.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

The Group derecognises trade payables when its contractual obligations are discharged, cancelled or expired.

Trade payables are recognised initially at fair value less transaction costs value and subsequently measured at amortised cost using the effective interest method.

### 2.13 Impairment of financial assets

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from initial recognition of the receivables. Using historical trends and economic analyses the Group has determined that application of a 0.10% of invoice value to all external debtors which are still assumed to be recoverable at each balance sheet date as adequate. The loss allowance provision as at 31 December 2021 is determined per the provision matrix below incorporating credit risk and probability of recoverability:

	% In-voice Value
Items outstanding but not overdue	0.10
Items within 30 days overdue	0.12
Items over 30 days but within 3 months	0.14
overdue Items over 3 months but within 6 months	0.16
overdue Items over 6 months but within 12 months	0.18
items over 12 months overdue	0.20

The provision matrix is not a general provision against trade receivables, rather it is a provision against specific balances which are overdue, as a way of estimating the lifetime expected loss in relation to all the trade receivables. The effect is to apply a standard rate of provision on initial recognition of trade debtors and increase such depending on aging, regardless of the final recovery. Any items considered to be irrecoverable are provided at 100%, and if a balance is considered to be partially recoverable, then the part that is irrecoverable is provided against.

### 2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, and any difference between proceeds (net of transaction costs) and redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### 2.15 Trade receivables

Trade receivables are amounts due from customers for merchandise and leaf sold in the ordinary course of business.

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.

Provision for impairment of trade receivables is based on IFRS 9 requirements as stated on Note 2.13 above. When a trade receivable is uncollectible, it is written off against the trade receivables impairment provision in profit and loss. Subsequent recoveries of amounts previously written off are credited against the trade receivables impairment provision.

### 2.16 Cash and cash equivalents

In the consolidated and separate statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

Cash and cash equivalents are measured at fair value, with any impairment or appreciation in value of foreign currency denominated balances arising from changes in exchange rates, being written off or credited against the exchange gains and losses account in profit or loss.

In the consolidated and separate statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

### 2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18 Current and deferred tax

The tax expense for the period comprises current tax and deferred tax, as per the Group policy. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted in Zimbabwe. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authority.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, or if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income levied by the same taxation authority on either entity or different taxable entities where there is an intention to settle the balance on a net basis.

### 2.19 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### Long-service award provision

In accordance with the employee contractual terms, a provision is recognised when the employee commences employment and is measured at the present value of the expected cost of the award. The Group determines how long the employee has until retirement age.

### Restructuring provision

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

### 2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns, excise duty and value added taxes.

The Group recognises revenue when it transfers control over goods; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The Group does not recognise a refund or return liability.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Revenue recognition (continued)

Type of product / service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Cigarettes	Customers obtain control of the cigarettes when the goods are dispatched from the delivery vans. Invoices are generated and revenue is generated at that point in time.	Revenue is recognised when cigarettes are delivered and have been accepted by the customer.
Cut rag	Customers obtain control of the cut rag when the cut rag is loaded onto the customers delivery vans. Invoices are generated and revenue is generated at that point in time.	Revenue is recognised when the cut rag is loaded onto the customer's delivery vans.

### 2.21 Other income

Rental income from operating leases is recognised on a straight-line basis over the lease period. An accrual arises if the lease payment amounts are less than the amount recognised as income for that period. Refer to note 2.23.

### 2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

The Group has elected to classify cash flows from dividends paid as financing activities.

### 2.23 Leases: accounting by lessor

The Group leases certain investment properties to third parties under leases. Each of these leases is determined to be an operating lease as the Group retains risks and rewards incidental to ownership of investment property.

When assets are leased out under operating leases, they are included under investment property in the statement of financial position based on the nature of the asset. Rental income on operating leases is recognised over the term of the lease on a straight-line basis. The operating leases bear no escalation clauses. The Group has no finance leases.

### 2.24 Employee benefits

#### (a) Pension obligations

The Group has a defined contribution plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group and its employees also contribute to the National Social Security Authority ("NSSA") scheme. This is a social security scheme which was promulgated under the National Social Security Act (Chapter 17:04) and the National Social Security Statutory Instrument 393 of 1993.

The Group's obligations under the scheme are limited to specific contributions as legislated from time to time.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.24 Employee benefits (continued)

The contributions are recognised as employee benefit expenses in profit or loss when they are due.

#### b) Incentive bonus plan

The Group recognises a liability and an expense for incentive bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### 2.25 Share-based payment

The Group has founded an Employee Share Ownership Trust ("ESOT"), which was registered in 2013. The Trust was founded in order to comply with the Indigenisation and Economic Empowerment Act (Chapter 14:33) and Indigenisation and Economic Empowerment (General) Regulations, 2010, as amended.

The ESOT holds 10% of the ordinary share capital of British American Tobacco Zimbabwe (Holdings) Limited (2 063 352 shares). 1 031 676 shares were donated to the ESOT without consideration by BAT International

Holdings (UK) Limited and a further 1 031 676 shares were issued for value from new share capital by British American Tobacco Zimbabwe (Holdings) Limited.

The ESOT operates as a cash settled share scheme. Directly linked to the shares donated to the ESOT by BAT International Holdings (UK) Limited, qualifying employees were awarded an equivalent number of share units for free, based on their length of service. Employees are entitled to sell the share units back to the ESOT for cash consideration whilst in employment or upon termination of employment with British American Tobacco Zimbabwe (Holdings) Limited. Employees are also entitled to subscribe for further share units from the ESOT.

The cash consideration for the share units is indicative of a cash settled share-based payment transaction. Under IFRS 2 Share-based Payment, the share-based payment is required to be recognised as an expense in profit or loss. As it is cash settled, the standard requires the recognition of a liability (see note 16).

The share units have vested and there are no further performance conditions attached. Fair value is estimated using the prevailing British American Tobacco Zimbabwe (Holdings) Limited share price on the Zimbabwe Stock Exchange at the end of the reporting period.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 3. PROPERTY, PLANT AND EQUIPMENT

### Consolidated and Company

	FREEHOLD LAND	BUILDINGS	VEHICLES, MACHINERY AND EQUIPMENT	FURNITURE, FITTINGS AND EQUIPMENT	TOTAL
INFLATION ADJUSTED	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
<b>Year ended 31 December 2022</b>					
Opening net book amount	165 206	612 148	213 058	285 085	1 275 497
Additions	-	68 755	2 555 888	236 137	2 860 780
Disposals	-	-	-	-	-
Depreciation charge	-	(6 309)	(64 375)	(20 935)	(91 619)
<b>Closing net book amount</b>	<b>165 206</b>	<b>674 594</b>	<b>2 704 571</b>	<b>500 287</b>	<b>4 044 658</b>
<b>At 31 December 2022</b>					
Cost	165 206	918 771	4 469 643	806 527	6 360 147
Accumulated depreciation and impairment	-	(244 177)	(1 765 072)	(306 240)	(2 315 489)
<b>Net book amount</b>	<b>165 206</b>	<b>674 594</b>	<b>2 704 571</b>	<b>500 287</b>	<b>4 044 658</b>

Depreciation expense amounting to ZW\$58 328 281 (2021: ZW\$54 692 736) has been charged in cost of sales, ZW\$9 312 054 (2021: ZW\$36 684 837) in selling and marketing costs and ZW\$ 23 978 856 (2021: ZW\$39 386 044) in administrative expenses.

	FREEHOLD LAND	BUILDINGS	VEHICLES, MACHINERY AND EQUIPMENT	FURNITURE, FITTINGS AND EQUIPMENT	TOTAL
INFLATION ADJUSTED	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
<b>Year ended 31 December 2021</b>					
Opening net book amount	165 206	580 234	241 724	151 750	1 138 914
Additions	-	52 916	51 548	211 145	315 609
Disposals	-	-	(48 263)	(48 263)	(52 854)
Depreciation charge	-	(21 002)	(31 951)	(77 810)	(130 763)
<b>Closing net book amount</b>	<b>165 206</b>	<b>612 148</b>	<b>213 058</b>	<b>285 085</b>	<b>1 275 497</b>
<b>At 31 December 2021</b>					
Cost	165 206	850 016	1 913 755	570 390	3 499 367
Accumulated depreciation and impairment	-	(237 868)	(1 700 697)	(285 305)	(2 223 870)
<b>Net book amount</b>	<b>165 206</b>	<b>612 148</b>	<b>213 058</b>	<b>285 085</b>	<b>1 275 497</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. INTANGIBLE ASSETS

#### Consolidated and Company

#### INFLATION ADJUSTED

##### Year ended 31 December 2022

	COMPUTER SOFTWARE ZW\$ 000	TOTAL ZW\$ 000
Opening net book amount	92	92
Amortisation charge	(1)	(1)
<b>Closing net book amount</b>	<b>91</b>	<b>91</b>

##### At 31 December 2022

Cost	154 224	154 224
Accumulated amortisation charge	(154 133)	(154 133)
<b>Net book amount</b>	<b>91</b>	<b>91</b>

##### Year ended 31 December 2021

Opening net book amount	1 249	1 249
Amortisation charge	(1 157)	(1 157)
<b>Closing net book amount</b>	<b>92</b>	<b>92</b>

##### At 31 December 2021

Cost	154 224	154 224
Accumulated amortisation charge	(154 132)	(154 132)
<b>Net book amount</b>	<b>92</b>	<b>92</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 5. INVESTMENT PROPERTY

#### Consolidated and Company

	LAND AND BUILDINGS	TOTAL
INFLATION ADJUSTED	ZW\$ 000	ZW\$ 000
<b>Year ended 31 December 2022</b>		
Opening net book amount	30 861	30 861
Depreciation charge	(15)	(15)
<b>Closing net book amount</b>	<b>30 846</b>	<b>30 846</b>
<b>At 31 December 2022</b>		
Cost	49 092	44 864
Accumulated depreciation	(18 246)	(44 837)
<b>Net book amount</b>	<b>30 846</b>	<b>30 846</b>
<b>Year ended 31 December 2021</b>		
Opening net book amount	32 460	700
Depreciation charge	(1 599)	(336)
Transfer in	-	-
<b>Closing net book amount</b>	<b>30 861</b>	<b>30 861</b>
<b>At 31 December 2021</b>		
Cost	49 092	49 092
Accumulated depreciation	(18 231)	(18 231)
<b>Net book amount</b>	<b>30 861</b>	<b>30 861</b>

Investment property comprises of buildings that are leased to third parties, refer to note 32. Rental income recognised by the Group during 2022 was ZW\$284 627 (2021:ZW\$15 180 847) and was included in "other income", see note 21.

	Fair value measurements	
	(Level 2)	
INFLATION ADJUSTED	2022 ZW\$ 000	2021 ZW\$ 000
Investment property	402 868	366 654

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## Fair values of investment property

The fair value of investment property as at 31 December 2022 was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

A Director's valuation of the Company's investment property was performed to determine the fair value as at 31 December 2022.

The following table analyses the non-financial assets carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Level 2 fair values of investment property have been derived using the market approach by determining inputs based on the size of the property, location of the land and the state of the local economy. As the market approach was used, there were no significant unobservable inputs used.

The valuations for Investment Properties were prepared in US Dollars and if there was a change in the exchange rate by 5% depreciation/appreciation, assuming all other factors held constant, the valuation of the properties will increase/decrease by ZW\$20 143 398 lower/higher (2021: 18 332 714)

## INFLATION ADJUSTED

	Fair value at 31 December 2022 ZW\$ 000	Fair value at 31 December 2021 ZW\$ 000	Valuation technique	Observable inputs	Relationship of observable inputs to fair value
			Sales comparison	Market price per square metre	The higher/lower the price per square metre, the higher/ lower the fair value
Investment property	402 868	366 654	approach	square metre	

## Market Price Per Square Metre

Investment property	Building Sq Metre	Price per Sq Metre USD	Price per Sq Metre ZW\$	USD Value	ZW\$ Value
Stand 465 Chiredzi Township	231.97	237	159,200	55,000	36,929,563
Stand 376 Chiredzi Township	475.56	578	388,274	275,000	184,647,815
Stand 1569A QueQue Township	192.96	363	243,580	70,000	47,001,262
Stand 191 Victoria Falls Township	295.58	677	454,325	200,000	134,289,320
<b>Totals</b>				<b>600,000</b>	<b>402,867,960</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 6 INVESTMENT IN SUBSIDIARIES

	INFLATION ADJUSTED	
	2022	2021
	ZW\$ 000	ZW\$ 000

#### Company

Investment in subsidiaries	-	-
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Set out below are the Company's subsidiaries at 31 December 2022. The subsidiaries, as listed below, have share capital consisting solely of ordinary shares, which are held directly by the Company. All the subsidiaries are dormant and have nil values with insignificant assets and liabilities.

Subsidiaries	% of ownership interest held by the Company	Country of incorporation
House of Raleigh Limited	100%	Zimbabwe
British American Tobacco Zimbabwe		
Employee Share Ownership Trust (ESOT)		
- under management control		Zimbabwe
British American Tobacco Zimbabwe		
Tobacco Empowerment Trust		
- under management control		Zimbabwe

The British American Tobacco Zimbabwe Employee Share Ownership Trust ("ESOT") and the British American Tobacco Zimbabwe Tobacco Empowerment Trust ("TET") were founded by British American Tobacco Zimbabwe (Holdings) Limited and registered in 2013. British American Tobacco Zimbabwe (Holdings) Limited provided financial support to the two Trusts in the form of loans on an arm's length basis in order for them to acquire newly issued share capital.

The TET and the ESOT are consolidated into the Group financial statements. As a result, the shares held by the Trusts are treated as unissued, that is, these are considered treasury shares from the Group perspective and the loan funding is eliminated.

The impact on the financial statements from the activities of the ESOT is described in notes 2.25 (Share-based payment) and 16 (Share-based payment liability).

The TET was established with the purpose of making awards to individuals or entities for the development of tobacco growing by indigenous Zimbabweans. Such awards will be funded by dividend income received by the Trust from British American Tobacco Zimbabwe (Holdings) Limited, net of repayments of interest and capital on the loan from the founder.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 7. FINANCIAL INSTRUMENTS BY CATEGORY

### Consolidated and Company

INFLATION ADJUSTED	Assets at amortised cost ZW\$ 000	Assets at fair value through profit or loss ZW\$ 000	Total ZW\$ 000
<b>31 December 2022</b>			
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)	3 083 716	-	3 083 716
Financial assets at fair value through profit or loss	-	6 638	6 638
Cash and cash equivalents	4 219 124	-	4 219 124
<b>Total</b>	<b>7 302 840</b>	<b>6 638</b>	<b>7 309 478</b>

	Other financial liabilities ZW\$ 000	Total ZW\$ 000
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	6 469 493	6 469 493
<b>Total</b>	<b>6 469 493</b>	<b>6 469 493</b>

	Assets at amortised cost ZW\$ 000	Assets at fair value through profit or loss ZW\$ 000	Total ZW\$ 000
<b>31 December 2021</b>			
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)	3 114	-	3 114
Financial assets at fair value through profit or loss	-	28 304	28 304
Cash and cash equivalents	5 174 054	-	5 174 054
<b>Total</b>	<b>5 177 168</b>	<b>28 304</b>	<b>5 205 472</b>

	Other financial liabilities ZW\$ 000	Total ZW\$ 000
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	2 338 780	2 338 780
<b>Total</b>	<b>2 338 780</b>	<b>2 338 780</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 8. INVENTORIES

	INFLATION ADJUSTED	
	2022	2021
	ZW\$ 000	ZW\$ 000
<b>Consolidated and Company</b>		
Raw materials	2 476 808	3 714 009
Finished goods	1 691 243	253 382
Consumables	76 332	31 753
	<b>4 244 383</b>	<b>3 999 144</b>

The cost of inventories recognised as an expense and included in "cost of sales" amounted to ZW\$2 990 546 563 (2021: ZW\$4 074 616 314).

During the year, write downs amounting to ZW\$ 30 580 178 (2021: ZW\$ nil) were recognised in cost of sales as an expense during the year

### 9. TRADE AND OTHER RECEIVABLES

<b>Consolidated and Company</b>		
Trade receivables	2 685 719	507 671
Less: Provision for impairment of trade receivables	(26 465)	(14 975)
Trade receivables - net	2 659 254	492 696
Other receivables	285 868	190 314
Prepayments	6 840 560	647 127
Receivables from related parties (note 29)	138 593	522 940
Less: Provision for impairment of receivables from related parties		(192 651)
	<b>9 924 275</b>	<b>1 660 426</b>

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 legacy debt in line with the relevant exchange control directives.

The fair value of trade and other receivables approximates their carrying values due to their short tenure.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 9. TRADE AND OTHER RECEIVABLES (continued) Consolidated and Company (continued)

The maturity analysis of trade and other receivables at 31 December is as follows:

31 December 2022	INFLATION ADJUSTED			
	Total ZW\$ 000	Up to 30 days ZW\$ 000	31 to 60 days ZW\$ 000	61 days and more ZW\$ 000
Distributors	1 501 218	1 468 887	7 194	25 137
Wholesalers	877 918	877 851	11	56
Retailers	92 601	73 831	10 847	7 923
Stockists	99 641	92 327	5 175	2 139
Other external debtors	114 341	114 341	-	15 749
Other receivables	285 868	(896 338)	304 292	877 914
Prepayments	6 840 560	1 633 232	475 112	4 732 216
Receivables from related parties	138 593	137 996	-	597
Provision for impairment of Receivables	(26 465)	-	-	(26 465)
<b>Total</b>	<b>9 924 275</b>	<b>3 502 127</b>	<b>802 631</b>	<b>5 619 517</b>

<b>31 December 2021</b>				
Wholesalers	319 000	294 600	22 732	1 668
Retailers	136 234	115 719	3 396	17 119
Stockists	52 437	48 312	800	3 325
Other receivables	190 314	136 176	-	54 138
Prepayments	647 127	647 127	-	-
Receivables from related parties	522 940	290 538	-	232 402
Provision for impairment of receivables	(207 626)	-	-	(207 626)
<b>Total</b>	<b>1 660 426</b>	<b>1 532 472</b>	<b>26 928</b>	<b>101 026</b>

As at 31 December 2022, trade receivables excluding related parties amounting to ZW\$58 481 999 (2021: ZW\$49 040 130) were overdue.

The amount of the provision recognised on total trade receivables including related parties as of 31 December 2022 amounted to ZW\$26 464 798 (2021: ZW\$207 626 838). The individually impaired receivables mainly relate to distributors, wholesalers, retailers and an intercompany, which are in a difficult economic situation.

	INFLATION ADJUSTED	
	2022 ZW\$ 000	2021 ZW\$ 000
The ageing of these receivables is as follows:		
3 to 6 months	26 465	14 975
Over 6 months	-	192 651
	<b>26 465</b>	<b>207 626</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 9. TRADE AND OTHER RECEIVABLES (continued)

#### Consolidated and Company (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	INFLATION ADJUSTED	
	2022 ZW\$ 000	2021 ZW\$ 000
ZW\$	9 785 682	1 330 138
USD	138 593	315 184
GBP	-	15 104
<b>Total</b>	<b>9 924 275</b>	<b>1 660 426</b>

Movements in the provision for impairment of trade receivables are as follows:

<b>At 1 January</b>	<b>207 626</b>	<b>244 407</b>
Provision for receivables impairment	2 453	11 639
Receivables written off during the year as uncollectable	(192 651)	-
Unused amounts reversed	(36 387)	-
Movement in exchange rates	-	43 935
Inflation adjustment	45 424	(92 355)
<b>At 31 December</b>	<b>26 465</b>	<b>207 626</b>

The recognition and release of provisions in respect of impaired receivables are included in "Impairment (loss)/gain on trade receivables" in the statement of comprehensive income. The impact of movements on exchange rates is included in "other losses/(gains)" in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of receiving additional cash. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

As at 31 December 2022, the gross exposure to credit risk in respect of trade and other receivables by type of counterparty was as follows:

	INFLATION ADJUSTED	
	2022 ZW\$ 000	2021 ZW\$ 000
Distributors	1 501 218	-
Wholesalers	877 918	319 000
Retailers	92 601	136 234
Stockists	99 641	52 437
Other external debtors	114 341	-
Other receivables	285 868	190 314
Prepayments	6 840 560	647 127
Related parties	138 593	522 940
	<b>9 950 740</b>	<b>1 868 052</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### INFLATION ADJUSTED

2022 2021  
ZW\$ 000 ZW\$ 000

#### Consolidated and Company

Listed securities held for trading

Equity securities - Nampak Holdings Limited

6 638 28 304

The fair value of all equity securities is based on their current bid price in an active market. These instruments would be classified as Level 1 under the fair value hierarchy. The following table presents the Group and Company's assets that are measured at fair value at 31 December 2022.

### INFLATION ADJUSTED

Financial assets	Level 1 ZW\$ 000	Level 2 ZW\$ 000	Level 3 ZW\$ 000	Total ZW\$ 000
------------------	---------------------	---------------------	---------------------	-------------------

#### 2022

Quoted securities at market value

6 638

-

-

6 638

#### 2021

Quoted securities at market value

28 304

-

-

28 304

#### Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on the quoted market price set on the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions at an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise, primarily, Zimbabwe Stock Exchange investments classified as trading securities or available for sale.

## 11. CASH AND CASH EQUIVALENTS

### INFLATION ADJUSTED

2022 2021  
ZW\$ 000 ZW\$ 000

#### Consolidated and Company

Cash at bank and on hand

3 219 124

5 174 054

Short-term bank deposits

1 000 000

-

**Cash and cash equivalents**

**4 219 124**

**5 174 054**

Included in cash and cash equivalents are balances with local banks. These balances are used for transacting on a daily basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 12. SHARE CAPITAL

### Consolidated and Company

### INFLATION ADJUSTED

	31 Dec. 2022		31 Dec. 2021	
	Number of ordinary shares	Ordinary shares ZW\$ 000	Number of ordinary shares	Ordinary shares ZW\$ 000s
<b>Authorised</b>				
<b>Ordinary shares at par value</b>				
ZW\$ 0.30 each	21 252 000	6 376	21 252 000	6 376

### Issued and fully paid Consolidated

	Number of shares	Value ZW\$ 000
<b>At 1 January 2021</b>	<b>20 633 517</b>	<b>1 321 235</b>
Less treasury shares	(3 252 000)	(208 234)
<b>At 31 December 2021</b>	<b>17 381 517</b>	<b>1 113 001</b>

<b>At 1 January 2022</b>	<b>20 633 517</b>	<b>1 321 235</b>
Less treasury shares	(3 252 000)	(208 234)
<b>At 31 December 2022</b>	<b>17 381 517</b>	<b>1 113 001</b>

	Number of Ordinary shares	Ordinary shares ZW\$ 000
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### Issued and fully paid

#### Company

<b>At 31 December 2021</b>	<b>20 633 517</b>	<b>1 321 235</b>
----------------------------	-------------------	------------------

<b>At 31 December 2022</b>	<b>20 633 517</b>	<b>1 321 235</b>
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#### Treasury shares

<b>At 31 December 2021</b>	<b>3 252 000</b>	<b>208 234</b>
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<b>At 31 December 2022</b>	<b>3 252 000</b>	<b>208 234</b>
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All ordinary shares rank equally with regard to the Company's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

During 2013, the issuance of 3 252 000 ordinary shares was concluded, of which 2 220 324 shares were issued to The BAT Zimbabwe Tobacco Empowerment Trust, with the remaining 1 031 676 shares issued to the British American Tobacco Zimbabwe Employee Share Ownership Trust. The Trusts are consolidated in the financial statements of the Group. This treatment is based on an assessment of sufficient control under the principles of IFRS 10 Consolidated Financial Statements. Due to this treatment, the shares held by the Trusts are recognised as treasury shares.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 13. DIRECTORS' INTERESTS

### Company

At 31 December 2022, the Directors held, directly or indirectly, the following number of shares in the Company:

	2022	2021
	Number of shares	Number of shares
L T Manatsa	1 000	1 000

Except as stated above, no other Director or his/her nominee had any beneficial interest in the share capital of the Company.

## 14. TRADE AND OTHER PAYABLES

	INFLATION ADJUSTED	
	2022	2021
	ZW\$ 000	ZW\$ 000
<b>Consolidated and Company</b>		
Trade payables	314 056	227 193
Amounts due to related parties (note 28)	5 771 242	1 781 834
Social security and other taxes	1 162 646	557 540
Accrued expenses	376 161	295 171
External dividends	2 705	9 298
Other	5 329	-
	<b>7 632 139</b>	<b>2 871 036</b>

Other payables comprise of payroll related creditors, staff claims and sundry creditors.

Included in trade payables and amounts due to related parties is an amount of US\$15 748 856 which is legacy debt and was registered by the Reserve Bank of Zimbabwe as blocked funds. The legacy debt has been translated at a rate of 1:1 between ZW\$ and US\$.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

ZW\$	727 973	702 845
ZAR	6 628 888	1 725 002
GBP	258 045	121 459
EUR	14 142	6 134
USD	-	313 972
MEX peso	3 091	1 624
	<b>7 632 139</b>	<b>2 871 036</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 15. STAFF BENEFITS PROVISION

	INFLATION ADJUSTED				Total ZW\$ 000
	Provision for restructuring costs ZW\$ 000	Annual leave liability ZW\$ 000	Incentive bonus liability ZW\$ 000	Long service award provision ZW\$ 000	
<b>At 1 January 2021</b>	-	100 729	96 593	19 087	216 410
Utilised during the year	-	(100 729)	(96 593)	(19 087)	(216 410)
Charged to the statement of comprehensive income	374 365	188 731	263 718	19 087	845 900
<b>At 1 January 2022</b>	<b>374 365</b>	<b>188 731</b>	<b>263 718</b>	<b>19 087</b>	<b>845 900</b>
Utilised during the year	(374 365)	(188 731)	(263 718)	(19 087)	(845 900)
Charged to the statement of comprehensive income	408 930	137 019	394 389	-	940 338
<b>At 31 December 2022</b>	<b>408 930</b>	<b>137 019</b>	<b>394 389</b>	<b>-</b>	<b>940 338</b>

**(a) Incentive bonus liability**

The incentive bonus liability is payable within four months after year end.

**(b) Provision for restructuring costs provision**

This is a provision that was based on the number of employees who were involved in a redundancy exercise. These costs were fully provided for in 2022. The provision of ZW\$408 930 000 (which is fully termination benefits) at 31 December 2022 is expected to be fully utilised during the first half of 2023.

**(c) Provisions for long service award**

This is a provision for awards to employees who have been employed for at least 10 years by the Company. It is paid for at 5 yearly intervals from year 10 of employment. The calculation was based on management inputs, no actuarial valuation was carried out for 2022.

### 16. SHARE-BASED PAYMENT LIABILITY

**Consolidated and Company**

This liability represents the value of unsettled share units issued for free to employees by the British American Tobacco Zimbabwe Employee Share Ownership Trust ("ESOT", refer to note 2.25). The liability is recognised in both the consolidated and Company financial statements. The liability is recognised in the Company financial statements on the basis that the ESOT has a constructive liability to settle the share units but remains reliant on dividend income from the Company in order to fund any cash settlements. As such, the Company recognises the value of this obligation.

The recognition of a liability is also required under IFRS 2 Share-based Payment, as the cash settled nature of the scheme is indicative of a cash settled share-based payment. The share units have vested and there are no further performance conditions attached. Fair value is estimated using the prevailing British American Tobacco Zimbabwe (Holdings) Limited share price on the Zimbabwe Stock Exchange at the end of the reporting period.

The liability shown as at the statement of financial position date represents the total value of awards less amounts already settled in cash during the course of the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 16. SHARE-BASED PAYMENT LIABILITY (continued)

Consolidated and Company (continued)

	INFLATION ADJUSTED	
	2022	2021
	ZW\$ 000	ZW\$ 000
<b>At 1 January</b>	<b>20 775</b>	<b>7 133</b>
Transfer from leave liability	-	-
Re-measurement of share-based payment liability	(15 502)	14 719
Amounts paid during the year	(313)	(1 077)
<b>At 31 December</b>	<b>4 960</b>	<b>20 775</b>

## 17. DEFERRED TAX LIABILITY/(ASSET)

Consolidated and Company

The deferred tax liability / (asset) is made up of:

Property, plant, and equipment - accelerated depreciation	509 567	232 761
Provisions	(228 344)	(258 554)
Allowance for credit losses	3 248	(51 325)
Marketable securities - fair value	25	1 126
Unrealised exchange differences	(560 837)	(175 716)
Inventory write down	(5 864)	(2 751)
Prepayments	773 414	12 875
Inventory	367 284	267 957
<b>Deferred tax asset – net</b>	<b>858 493</b>	<b>26 373</b>

The gross movement on the deferred tax account is as follows:

<b>At 1 January</b>	<b>26 373</b>	<b>(474 983)</b>
Charge/(Credit) to the statement of comprehensive income	832 120	501 356
<b>At 31 December</b>	<b>858 493</b>	<b>26 373</b>

Consolidated and Company

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction, is as follows:

	INFLATION ADJUSTED	
	Accelerated tax depreciation	Total
	ZW\$ 000	ZW\$ 000
<b>At 1 January 2022</b>	<b>26 373</b>	<b>26 373</b>
Charge to the statement of comprehensive income	832 120	832 120
<b>At 31 December 2022</b>	<b>858 493</b>	<b>858 493</b>
<b>At 1 January 2021</b>	<b>(474 985)</b>	<b>(474 985)</b>
Charge to the statement of comprehensive income	501 358	501 358
<b>At 31 December 2021</b>	<b>26 373</b>	<b>26 373</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 18. CASH GENERATED FROM OPERATIONS

	INFLATION ADJUSTED	
	2022	2021
	ZW\$ 000	ZW\$ 000
<b>Consolidated and Company</b>		
<b>Profit before income tax</b>	<b>8 998 876</b>	<b>7 494 060</b>
<b>Adjustment for:</b>		
- Depreciation of property, plant and equipment and investment property	91 634	132 363
- Amortisation of intangible assets (note 4)	1	1 157
- Loss on sale of property, plant and equipment	(1064)	777
- Fair value gains on financial assets at fair value through profit or loss (note 23 and 21)	21 666	(18 999)
- Other non-cash items		127
- Finance costs	(304 024)	41 296
- Unrealised exchange gains on cash held		3 979
- Finance income	(506 371)	
- Monetary loss/(gain) on hyperinflation adjustment	2 634 719	(1 280 612)
<b>Changes in working capital:</b>		
- (Increase)/Decrease in inventories	(245 240)	562 867
- (Increase)/Decrease in trade and other receivables	(8 263 849)	137 490
- Increase/(Decrease) in trade and other payables	4 761 094	(2 120 168)
- Increase in provisions for other liabilities and charges	94 438	505 813
- (Decrease)/Increase in share-based payment liability	(15 815)	13 642
<b>Cash generated from operations</b>	<b>7 266 065</b>	<b>5 473 792</b>

### 19. RETIREMENT BENEFIT OBLIGATIONS

#### Defined contribution scheme

Pensions are provided for employees by a separate pension fund to which both the employees and the Group contribute. This pension fund is a defined contribution plan under which retirement benefits are determined by reference to the contributions to the fund.

#### National Social Security Authority (NSSA) Scheme

The Group and its employees contribute to the National Social Security Authority Scheme (NSSA). This is a social security scheme which was promulgated under the National Social Security Act (Chapter 17:04) and the National Social Security Statutory Instrument 393 of 1993.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 19. RETIREMENT BENEFIT OBLIGATIONS (continued)

	INFLATION ADJUSTED		Total ZW\$ 000
	Employees ZW\$ 000	Group ZW\$ 000	
<b>2022</b>			
<b>Current service costs</b>			
The contributions to the funds were:			
Defined contribution scheme	115 931	261 179	377 110
NSSA	15 397	15 397	30 794
	<b>131 328</b>	<b>276 576</b>	<b>407 904</b>
<b>2021</b>			
<b>Current service costs</b>			
The contributions to the funds were:			
Defined contribution scheme	73 527	158 132	231 659
NSSA	4 041	4 041	8 082
	<b>77 568</b>	<b>162 173</b>	<b>239 741</b>

	INFLATION ADJUSTED	
	2022 ZW\$ 000	2021 ZW\$ 000
<b>20. REVENUE</b>		
<b>Consolidated and Company</b>		
Revenue from sales of goods in domestic market	23 354 708	14 596 057
Revenue from cut rag exports to foreign market	924 412	1 633 973
	<b>24 279 120</b>	<b>16 230 030</b>
<b>21. OTHER INCOME</b>		
<b>Consolidated and Company</b>		
Group recharges	95 985	-
Rental income	285	15 181
Sundry income	6 781	37 643
Profit on disposal of scrap	1 064	-
Financial assets at fair value through profit or loss (note 10)	-	18 999
- Fair value gains	-	-
	<b>104 115</b>	<b>71 823</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 22. OPERATING PROFIT

**INFLATION ADJUSTED**  
**2022**                      **2021**  
**ZW\$ 000**                      **ZW\$ 000**

#### Consolidated and Company

Operating profit before taxation includes the following:

#### 22.1

##### Cost of sales

Leaf consumed	1 855 178	1 824 250
Wrapping materials consumed	1 127 367	708 171
Manufacturing costs	3 027 898	1 664 340
Other cost of sales	8 002	1 542 195
	<b>6 018 445</b>	<b>5 738 956</b>

The inflation adjusted cost of sales movement, year on year is impacted by the variations between the prior year upliftment factors (refer to note [2.1]), and the timing of incurring costs in 2022, with the upliftment factors varying between 3.26 (January 2022) and 1 (December 2022).

#### 22.2

##### Selling and marketing costs

Brand specific expenses	451 669	551 409
Marketing overheads	255 001	401 475
Route to marketing overheads	1 525 144	1 161 047
	<b>2 231 814</b>	<b>2 113 931</b>

#### 22.3

##### Other Disclosable Items

Auditors' remuneration - current year	76 301	51 926
Depreciation of property, plant and equipment	92 084	132 363
Directors' fees	23 359	37 709

#### 22.4

##### Staff costs

Salaries and wages	3 740 975	2 623 817
Pension contributions	263 261	160 041
	<b>4 004 236</b>	<b>2 783 858</b>

The number of employees as at 31 December 2022 was 96 (2021: 108).

### 23.

#### OTHER LOSSES

##### Consolidated and Company

Loss on sale of property, plant and equipment	-	(777)
Exchange losses	(2 261 949)	(283 622)
Financial assets at fair value through profit or loss (note 10)		
- Fair value loss	(21 666)	-
	<b>(2 283 615)</b>	<b>(284 399)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 24. INCOME TAX EXPENSE

	INFLATION ADJUSTED	
	2022	2021
	ZW\$ 000	ZW\$ 000
<b>Consolidated and Company</b>		
Current income tax on profit for the year	3 170 713	2 176 050
Prior year adjustment	-	
Deferred taxation expense/(income) (note 17)	832 120	501 357
	<b>4 002 833</b>	<b>2 677 407</b>

## 25. INCOME TAX PAID

<b>Consolidated and Company</b>		
Opening balance	559 669	332 655
Current tax (note 24)	3 170 713	2 176 050
Closing balance per statement of financial position	(193 418)	(559 669)
	<b>3 536 964</b>	<b>1 949 036</b>

## 26. EARNINGS PER SHARE

### Consolidated and Company

#### Basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year less treasury shares.

	INFLATION ADJUSTED	
	2022	2021
	ZW\$ 000	ZW\$ 000
Profit attributable to equity holders of the Company	4 996 045	4 816 653
Weighted average number of ordinary shares in issue (thousands)	17 382	17 382
Basic and diluted earnings per share	287.43	277.11
Profit attributable to equity holders of the company	4 996 045	4 816 653
Monetary Loss/(gain)	2 634 719	(1 280 612)
<b>Headline Earnings</b>	<b>7 630 764</b>	<b>3 536 041</b>
Headline earnings per share	439.00	203.43

The weighted average number of shares is the same for basic earnings per share, diluted earnings per share and headline earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 27. DIVIDENDS

#### Consolidated and Company

The board proposed the declaration of a final dividend of ZW\$88.35 per share for the year ended 31 December 2022. No dividends were declared in 2021.

### 28. RELATED PARTY TRANSACTIONS

The Company is controlled by British American Tobacco International Holdings Limited, incorporated in the United Kingdom, which owns 43% of the Company'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

	2022	2021
	ZW\$ 000	ZW\$ 000

The following transactions were carried out with related parties:

#### Consolidated and Company

#### (a) Other sales:

British American Tobacco Mozambique Lda	332 943	912 659
British American Tobacco South Africa (Pty) Limited	93 299	721 314
British American Tobacco Kenya plc	498 170	
	<b>924 412</b>	<b>1 633 973</b>

#### (b) Purchase of goods and services:

British American Tobacco South Africa (Pty) Limited	4 264 465	992 502
British American Tobacco (Holdings) Limited	28 824	24 737
British American Tobacco Shared services GSD UK	22 089	-
British American Tobacco Pesci Dohanygyar KFT	400	-
British American Tobacco Vranje AD	2 406	1 279
British American Tobacco Singapore	1 319	-
British American Tobacco Tutun	848	-
British American Tobacco Chile	401	901
British American Tobacco Kenya	73 943	2 063
British American Tobacco Mexico	-	1 911
British American Tobacco Mozambique	-	1 461
British American Tobacco Zambia	80 577	8 366
British American Tobacco Nigeria Limited	1 493	2 860
	<b>4 476 765</b>	<b>1 036 080</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 28. RELATED PARTY TRANSACTIONS (Continued)

### (b) Purchase of goods and services: (Continued)

Goods, services and machinery are acquired from British American Tobacco (Holdings) Limited and British American Tobacco South Africa (Pty) Limited.

British American Tobacco South Africa (Pty) Limited did not charge any management fees during the year.

None of the outstanding balances is secured. A provision for bad and doubtful debts of ZW\$nil (2021: ZW\$192 651 455) has been recognised in the current year in respect of amounts owed by related parties. No guarantees have been given or received.

	INFLATION ADJUSTED	
	2022	2021
	ZW\$ 000	ZW\$ 000
<b>(c) Year end balances arising from sales/purchases of goods and services</b>		
<b>Receivable from related parties (note 9):</b>		
British American Tobacco Angola Lda	-	192 651
British American Tobacco South Africa (Pty) Limited	5 083	112 829
British American Tobacco (GLP) Limited	68	24 646
British American Tobacco Mozambique Limitada	-	177 708
British American Tobacco Kenya Plc	133 442	-
British American Tobacco Investments Limited	-	15 104
Provision for impairment of doubtful debts	-	(192 651)
	<b>138 593</b>	<b>330 287</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 28. RELATED PARTY TRANSACTIONS (continued)

	INFLATION ADJUSTED	
	2022 ZW\$ 000	2021 ZW\$ 000
<b>(d) Payable to related parties (note 14):</b>		
British American Tobacco Shared Services UK	7 497	-
British American Tobacco Holdings Limited	26 989	101 131
British American Tobacco Romania Investment	381	-
British American Tobacco Mozambique Ltd	(263)	147 859
British American Tobacco South Africa (Pty) Ltd	1 792 628	1 338 845
British American Tobacco Mark Limited	8	-
British American Tobacco (GLP) Limited	(39 775)	172 302
British American Tobacco Niemeyer	2	560
Ceylon Tobacco Company PLC	293	-
British American Tobacco Vranje AD	681	1 234
British-American Tobacco Singapore Ltd	1 215	613
British American Tobacco Pecs	401	311
British American Tobacco Tutun	271	263
British American Tobacco BT Bentoel Prima	1	543
British American Tobacco Nigeria Limited	1 887	6 441
British American Tobacco Kenya	50 043	1 853
British American Tobacco Mexico	365	1 624
British American Tobacco Chile	253	623
British American Tobacco Zambia	42 421	7 633
British American Tobacco Investments Limited	40	-
	<b>1 885 338</b>	<b>1 781 835</b>

### (e) Key management compensation

Key management includes Directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	INFLATION ADJUSTED	
	2022 ZW\$ 000	2021 ZW\$ 000
Short term employee benefits	297 739	161 703
Post-employment benefits	6 797	2 454
	<b>304 536</b>	<b>164 157</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 29. CAPITAL COMMITMENTS

There were no capital commitments at year end (2021: ZW\$ nil).

## 30. FINANCIAL RISK MANAGEMENT

### Consolidated and Company

### 30.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is governed by the Audit and Risk Committee ("Treasury") under policies approved by the board of directors. The Audit and Risk Committee identifies and evaluates financial risks, where applicable. The Board and Executive Committee provide written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound, the South African Rand and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, investments in the local market and transactions with foreign sister companies.

Management has set up a policy that guides the Group to manage foreign exchange risk against the functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has no investments in foreign operations, hence is not exposed to foreign currency translation risk. As at 31 December 2022, if the currency had weakened/strengthened by 10% against the UK Pound, South African Rand and the Euro, with all other variables held constant, post-tax profit for the year and equity would have been ZW\$626 663 623 lower/higher (2021: ZW\$152 336 970), mainly as a result of foreign exchange gains/losses on the translation of foreign trade payables.

##### (ii) Price risk

The Group is exposed to equity securities price risk due to investments held by the Group and classified in the consolidated statement of financial position at fair value through profit or loss. All of the Group's share investments are listed on the Zimbabwe Stock Exchange (ZSE). The Group is not exposed to commodity price risk.

#### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge the contract. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. Only approved financial institutions with sound capital bases are utilised to invest surplus funds. In respect of customers, Risk Control assesses the credit quality of the customer, taking into account the customer's financial position, past experience and other factors. The utilisation of credit limits is regularly monitored to manage risk.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Consolidated and Company (continued)

#### 30.1 Financial risk factors (continued)

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	INFLATION ADJUSTED	
	2022	2021
	ZW\$ 000	ZW\$ 000
Trade receivables and other receivables, excluding prepayments		
- Trade receivables from customers	3 083 716	1 013 299
- Cash and cash equivalents	4 219 124	5 174 054
	<b>7 302 840</b>	<b>6 187 353</b>

The fair value of trade and other receivables at 31 December 2022 approximates their carrying amount due to their short tenure.

There is no significant risk with respect to cash and cash equivalents as the Group holds bank accounts with large financial institutions with sound financial and capital cover.

The fair value of cash and cash equivalents at the reporting date approximates the carrying amounts. The financial institutions holding cash and cash equivalents of the Group are as follows:

Financial institution	INFLATION ADJUSTED	
	2022	2021
	ZW\$ 000	ZW\$ 000
Standard Chartered Bank of Zimbabwe Limited	1 141 744	3 306 961
Stanbic Bank Zimbabwe Limited	1 976 069	1 044 009
Central Africa Building Society (CABS)	1 093 075	817 412
Barclays Bank of Zimbabwe Limited	8 236	5 672
	<b>4 219 124</b>	<b>5 174 054</b>

#### (c) Liquidity risk

Management monitors rolling forecasts of the Group's liquidity requirements (comprising cash and cash equivalents on the basis of expected cash flow). This is generally carried out in accordance with best practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows and liquid assets necessary to meet these as well as monitoring the statement of financial position liquidity ratios against internal requirements.

Liquidity risk is the risk that the Group may fail to meet its payment obligations when they fall due. The Group identifies liquidity risk through liquidity gap analysis and the maturity profile of assets and liabilities. Where major gaps appear, action is taken in advance to close or minimise the gaps. Cash flow forecasting is performed by management.

The liquidity risk in respect of foreign creditors and lenders has increased significantly due to the delay in affecting foreign payments. The delay arises from a combination of unavailability of funds in bank accounts held in foreign countries by domestic banks to facilitate settlement of exchange and trade transactions and delays due to the exchange control priority backlog. Refer to additional disclosures under foreign currency translation in note 2.5 (a).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Consolidated and Company (continued)

### 30.1 Financial risk factors (continued)

#### (c) Liquidity risk (continued)

The Company has instituted the following measures to mitigate the potential operational consequences of delays in foreign payments to suppliers:

- Increase in sourcing of production consumables and equipment from affiliated companies as opposed to unrelated companies.
- Sourcing of foreign currency on the Reserve Bank of Zimbabwe foreign currency auction to settle outstanding foreign currency denominated liabilities.

The table below analyses the maturity profile of the Company's assets and liabilities based on the remaining period at 31 December to the contractual maturity date.

Maturity analysis as at 31 December 2022 is as follows:

Consolidated and Company	INFLATION ADJUSTED			Total Total ZW\$ 000
	Up to one month ZW\$ 000	1 to 2 months ZW\$ 000	Later than 3 months ZW\$ 000	
<b>Assets</b>				
Cash and cash equivalents	4 219 124	-	-	4 219 124
Trade and other receivables (excluding prepayments)	1 730 900	327 519	913 169	2 971 588
Receivables from related parties	137 996	-	597	138 593
Financial assets at fair value through profit or loss	6 638	-	-	6 638
<b>Total assets</b>	<b>6 094 658</b>	<b>327 519</b>	<b>913 766</b>	<b>7 335 943</b>
<b>Liabilities</b>				
Trade and other payables (excluding statutory liabilities)	(6 469 493)	-	-	(6 469 493)
<b>Liquidity gap</b>	<b>(374 835)</b>	<b>327 519</b>	<b>913 766</b>	<b>866 450</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Consolidated and Company (continued)

### 30.1 Financial risk factors (continued)

#### (c) Liquidity risk (continued)

Maturity analysis as at 31 December 2021 is as follows:

Consolidated and Company	INFLATION ADJUSTED			Total Total ZW\$ 000
	Up to one month ZW\$ 000	1 to 2 months ZW\$ 000	Later than 3 months ZW\$ 000	
<b>Assets</b>				
Cash and cash equivalents	5 174 054	-	-	5 174 054
Trade and other receivables (excluding prepayments)	594 808	26 928	76250	697 986
Receivables from related parties	290 538	-	24 775	315 313
Financial assets at fair value through profit or loss	28 304	-	-	28 304
<b>Total assets</b>	<b>6 087 704</b>	<b>26 928</b>	<b>101 025</b>	<b>6 215 657</b>
<b>Liabilities</b>				
<b>Trade and other payables</b>				
(excluding statutory liabilities)	(1 081 771)	-	-	(1 081 771)
<b>Liquidity gap</b>	<b>5 005 933</b>	<b>26 928</b>	<b>101 025</b>	<b>5 133 886</b>

### 30.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as disclosed in the statement of financial position, plus net debt. As at 31 December 2022, the Group neither had borrowings payable to related parties, nor other financial institutions.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Consolidated and Company (continued)

### 30.2 Capital risk management (continued)

The Group's net debt to adjusted equity at 31 December was as follows:

	INFLATION ADJUSTED	
	2022	2021
	ZW\$ 000	ZW\$ 000
Total liabilities	9 629 348	4 323 753
Less: Cash and cash equivalents	4 219 124	(5 174 054)
<b>Net debt</b>	<b>5 410 224</b>	<b>(850 301)</b>
<b>Total equity</b>	<b>12 840 667</b>	<b>7 844 624</b>
<b>Net debt to equity ratio</b>	<b>0.42</b>	<b>(0.11)</b>

### 30.3 Fair value estimation

IFRS 13 Fair Value Measurement specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, whereas unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy.

Level 1 - Quoted prices (unadjusted) in an active market for identical assets or liabilities. This level includes listed equity securities traded on the Zimbabwe Stock Exchange.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This level includes non-listed equity investments.

The hierarchy requires the use of observable market data, when available. The Group considers relevant and observable market prices in its valuations, where possible.

The fair value of financial assets at fair value through profit or loss is based on quoted market prices at the end of the reporting period (Level 1).

The fair value of Investment properties is based on observable inputs for the assets at the end of the reporting period (Level 2).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 31. SEGMENT INFORMATION

### Consolidated and Company

Management has determined the operating segments based on the reports reviewed by the leadership team that are used to make strategic decisions.

In 2019, the Group operated in the single segment of cigarettes. During 2020, the Group started exporting cut-rag and earned revenues from the export business. Management made an assessment and determined that the cut rag export business is an operating segment. In making this assessment, the following factors were considered:

- Cut rag and cigarettes are different products and require different marketing strategies
- Cut rag exports serve a different geographical location which is outside Zimbabwe.

Revenue amounting to ZW\$36 871 626 435 (2021: ZW\$22 920 856 619) is from external customers who are domiciled in Zimbabwe and is from the sale of cigarettes.

Revenue amounting to ZW\$924 411 736 (2021: ZW\$1 633 973 144) is from internal customers who are domiciled outside Zimbabwe and is from the sale of leaf and cut-rag.

	INFLATION ADJUSTED		
	Cigarettes ZW\$ 000	Leaf and Cut rag ZW\$ 000	Total ZW\$ 000
<b>2022</b>			
External revenue	36 871 626	924 412	37 796 038
Tobacco duties	(13 516 918)	-	13 516 918)
<b>Net revenue</b>	<b>23 354 708</b>	<b>924 412</b>	<b>24 279 120</b>
<b>Profit before interest, taxation, depreciation and amortisation</b>	<b>8 196 079</b>	<b>84 037</b>	<b>8 280 116</b>
Depreciation	(91 634)	-	(91 634)
Amortisation	(1)	-	(1)
Interest	810 395	-	810 395
<b>Profit before income tax</b>	<b>8 914 839</b>	<b>84 037</b>	<b>8 998 876</b>
<b>Total assets</b>	<b>22 331 422</b>	<b>138 593</b>	<b>22 470 015</b>
<b>Total liabilities</b>	<b>9 629 348</b>	<b>-</b>	<b>9 629 348</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 31. SEGMENT INFORMATION (CONTINUED)

### Consolidated and Company (continued)

2021	INFLATION ADJUSTED		
	Cigarettes ZW\$ 000	Leaf and Cut rag ZW\$ 000	Total ZW\$ 000
External revenue	22 920 857	1 633 973	24 554 830
Tobacco duties	(8 324 800)	-	(8 324 800)
<b>Net revenue</b>	<b>14 596 057</b>	<b>1 633 973</b>	<b>16 230 030</b>
<b>Profit before interest, taxation, depreciation and amortisation</b>	<b>7 520 333</b>	<b>148 543</b>	<b>7 668 876</b>
Depreciation	(132 363)	-	(132 363)
Amortisation	(1 157)	-	(1 157)
Interest	(41 296)	-	(41 296)
<b>Profit before income tax</b>	<b>7 345 517</b>	<b>148 543</b>	<b>7 494 060</b>
<b>Total assets</b>	<b>11 838 088</b>	<b>330 289</b>	<b>12 168 377</b>
<b>Total liabilities</b>	<b>4 323 753</b>	<b>-</b>	<b>4 323 753</b>

## 32. USE OF JUDGEMENTS AND ESTIMATES

### Consolidated and Company

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

### (a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

- **Note 2.5** - determining the functional currency: key factors in determining the change in functional currency;
- **Note 2.5** - determining an appropriate exchange rate as required by IAS 21.
- **Note 2.1** - adjustments and restatements in accordance with IAS 29 for changes in the general purchasing power of the Zimbabwe dollar.

### (b) Assumptions and estimation uncertainties

Information about assumptions and estimates made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

- **Note 2.15** – measurement of expected credit loss allowance for trade receivables: key assumptions in determining the loss rate;
- **Note 15** - recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources;
- **Note 2.18** - recognition of deferred tax assets; availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- **Note 2.18** - determining the provision for income taxes: there are many transactions and calculations for which the ultimate tax determination is uncertain;
- **Note 2.6** - determining the useful lives of property, plant and equipment: estimate is based on projected lives of these assets.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 33. EVENTS AFTER REPORTING DATE

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..

### 34. GOING CONCERN

The Group and the Company have recognised an inflation adjusted net profit after tax of ZW\$4 996 043 377 for the year ended 31 December 2022 against a net profit after tax of ZW\$4 816 653 295 in the previous year. The total inflation adjusted current assets exceeded current liabilities by ZW\$9 616 933 338 (2021: ZW\$6 536 238 597).

Post 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 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 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 US\$1: ZW\$1.

During the year under review, the Group and the Company managed to receive USD 10 009.05 from the Reserve Bank of Zimbabwe under the registered blocked funds.

The Directors believe that the Reserve Bank of Zimbabwe will honour its commitment to settle the Group and the Company's outstanding foreign liabilities at a rate of ZW\$1: US\$1 registered as 'blocked funds' as per Exchange Control Directive 28 of 2020. British American Tobacco International Holdings (UK) Limited, has confirmed that it is its present intention to provide continuing financial support for a period of at least 12 months from the date of approval of the financial statements, relating to the year ended 31 December 2022. Furthermore, it has confirmed that it will not seek repayment of the amounts currently made available and considers that this should enable the Group and the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The Directors are confident that the Group and the Company have 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 and the Company will be able to settle all its outstanding obligations.

# Share Holder Analysis

Top twenty shareholders

Rank	Account Name	Shares	% of Total
1	B.A.T INTERNATIONAL HOLDINGS (UK) LIMITED	8,867,272	42.98
2	OLD MUTUAL LIFE ASSURANCE COMPANY OF ZIMBABWE LIMITED	2,698,759	13.08
3	THE BRITISH AMERICAN TOBACCO ZIMBABWE TOBACCO EMPOWERMENT TRUST,	2,220,324	10.76
4	THE BRITISH AMERICAN TOBACCO ZIMBABWE EMPLOYEE SHARE OWNERSHIP TRUST,	2,063,352	10.00
5	STANBIC NOMINEES (PRIVATE) LIMITED	902,143	4.37
6	STANDARD CHARTERED NOMINEES (PRIVATE) LIMITED,	562,088	2.72
7	NATIONAL SOCIAL SECURITY AUTHORITY	319,224	1.55
8	CIMAS MEDICAL AID SOCIETY	222,700	1.08
9	HIPPO VALLEY ESTATE PF-DATVEST	190,381	0.92
10	OLD MUTUAL ZIMBABWE LIMITED	171,496	0.83
11	PUBLIC SERVICE PENSION FUND-OMIG	109,365	0.53
12	AMZIM PENSION FUND	108,667	0.53
13	ZIMBABWE ELECTRICITY IND PENSION FUND	107,377	0.52
14	DELTA BEVERAGES PENSION FUND	102,086	0.49
15	FBC HOLDINGS PF	82,461	0.40
16	ANGLO AMERICAN ASSOCIATED COMPANIES PENSION FUND	69,811	0.34
17	NATIONAL FOODS P/ F-IMARA	69,788	0.34
18	HIT PENSION FUND - IMARA	55,900	0.27
19	NSSA STAFF PENSION FUND	46,525	0.23
20	DIE RUPERT KUNSTSTIGTING,	41,500	0.20
	<b>TOTAL</b>	<b>19,011,219</b>	<b>92.14</b>
	<b>Other Shareholders</b>	<b>1,622,298</b>	<b>7.86</b>
	<b>Total Number of Shares</b>	<b>20,633,517</b>	<b>100.00</b>



# NOTICE TO SHAREHOLDERS

## Sixty-Third Annual General Meeting

NOTICE IS HEREBY GIVEN that the 63rd Annual General Meeting of the Share-holders of British American Tobacco Zimbabwe (Holdings) Limited will be held at Cresta Lodge Harare, Corner of Samora Machel Ave, and Robert Mugabe Rd, Msasa, Harare on Friday, 28 April 2023 at 10am. Shareholders may attend the meeting either in person or virtually, as per the instructions at the end of this notice.

### Ordinary Business

#### 1. Minutes of the Previous Meeting

To confirm and sign-off the Minutes from the 62nd Annual General Meeting.

#### 2. Financial Statement and Reports

To receive, review and adopt the Audited Financial Statements for the year ended 31 December 2022, together with the Reports of the Directors and Auditors.

#### 3. Directorate

##### 3.1 Directors Remuneration

To approve the remuneration and emoluments of Directors for the year ended 31 December 2022.

Note: The consolidated directors emoluments are included in the Annual Report

##### 3.2 Appointment and Re-election of Directors

3.2.1 To re-elect by individual resolution, Mrs R. Kupara and Mr E. I. Manikai, who retire by rotation in terms of Article 96 of the Company's Articles of Association and, being eligible, have offered themselves for re-election

3.2.2 To confirm the re-appointment of Mr Kimesh Naidoo, who was co-opted to the Board, in terms of Article 88 of the Company's Articles of Association..

NB: The profiles of Directors to be re-elected and confirmed are included in the Annual Report under 'Directorate'.

3.2.3 To note the resignation of Mr Sivenasen Moodley as a Director of the Company.

#### 4. Audit Committee

4.1. To receive and review the report of the Audit Committee on its activities and matters of its greatest concern.

#### 5. Corporate Governance

5.1. To receive and review the Board's report on Company compliance with its Corporate Governance guidelines and conformity to corporate governance principles as set forth in the National Code.

#### 6. Auditors

6.1 To fix the remuneration of the Auditors for the past year.

6.2 To reappoint KPMG Chartered Accountants (Zimbabwe) as Auditors of the Company until the conclusion of the next Annual General Meeting. KPMG has served the Company for the past 8 years.

#### Any Other Business

To transact any other business competent to be dealt with at an Annual General Meeting.

#### Appointment of Proxy

In terms of the Companies and Other Business Entities Act (Chapter 24:31), a member who is entitled to attend and vote at a meeting is also entitled to appoint a proxy to attend and vote on a poll and speak in his/her stead. Proxy forms should be forwarded to reach the office of the Company Secretary at least 48 (forty-eight) hours before the commencement of the meeting.

**Notes:** Details of the Virtual AGM will be emailed by First Transfer Secretaries (Pvt) Ltd ('FTS') to all Shareholders. Shareholders are advised to update their contact details with the following contact

#### By Order of the Board



#### PHYLLIS CHENJERA

Company Secretary

14 April 2023

#### Registered Office:

1 Manchester Road  
P O Box ST 98  
Southerton  
Harare  
Zimbabwe

#### Transfer Secretaries:

First Transfer Secretaries  
1 Armagh Road  
Eastlea  
P O Box 11  
Harare, Zimbabwe  
Telephone: +263 242 782869/72  
Email: info@fts-net.co

# Form of Proxy

Sixty-Third Annual General Meeting

I/We.....

Of.....

Being a shareholder of the British American Tobacco Zimbabwe (Holdings) Limited hereby appoint:

.....

or failing him/her

.....

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Sixty-Third Annual General Meeting of the Company to be held at Cresta Lodge Harare, Corner of Samora Machel Avenue and Robert Mugabe Road, Msasa, Harare on Friday, 28th April 2023 at 10:00am.

Signed this .....day of.....2023

Signature of member/members .....

## NOTES:

1. In terms of Section 171 of the Companies and Other Business Entities Act [Chapter 24:31] members are entitled to appoint one or more proxies to act in the alternative to attend or vote and speak in their place at the meeting. A proxy need not be a member of the Company.
2. Any alteration or correction to this form of proxy (including the deletion of alternatives) must be initiated by the signatory/signatories.
3. Instruments of proxy must be lodged at the registered office of the Company at least 48 hours before the time appointed for the holding of the meeting.

# Form of Proxy

Sixty-Third Annual General Meeting

I/We.....

Of.....

Being a shareholder of the British American Tobacco Zimbabwe (Holdings) Limited hereby appoint:

.....

or failing him/her

.....

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Sixty-Third Annual General Meeting of the Company to be held at Cresta Lodge Harare, Corner of Samora Machel Avenue and Robert Mugabe Road, Msasa, Harare on Friday, 28th April 2023 at 10:00am.

Signed this .....day of.....2023

Signature of member/members .....

## NOTES:

1. In terms of Section 171 of the Companies and Other Business Entities Act [Chapter 24:31] members are entitled to appoint one or more proxies to act in the alternative to attend or vote and speak in their place at the meeting. A proxy need not be a member of the Company.
2. Any alteration or correction to this form of proxy (including the deletion of alternatives) must be initiated by the signatory/signatories.
3. Instruments of proxy must be lodged at the registered office of the Company at least 48 hours before the time appointed for the holding of the meeting.

# Form of Proxy

Sixty-Third Annual General Meeting

I/We.....

Of.....

Being a shareholder of the British American Tobacco Zimbabwe (Holdings) Limited hereby appoint:

.....

or failing him/her

.....

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Sixty-Third Annual General Meeting of the Company to be held at Cresta Lodge Harare, Corner of Samora Machel Avenue and Robert Mugabe Road, Msasa, Harare on Friday, 28th April 2023 at 10:00am.

Signed this .....day of.....2023

Signature of member/members .....

## NOTES:

1. In terms of Section 171 of the Companies and Other Business Entities Act [Chapter 24:31] members are entitled to appoint one or more proxies to act in the alternative to attend or vote and speak in their place at the meeting. A proxy need not be a member of the Company.
2. Any alteration or correction to this form of proxy (including the deletion of alternatives) must be initiated by the signatory/signatories.
3. Instruments of proxy must be lodged at the registered office of the Company at least 48 hours before the time appointed for the holding of the meeting.



The Company Secretary  
BAT Zimbabwe  
1 Manchester Road,  
P O Box ST 98  
Southerton,  
Harare

Affix  
Stamp  
here



The Company Secretary  
BAT Zimbabwe  
1 Manchester Road,  
P O Box ST 98  
Southerton,  
Harare

Affix  
Stamp  
here



The Company Secretary  
BAT Zimbabwe  
1 Manchester Road,  
P O Box ST 98  
Southerton,  
Harare

Affix  
Stamp  
here

## NOTES

[illegible]





**Head Office:** 1 Manchester Road P.O. Box ST 98 Southerton Harare Zimbabwe.  
**Tel:** +263 772 131 883 - 6.  
**Website:** [www.batzimbabwe.com](http://www.batzimbabwe.com)