

For The Year Ended 31 December 2021

CHAIRMAN'S STATEMENT

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

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

Volumes

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

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

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

Financial Results

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

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

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

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

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

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

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

The Group's earnings per share increased to ZW\$80.61 from ZW\$5.65 recorded in the previous year.

Blocked Funds Registration

Subsequent to 31 December 2019, the RBZ registered blocked funds amounting to US\$15.7 million in respect of outstanding dividends, in line with the blocked funds guidelines stipulated in the Exchange Control Directive RU28 dated 21 February 2019 and the Exchange Control Circular No. 8 of 24 July 2019. In line with the provisions of the February 2019 Monetary Policy Statement on 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.

As a result of the prevailing economic challenges, the Board has not declared a dividend for the year ended 31 December 2021 to allow for reinvestment into the operations of the

Contribution to the Government Treasury

The Group contributes to the Government treasury through various taxes, including Excise Duty, Corporate Tax, Value Added Tax, Customs Duties, Pay as You Earn and Withholding Tax. The Group's contribution to the Zimbabwe Revenue Authority ("ZIMRA") in taxes increased from ZW\$894 million in 2020 to ZW\$2.1 billion for the year ended 31 December 2021. The key contributors of the increase in tax were Excise Duty and Corporate Tax driven by the increases in selling price of our products and the profit generated before taxation.

As part of our commitment to building a better tomorrow, sustainability remains at the core of our business focus. We strive to operate our business in a socially and environmentally responsible manner. To achieve this, the Group continues to strengthen its systems to address both environmental and social aspects associated with its operations. British American Tobacco Zimbabwe (Holdings) Limited, continues to demonstrate its commitment to sustainable development by enhancing the livelihood of Tobacco Farmers to build long term resilience in farming communities. To this end, the Lovemore T. Manatsa Tobacco Empowerment Trust (TET) was established in 2015. The main thrust of the Trust is to empower indigenous farmers with both technical and financial assistance and to help build best agricultural practices. In 2021, we raised the bar with

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

COVID-19 response

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

Outlook

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

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.

30 March 2022

Chairman

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

	INFLATION .	ADJUSTED	UNAUDITED HIS	TORICAL COST
Notes	31 Dec 2021 ZW\$ 000	31 Dec 2020 ZW\$ 000	•	31 Dec 2020 ZW\$ 000
Revenue Cost of sales	4721328 (1 669 467)	3 334 453 (1 611 950)		1 522 516 (355 174)
Gross profit	3 051 861	1 722 503	3 039 802	1 167 342
Selling and marketing costs Administrative expenses Impairment loss on trade receivables Re-measurement of share-based payment liability Other income Other losses Monetary gain on hyperinflation adjustment Operating profit Finance Costs	(614 944) (534 320) (16 167) (5 082) 20 893 (82 731) 372 531 2 192 041 (12 013)	(443 039) (539 139) (7 395) (1 162) 2 252 (616 615) 294 377 411 782	(457 302) (16 167) (5 082) 18 710 (56 802)	(210 268) (263 737) (4 601) (1 197) 1 668 (318 587) -
Profit before income tax Income tax expense	2 180 028 (778 860)	411 782 (313 624)		370 620 (98 706)
Total comprehensive income/(loss) for the period	1 401 168	98 158	1 488 531	271 914
Attributable to: Owners of the parent	1 401 168	98 158	1 488 531	271 914
Basic earnings per share (ZW\$) Diluted earnings per share (ZW\$) Headline earnings per share (ZW\$)	80.61 80.61 59.18	5.65 5.65 (11.29)		15.64 15.64 15.64
ADDIDCED CONSOLIDATED STATEMENT OF FI	NANCIAL DOC	ITION		

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2021					
	INFLATION	ADJUSTED	UNAUDITED HIS	STORICAL COST	
Note	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	
	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000	
ASSETS					
Non-current assets					
Property, plant and equipment	371 042		85 351	6 987	
Intangible assets	27		-	6	
Investment property	8 977		149	157	
Financial assets at fair value through profit or loss	8 234		8 234	1 684	
Deferred tax asset	-	138 173		129 375	
	388 280	481 997	230 310	138 209	
Current assets	4 4 (7 7 7 7 /	4 727 002	0.40.027	754.070	
Inventories Trade and other receivables	1 163 354		848 027	751 979	
	483 021		467 868	325 381	
Cash and cash equivalents	1 505 136	190 450	1 505 136	123 465	
	3 151 511	2 048 563	2 821 031	1 200 825	
Total assets	3 539 791	2 530 560	3 051 341	1 339 034	
EOUITY AND LIABILITIES					
Equity attributable to the owners of the parent					
Share capital	323 773	323 773	5 214	5 214	
Non distributable reserve	20 896		337	337	
Retained earnings	1 937 338	-		307 146	
Total equity	2 282 007			312 697	
• •					
Non-current liabilities	7 672				
Deferred tax liability	7 672 7 672	-	-	<u>-</u>	
Current liabilities	7 072			<u>-</u>	
Trade and other payables 9	835 188	1 451 945	835 189	903 295	
Staff benefits liability	246 073		246 073	61 548	
Share based payment liability	6 043		6 043	1 291	
Current tax liability	162 808			60 203	
,	1 250 112			1 026 337	
Total equity and liabilities	3 539 791	2 530 560	3 051 341	1 339 034	
iotat equity and tiabilities	2 2 2 3 7 9 1	2 330 300	3 031 341	1 339 034	

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

Managing Director



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

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

¹ Non-distributable reserve

This reserve arose as a result of the change in the Group's functional currency from the Zimbabwe dollar to the United

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

^{1.} Non-distributable reserve

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

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021					
	INFLATION	ADJUSTED	UNAUDITED HISTORICAL CO		
N. c	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	
Notes Cash flows from operating activities	ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000	
Cash generated/(utilised) from operations	1 592 329	(49 263)		244 275	
Interest paid Income tax paid	(12 013) (566 976)	(352 388)	(12 013) (436 719)	(161 727)	
Net cash generated/(utilised) from operating activities	1 013 340	(401 651)	1 464 967	82 548	
Cash flows from investing activities					
Purchase of property, plant and equipment 7	(91 811)	(2 850)	(82 139)	(1 491)	
Proceeds from sale of property, plant and equipment		-	-	<u>-</u>	
Net cash used in investing activities	(91811)	(2 850)	(82 139)	(1 491)	
Cashflows from financing activities Dividends paid to owners of the parent	-	-	-	-	
Net cash used in financing activities	-	-	-		
Net increase / (decrease) in cash and cash equivalents					
Before effects of inflation	921 529	(404 501)	1 382 828	81 007	
Effect of inflation on cash and cash equivalents	386 307	297 347	-	-	
Net increase / (decrease) in cash and cash equivalents	1 307 836	(107 154)	1 382 828	81 007	
Cash and cash equivalents at the beginning of the year Effect of movement in exchange rates on cash held	198 456 (1 157)	305 560 50	123 465 (1 157)	42 377 31	
Cash and cash equivalents at end of the year	1 505 136	198 456	1 505 136	123 465	
costi dila costi equivatente at ella di tile year	1 303 130	190 430	1 303 130	123 403	



INFLATION ADJUSTED

UNAUDITED HISTORICAL COST

UNAUDITED HISTORICAL COST

Abridged Financial Results

For The Year Ended 31 December 2021

NOTES TO THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

L. General Information

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

2. Accounting policies and reporting currency

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

3. Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") pronouncements and the requirements of the Companies and Other Business Entities Act (Chapter 24:31). The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit and loss, which are measured at fair value.

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

IAS 29 Financial Reporting in Hyperinflationary Economies, requires that the financial statements be prepared in the currency of a hyperinflationary economy and be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement was calculated by means of conversion factors derived from the Zimbabwe Consumer Price Index (CPI) issued by the Zimbabwe Central Statistical Office. The indices and conversion factors used to restate the acGrouping financial statements at 31 December 2021, are as follows:

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

4. Blocked funds registration

As at 31 December, the Reserve Bank of Zimbabwe ("RBZ") registered blocked funds amounting to US\$15.7 million in respect of outstanding dividends and foreign suppliers, consistent with the blocked funds guidelines provided in the Exchange Control Directive RU28 dated 21 February 2019 and Exchange Control Circular No. 8 of 24 July 2019. Following the registration of the blocked funds, an amount of ZW\$15.7 million was transferred to the RBZ to allow settlement of the registered blocked funds. In line with the provisions of the February 2019 Monetary Policy Statement on the settlement arrangements for these blocked funds, RBZ is still working on an appropriate Instrument(s) to facilitate settlement of the registered blocked funds, which were listed as approved blocked funds under Annex 1 of the Finance Act (no 7) of 2021, (gazetted on 21 December 2021). As a result of the registration, management has continued to account for the outstanding blocked funds at a rate of US\$1: ZW\$1 and a receivable of ZW\$15.7 million was recognised for the amount transferred to RBZ for the registered blocked funds.

	Supplementary information				
		INFLATION	ADJUSTED	UNAUDITED HI	STORICAL COST
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
5.	Depreciation				
	Depreciation charge	(38 504)	(53 320)	(3 520)	(909)
	Amortisation charge	(336)	(336)	(5)	(5)
		(38 840)	(53 656)	(3 525)	(914)
6.	Other losses				
	Loss on sale of property, plant and equipment	(226)	-	(226)	-
	Exchange losses	(82 505)	(616 615)	(56 576)	(318 587)
		(82 731)	(616 615)	(56 802)	(318 587)
7.	Capital expenditure	(91 811)	(2 850)	(82 139)	(1 491)
8.	Trade and other receivables				
	Trade receivables	147 682	96 192	147 682	59 844
	Amounts due from related parties	152 124	217 502	152 124	135 314
	Other receivables	55 363	56 829	55 363	35 354
	Prepayments	188 250	223 590	173 098	139 101
	Provision for impairment	(60 398)	(71 098)	(60 399)	(44 232)
		483 021	523 015	467 868	325 381

Included in other receivables is an amount of ZW\$ 15 748 856 which is a prepayment made to the Reserve Bank of Zimbabwe towards settlement of blocked funds in line with the relevant exchange control directives.

9. Trade and other payables

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

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

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

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

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

11. Going Concern

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

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

12. Subsequent events

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

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

13. Auditor's statement

The financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2021, which have been audited by KPMG Chartered Accountants (Zimbabwe), with the responsible partner being Vinay Ramabhai. A qualified audit opinion was issued thereon, in respect the exchange rates being applied to foreign creditors, related to approved Blocked Funds, in the current and prior periods, and in respect of exchange rates applied in the comparative period, as the requirements of IAS 21 The Effects of Foreign Exchange Rates were not complied with. The auditor's report on the financial statements, which forms the basis of these financial results, is available for inspection at the Group's registered office.