

# Abridged Audited Financial Results

## For The Year Ended 31 December 2020

### CHAIRMAN'S STATEMENT

#### Introduction

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

#### Volumes

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

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

#### Hyperinflationary Financial Results

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

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

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

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

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

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

#### Blocked Funds Registration

Subsequent to 31 December 2019, the RBZ registered blocked funds amounting to US\$15.7 million in respect of outstanding dividends, in line with the blocked funds guidelines stipulated in the Exchange Control Directive RU28 dated 21 February 2019 and the Exchange Control Circular No. 8 of 24 July 2019. Following the registration of the blocked funds, an amount of ZW\$15.7 million was transferred to the RBZ to allow settlement of the registered blocked funds. In line with the provisions of the February 2019 Monetary Policy Statement on the settlement arrangements for these blocked funds, RBZ is now finalising the appropriate instrument(s) to facilitate settlement of the registered blocked funds. As a result of the successful registration of blocked funds, management has continued to account for the outstanding blocked funds at a rate of US\$1: ZW\$1.

#### Dividend

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

#### Contribution to the Government Treasury

The Company contributes to the Government treasury through various taxes, including Excise Duty, Corporate Tax, Value Added Tax, Customs Duties, Pay as You Earn and Withholding Tax. The Company's contribution to the Zimbabwe Revenue Authority ("ZIMRA") in taxes increased from ZW\$101 million in 2019 to ZW\$894 million for the year ended 31 December 2020. The key contributors of the increase in tax were Excise Duty and Corporate Tax driven by the increases in selling price of our products and the profit generated before taxation.

#### Corporate Governance

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

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

#### COVID-19 response

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

#### Outlook

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

#### Conclusion

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



**Lovemore T. Manatsa**  
Chairman  
29 March 2021

### ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

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

### ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

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

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



**Kimesh Naidoo**  
Managing Director



**Lynnet Sambo**  
Acting Finance Director

# Abridged Audited Financial Results

For The Year Ended 31 December 2020

## ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	INFLATION ADJUSTED ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Share capital	<sup>1</sup> Non-distributable reserves	Retained earnings	Total
	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
<b>Balance at 1 January 2019</b>	<b>201 428</b>	<b>13 000</b>	<b>396 758</b>	<b>611 186</b>
Total comprehensive (loss)/income for the year	-	-	(124 259)	(124 259)
Dividends	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>201 428</b>	<b>13 000</b>	<b>272 499</b>	<b>486 927</b>
<b>Balance at 1 January 2020</b>	<b>201 428</b>	<b>13 000</b>	<b>272 499</b>	<b>486 927</b>
Total comprehensive income for the year	-	-	61 066	61 066
Dividends	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>201 428</b>	<b>13 000</b>	<b>333 565</b>	<b>547 993</b>

	UNAUDITED HISTORICAL COST ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Share capital	<sup>1</sup> Non-distributable reserves	Retained earnings	Total
	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
<b>Balance at 1 January 2019</b>	<b>5 214</b>	<b>337</b>	<b>12 492</b>	<b>18 043</b>
Total comprehensive income for the year	-	-	22 740	22 740
Dividends	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>5 214</b>	<b>337</b>	<b>35 232</b>	<b>40 783</b>
<b>Balance at 1 January 2020</b>	<b>5 214</b>	<b>337</b>	<b>35 232</b>	<b>40 783</b>
Total comprehensive income for the year	-	-	271 914	271 914
Dividends	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>5 214</b>	<b>337</b>	<b>307 146</b>	<b>312 697</b>

### <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

## ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

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

## NOTES TO THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 1. General Information

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

### 2. Accounting policies and reporting currency

There has been no change in the Company's accounting policies since the date of the last audited financial statements, however these financial statements are presented in Zimbabwe dollars (ZW\$), being the currency of the primary economic environment in which the Company operates. Additionally, blocked funds have been translated at a rate of 1:1 between ZW\$ and US\$.

### 3. Basis of preparation

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

## NOTES TO THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 3. Basis of preparation (cont'd)

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

Appropriate adjustments for changes in the general purchasing power of the Zimbabwe dollar for the purposes of fair presentation in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, have been made in these financial statements to the historical cost financial information of the Company.

IAS 29 *Financial Reporting in Hyperinflationary Economies*, requires that the financial statements be prepared in the currency of a hyperinflationary economy and be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement was calculated by means of conversion factors derived from the Zimbabwe Consumer Price Index (CPI) issued by the Zimbabwe Central Statistical Office. The indices and conversion factors used to restate the accompanying financial statements at 31 December 2020, are as follows:

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

### 4. Blocked funds registration

As at 31 December, the Reserve Bank of Zimbabwe ("RBZ") registered blocked funds amounting to US\$15.7 million in respect of outstanding dividends and foreign suppliers, consistent with the blocked funds guidelines provided in the Exchange Control Directive RU28 dated 21 February 2019 and Exchange Control Circular No. 8 of 24 July 2019. Following the registration of the blocked funds, an amount of ZW\$15.7 million was transferred to the RBZ to allow settlement of the registered blocked funds. In line with the provisions of the February 2019 Monetary Policy Statement on the settlement arrangements for these blocked funds, RBZ is still working on an appropriate Instrument(s) to facilitate settlement of the registered blocked funds. As a result of the registration, management has continued to account for the outstanding blocked funds at a rate of US\$1: ZW\$1 and a receivable of ZW\$15.7 million was recognised for the amount transferred to RBZ for the registered blocked funds.

### Supplementary information

### 5. Depreciation

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
Depreciation charge	(33 171)	(35 667)	(909)	(929)
Armotisation charge	(209)	(211)	(5)	(5)
	<b>(33 380)</b>	<b>(35 878)</b>	<b>(914)</b>	<b>(934)</b>

### 6. Other (losses)/gains - net

Fair value gains	698	1 391	1 153	310
Exchange losses	(383 613)	(277 518)	(318 587)	(41 987)
	<b>(382 915)</b>	<b>(276 127)</b>	<b>(317 434)</b>	<b>(41 677)</b>

### 7. Capital expenditure

	<b>(1 773)</b>	<b>(5 549)</b>	<b>(1 491)</b>	<b>(391)</b>
--	----------------	----------------	----------------	--------------

### 8. Trade and other receivables

Trade receivables	58 225	107 953	58 225	24 244
Amounts due from related parties	92 701	23 385	92 701	5 035
Other receivables	35 355	-	35 355	-
Prepayments	139 101	16 906	139 101	3 768
	<b>325 382</b>	<b>148 244</b>	<b>325 382</b>	<b>33 047</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 blocked funds in line with the relevant exchange control directives.

### 9. Trade and other payables

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

### 10. Going concern

In March 2020, the Company started exporting cut-rag to generate foreign currency that is required to continue with normal operations of the business. The Directors assess that the export business will be very pivotal in strengthening the future development, performance and position of the Company.

In light of the global pandemic, COVID-19, the Directors are of the view that the significant doubt associated with the current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

### 11. Subsequent events

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

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

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

### 12. Auditor's statement

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