



# Abridged Financial Results

## For The Year Ended 31 December 2021

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

#### 1. General Information

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

#### 2. Accounting policies and reporting currency

There has been no change in the Group's accounting policies since the date of the last audited financial statements, however these financial statements are presented in Zimbabwe dollars (ZWS), 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 ZWS 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 ZWS15.7 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: ZWS1 and a receivable of ZWS15.7 million was recognised for the amount transferred to RBZ for the registered blocked funds.

#### Supplementary information

	INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	ZWS 000	ZWS 000	ZWS 000	ZWS 000
<b>5. Depreciation</b>				
Depreciation charge	(38 504)	(53 320)	(3 520)	(909)
Amortisation charge	(336)	(336)	(5)	(5)
	<b>(38 840)</b>	<b>(53 656)</b>	<b>(3 525)</b>	<b>(914)</b>
<b>6. Other losses</b>				
Loss on sale of property, plant and equipment	(226)	-	(226)	-
Exchange losses	(82 505)	(616 615)	(56 576)	(318 587)
	<b>(82 731)</b>	<b>(616 615)</b>	<b>(56 802)</b>	<b>(318 587)</b>
<b>7. Capital expenditure</b>	<b>(91 811)</b>	<b>(2 850)</b>	<b>(82 139)</b>	<b>(1 491)</b>
<b>8. Trade and other receivables</b>				
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)
	<b>483 021</b>	<b>523 015</b>	<b>467 868</b>	<b>325 381</b>

Included in other receivables is an amount of ZWS 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	66 092	201 644	(42 811)	125 448
Amounts due to related parties	518 337	628 988	518 337	391 310
Social security and other taxes	162 189	183 739	162 189	114 309
Accrued expenses	85 865	433 226	194 769	269 523
Dividends payable	2 705	4 348	2 705	2 705
	<b>835 188</b>	<b>1 451 945</b>	<b>835 189</b>	<b>903 295</b>

#### 10. Segment Information

##### 2021

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

##### 2020

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

##### 2021

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

##### 2020

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

#### 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: ZWS108.7 to US\$1: ZWS142.4. 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 of 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.