2020 Annual Report

Building the Enterprise of the Future

BAT ZIMBABWE

A BETTER TOMORROW™

Page Contents

OUR BRANDS

British American Tobacco Zimbabwe (Holdings) Limited's brand portfolio includes one international brand, Dunhill and local brands Everest, Madison and Ascot.

Dunhill characterizes the premium segment, whilst Dunhill Newbury and Dunhill Kingsgate characterizes the aspirational premium segment. Madison and Everest are the Company's value for money (VFM) brands whilst Ascot caters for the low value for money (LVFM) segment.

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 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.

We are BOLD

Dream Big – with innovative ideas

Make tough decisions quickly and proudly stand accountable for them

Resilient and fearless to compete

We are FAST

Speed Matters. Set clear direction and move fast

Keep it simple. Focus on outcomes

Learn quickly and share learnings

We are EMPOWERED

Set the context for our teams and trust their expertise

Challenge each other. Once in agreement we commit collectively

Collaborate and hold each other accountable to deliver

We are DIVERSE

Value different perspectives

Build on each other's ideas, knowledge and experiences

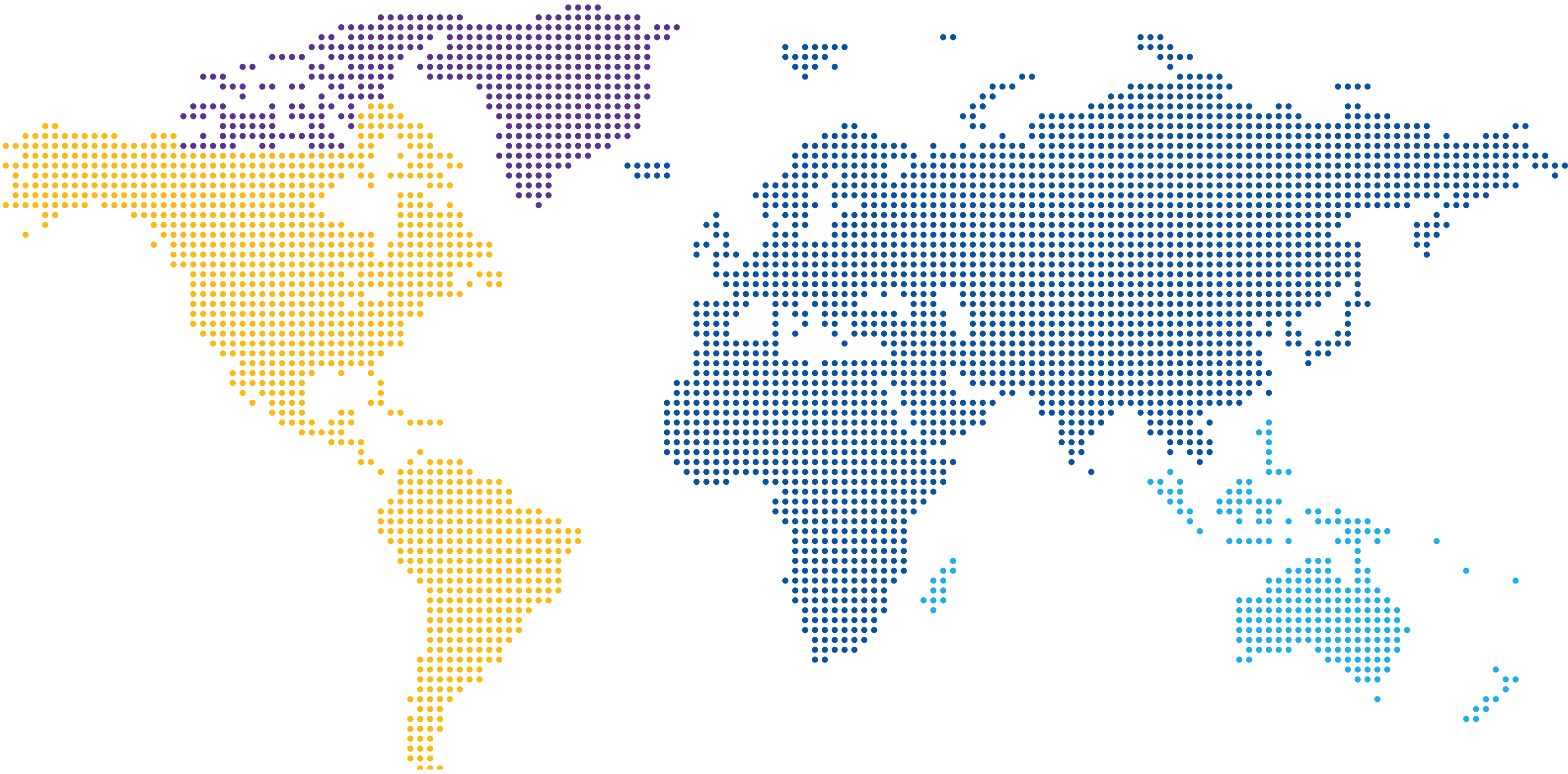
Challenge ourselves to be open-minded recognising unconscious bias

We are RESPONSIBLE

Take action to reduce the health impact of our business

Ensure the best quality products for our consumers, the best place to work for our people, and the best results for shareholders

Act with integrity, never compromising our standards and ethics



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:

1 Responsible

2 Accurate and not misleading

3 Targeted at adult consumers

4 Transparent

5 Compliant with all applicable laws

DIRECTORATE, COMMITTEES & ADMINISTRATION

Directorate

Non-Executive Chairman
Mr Lovemore T. Manatsa

Non – Executive Directors
Mrs Rachel P. Kupara
Mr Edwin I. Manikai
Mr Nomore Mapanzure
Mr Constantine F. Chikosi

Executive Directors
Mr Kimesh Naidoo
Ms Lynnet Sambo

Committees

Board Audit Risk and CSR Committee
Mrs Rachel P. Kupara (Chairperson)
Mr Lovemore T. Manatsa
Mr Edwin I. Manikai
Mr Constantine F. Chikosi
Mr Nomore Mapanzure

Board Remuneration and Nominations Committee
Mr Edwin I. Manikai (Chairperson)
Mrs Rachel P. Kupara
Mr Lovemore T. Manatsa
Mr Constantine F Chikosi
Mr Nomore Mapanzure

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

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 Metropolitian University), Bachelor of Commerce (University of South Africa) and a Diploma in Journalism (International Press Insitute). 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 Standard Chartered Bank Zimbabwe Limited as a Chairman.

NON- EXECUTIVE DIRECTOR
Constantine F. Chikosi

Mr Constantine F. Chikosi holds a law degree from the University of Zimbabwe, an 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 Advisory Board of Strand Hanson Ltd - a London-based investment bank.

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.

DIRECTORATE (cont'd)

NON- EXECUTIVE DIRECTOR
Nomore Mapanzure

Mr Nomore Mapanzure holds a Bachelor of Accountancy (Honours) Degree from the University of South Africa. He is a Chartered Accountant (ICAZ and SAICA). Mr Mapanzure completed his articles with Messrs. Deloitte Zimbabwe in 2003. He joined the British American Tobacco Group in 2004, and has held several senior finance roles in various BAT markets. Mr Mapanzure is currently the Area Finance Director of British American Tobacco - West and Central Africa.

MANAGING DIRECTOR
Kimesh Naidoo

Mr Kimesh Naidoo is a qualified Chartered Accountant with the South African Institute of Chartered Accountants (SAICA), with over 11 years' experience in cross-functional management, financial management, audit, sales and distribution in the Fast-Moving Consumer Goods industry. He holds an Honours Bachelor's Degree of Accounting (B.Acc.) in Accounting, Taxation, Auditing, & Management Accounting from the University of Natal (Durban) and has worked in various companies including KPMG South Africa and Standard Bank. Prior to joining the Company, he occupied various senior management roles at Anheuser-Busch InBev (AB Inbev) in the Republic of South Africa for over 10 years where he then left as the Director: Customer Interaction Centre. Kimesh joined British American Tobacco South Africa in June 2019 and was subsequently appointed as the Managing Director for the Company effective 22 October 2019.

ACTING COMPANY SECRETARY
Stephen Nyabadza

Mr Stephen Nyabadza is the Senior Manager Fiscal Affairs (East & Southern Africa) and Company Secretary for British American Tobacco Zimbabwe (Holdings) Limited. Stephen has over 10 years' experience in corporate and commercial law practice in Zimbabwe and within the region. Stephen joined British American Tobacco Zimbabwe (Holdings) Limited in May 2013. Prior to this, he was the Company Secretary and Legal Advisor of a listed regional group. He is admitted to the practice in Zimbabwe and Botswana as an Attorney, Conveyancer and Notary Public.

ACTING FINANCE DIRECTOR
Lynnet Sambo

Ms Sambo joined the Company in November 2019 as Corporate Finance Manager. She is a qualified Chartered Accountant with the Institute of Chartered Accountants of Zimbabwe. She holds a Bachelor of Accountancy (Honours) Degree from the University of South Africa and is a finance professional with more than 10 years of accounting, financial reporting, taxation and audit experience. Prior to joining BAT Zimbabwe, she was a Senior Manager at KPMG Zimbabwe where she led audits of diverse industries including manufacturing, logistics, construction and retail companies. She also worked for Deloitte UK where she was a Manager for London Stock Exchange listed companies .

LEADERSHIP TEAM

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HEAD OF TRADE
Catherine Gijima-Dhliwayo

Mrs Catherine Gijima-Dhliwayo is an Accredited Marketing Practitioner with the Marketers Association of Zimbabwe. She holds a Master's in Business Administration (MBA) from the University of Zimbabwe and a Bachelor in Commerce Marketing Management from Midlands State University. Catherine's marketing career spans over a period of 15 years and she has a wealth of experience in Trade Marketing & Distribution, Retail and Key Accounts Management. She has implemented various route to market models, brand launches and marketing management particularly in the Fast Moving Consumer Goods (FMCG) sector. Catherine joined BAT Zimbabwe in January 2014 as Senior Area Manager. She was promoted to Marketing Deployment Manager in July 2017. Catherine was again promoted to her current role of Head of Trade for BAT Zimbabwe in November 2017.

LEADERSHIP TEAM (continued)

LEGAL AND EXTERNAL AFFAIRS MANAGER
Mduduzi Lokotfwako

Mr Mduduzi Lokotfwako joined BAT Zimbabwe in September 2017 from British American Tobacco South Africa. He holds a Degree in Social Sciences majoring in Economics and Statistics from the University of Swaziland. He has vast cross industry experience having worked in the retail sector, banking sector and Swaziland National Chamber of Commerce. Mduduzi joined the BAT Group in 2014 and has vast experience in areas of Regulation Management, Reputation Management, Stakeholder Relations, Government Relations and Corporate Affairs to name but a few. Prior to joining BAT Zimbabwe and within the Group, Mduduzi worked in Botswana, Lesotho, Namibia, Swaziland and South Africa as the Corporate & Regulatory Affairs Manager in each of the mentioned markets.

HEAD OF OPERATIONS
Samuel Mugo

Mr Samuel Mugo started his BAT career in BAT Kenya as Production Manager in June 2008. He was promoted to the role of Site Services & utilities Manager in November 2011 and promoted once again in April 2018 as the Regional IWS Manager. He holds a BSc. in Chemical Engineering from Lafayette College, United States of America and a Master of Science in Organization development from the United States International University -Africa. Samuel's Career spans over 14 years in Manufacturing , including Global and Regional Manufacturing project leadership. He has led the Implementation of Integrated Work System (IWS) , BAT's Operational excellence program for Nairobi factory in Kenya and more recently for Americas and Sub Saharan Africa as the Regional IWS Manager.

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. He holds a Degree in Politics and Administration from the University of Zimbabwe.

MARKETING DEPLOYMENT MANAGER
Kudakwashe Chimwanda

Mr Kudakwashe Chimwanda joined BAT Zimbabwe in July 2018 as the Marketing Deployment Manager. He brought with him vast experience in Sales, Distribution, Channel Development and Key Accounts Management in the Fast-Moving Consumer Goods (FMCG) sector, having worked for 8 and half years at Delta Corporation Limited. Kudakwashe is an Accredited Marketing Practitioner with the Marketers Association of Zimbabwe. He holds Master of Science Degree in Marketing and a Bachelor of Commerce Honors Degree in Marketing from National University of Science and Technology 2020.


top EMPLOYER
AFRICA
2020
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS
top EMPLOYER
ZIMBABWE
2020
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS
British American Tobacco
Zimbabwe (Holdings) Limited


top EMPLOYER
AFRICA
2021
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS
top EMPLOYER
ZIMBABWE
2021
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS
British American Tobacco
Zimbabwe (Holdings) Limited

CHAIRMAN'S STATEMENT

CHAIRMAN
Lovemore T. Manatsa

"...Operating Profit increased by ZW$282 million"

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

CHAIRMAN'S STATEMENT (continued)

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 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. We strongly believe that the Company will continue to transform during this period of unprecedented change to ensure we deliver value growth 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 their support throughout the year.

Lovemore T. Manatsa
Chairman

29 March 2021

MANAGING DIRECTOR'S REVIEW

MANAGING DIRECTOR
Kimesh Naidoo

"The Premium brand, Dunhill, grew by

1,481%"

Introduction
I am once again pleased to report on the results of British American Tobacco Zimbabwe (Holdings) Limited ("the Company") for the year ended 31 December 2020.

The period under review was characterized by challenges in the economy, which include amongst others continued hyperinflationary environment which significantly reduced disposal income, and the impact of this is on our consumers. The global pandemic, COVID-19 which came with nationwide lockdown restrictions took center stage in the period under review and had a significant impact on the Company. The Company remains grateful to Government for allowing it to continue trading under strict COVID-19 Protocols.

Additionally, excise duty on tobacco was reviewed upwards, wherein a specific rate of US$5 equivalent to the Zimbabwean Dollar per 1000 cigarettes plus 20% ad valorem at ex-factory price. This was increased from a specific rate of ZW$100 per 1000 cigarettes plus 20% ad valorem on the ex-factory price.

The Company welcomed the introduction of the foreign exchange auction system by the Reserve Bank of Zimbabwe ("RBZ") in June 2020. This allowed the Company to also participate and hence benefit from it. This assisted the Company's in sourcing some critical raw materials and spares for our machinery.

Although the issue of blocked funds remains a challenge to the Company, engagements to normalize this were paramount with the RBZ during the year under review. This will continue in 2021 to ensure the Company continues to deliver value for its shareholders.

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%. Basic Earnings per share increased to ZW$3.51 from a negative ZW$7.15 generated in the previous year. As a result of the economic turbulence and the need to re-invest in our operations, the Board of Directors has decided to not declare a dividend for the period under review.

Company Performance
The challenges faced in 2020 resulted in a 12% volume decline compared to the same period last year. Consumers were faced with the persistent high inflation and currency devaluation which reduced consumer spending.

The Premium brand, Dunhill, grew by 1,481%. This was driven the fact that the brand returned into the market with the brand migrations, as such, the Company now imports the brand. The Aspirational Premium segment, volumes declined by 45% whilst the Value for Money segment, (Madison and Everest) and Low Value for Money brand (Ascot), recorded an 8% and 47% decrease respectively.

The declines can be attributed to the challenging operating environment with COVID-19 restrictions which contributed to the Company not being able to do brand activations as usual like in prior years.

Productivity
The Company remained focused on environment, health and safety matters and another year of Zero Lost Time Injuries, giving the business eight accident-free years in the factory. There were notable improvements in the Company's plant performance in 2020. Quality key performance indicators improved by 3% and overall equipment efficiency increased by 4%. The Primary Manufacturing Department successfully completed the product validation process for the export of cut-rag to Mozambique, resulting in 542 tonnes cut-rag

MANAGING DIRECTOR'S REVIEW (continued)

exports. Notwithstanding the foreign currency challenges the country was facing in the period under review, the Company managed to run its operations continuously throughout the year without disruptions, through the team's proactiveness and robust stakeholder management.

Sustainability

Despite the challenging year, the British American Tobacco Zimbabwe Tobacco Empowerment Trust ("BATZ TET") remained focused on promoting sustainable tobacco production through the two centers of excellence, Chaminuka Vocational Training Centre and Magamba Vocational Training Centre. With significant progress made in the said two institution, the BATZ TET unfortunately had to postpone the Farmers' Development Program due to COVID-19 restrictions.

Additionally, as part of BAT Group's A Better Tomorrow™ strategy, Environmental, Social and Governance ("ESG") requirements are now front and center of everything that the Company does. As a result, our business has identified a number of key priority areas aimed at reducing the health impact of our business and formulated our ESG agenda, aimed at creating shared value for our Stakeholders. Each function is now required to be cognisant of these priority areas and always strive to deliver against them. The identified priority areas are as follows:

- Excellence in environmental management;
- Delivering a positive social impact; and
- Robust corporate governance.

Winning Organisation

Despite the challenging year, we maintained focus on creating an energized and lean organisation that supports our business. Our thrust was also on developing our Employer brand supported by world class recruitment processes and various social media platforms to ensure we continue to attract the right talent in line with our new mission of A Better Tomorrow™.

Achievements

In 2020, the Company received accolades in recognition of its market leadership, excellence, best practice and financial performance from independent authorities such as the following:

- Institute of Corporate Directors Zimbabwe, 2020 which included:
    - Equity, Diversity and Inclusion- Corporate Director of Year (Winner);
    - Board Secretary of the Year – Listed Companies (Winner);
    - Most innovative Board of the year (First runner Up);
    - Board Chairman of the Year- Listed companies (First Runner Up);
- Best Print Advert of the Year 2020 – Marketers Association of Zimbabwe, 2020;
- Top 100 Brands in the National Retailers and Wholesalers Awards 2020 – Confederation of Zimbabwe Retailers; and
- Top Employer's Institute - Top Employer Award 2021.

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 2020.

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.

Kimesh Naidoo
Managing Director
29 March 2021

DIRECTORS' REPORT
for the year ended 31 December 2020

ACTING FINANCE DIRECTOR
Lynnet Sambo

Introduction
The Directors have pleasure in presenting the audited financial statements for the year ended 31 December 2020.

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.

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

Net profit before taxation totalled ZW$256.1 million whilst profit attributable to ordinary shareholders totalled ZW$61.1 million (ZW$3.51 per share).

Dividends
The Board proposes not to declare any dividend for the period and reinvest in the operations of the business.

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.

Directorate
In terms of Article 96 of the Company's Articles of Association, Mr Edwin I. Manikai and Mrs Rachel P. Kupara retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election in terms of the Company's Articles of Association.

Directors' Interest
As at 31 December 2020, the Directors held, directly and indirectly, an interest of 0.005% (31 December 2019: 0.005%) in the issued share capital of the Company. No change in the interest of Directors has taken place between the financial year end and the date of this report.

Going Concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement.

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

Share Capital
As at 31 December 2020, the Company had an authorised issued share capital comprising of 20 633 517 ordinary shares.

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

On behalf of the Board

Lynnet Sambo
Acting Finance Director

29 March 2021

CORPORATE GOVERNANCE REPORT

ACTING COMPANY SECRETARY
Stephen Nyabadza

Introduction
We, at British American Tobacco Zimbabwe (Holdings) Limited aim to attain high standards of corporate governance and compliance with legislation and any applicable codes to ensure that the business is sustainable.

We define corporate governance as the creation and enhancement of long-term sustainable value for our stakeholders through ethically driven business processes. It is imperative that our Company affairs are managed in a lawful and transparent manner.

The Directors confirm that the Company materially complied with the principles of the UK Code on Corporate Governance as read together with the British American Tobacco Group Corporate Governance Booklet and the Zimbabwe National Code of Corporate Governance throughout the financial year.

Board Composition
As at 31st December 2020, the Board was composed of seven Directors being four independent non-executive directors and three non-independent Directors. The Board is chaired by an Independent Non-Executive Director.

Detailed profiles of the Directors including qualifications, skills and experience are set out on pages 7 and 8 of the Annual Report.

Our Non-Executive Directors have extensive business experience and specialist skills across a range of sectors aligned the business needs.

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.

Board Changes
During the course of the year, Professor Sadza, Messrs Darryn Bassa and Leslie Malunga resigned as Directors. Ms Lynnet Sambo was appointed Acting Finance Director.

Post the balance sheet date, Mr Nomore Mapanzure resigned as a director of the company with effect from 30 April 2021. In terms of Article 88 of the Company's Articles of Association, the board appointed Mrs. Christelle Supparayen-Romeo and Mr Vincent Kaloki as Non-Executive Director and Finance Director respectively.

Leadership and Effectiveness
The Board is collectively responsible to shareholders of the Company for its performance and for the Company's strategic direction, its values and its governance. It provides leadership necessary for the Company to meet its performance objectives within a robust framework of internal controls. Specifically, the Board's responsibility includes the following:
- Company strategy and policies;
- Major corporate activities;
- Annual Report plan and budget;
- Board succession plans;
- Risk management and internal controls;
- Periodic financial reporting; and
- Dividend policy.

In terms of Article 105 of the Company's Articles of Association, the Managing Director is responsible for the day to day management of the affairs of the company with such powers, direction and delegation as is authorised from time to time by the Board through specific Statements of Delegated Authorities.

2020 Board Attendance

Director	27 Apr	09 Sep	29 Oct	09 Dec
L T Manatsa	Yes	Yes	Yes	Yes
H C Sadza	No	No	N/A	N/A
E I Manikai	Yes	Yes	Yes	Yes
R P Kupara	Yes	Yes	Yes	Yes
K Naidoo	Yes	Yes	Yes	Yes
L Malunga	Yes	N/A	N/A	N/A
D Bassa	Yes	Yes	N/A	N/A
N Mapanzure	Yes	Yes	Yes	Yes
C F Chikosi	Yes	Yes	Yes	Yes
L Sambo	N/A	Yes	Yes	Yes

Director Independence Statement
Independent Directors are Directors who have the ability to exercise their duties to the Company unfettered by any business or other relationship with the Company and are willing to express their opinions at board meetings free of concern about their position or the position of any other

third party. The Board has adopted the following guidelines for purposes of determining qualification of director independence;

Independent Directors are those Non-Executive Directors who:

- are not representatives of any shareholder on the board;
- have not been employed in any executive capacity for the preceding three financial years by
- the Company or the group of which it currently forms a part;
- are not members of the immediate family of any person who is or has been, in any of the
- in the past three financial years, have not been employed by the Company or the group in an executive capacity;
- are not professional advisers of the company or the group, other than in the capacity of directors;
- are not material suppliers or customers of the Company or group;
- have no material contractual relationship with the Company or group; and
- are free from any business or other relationship which could be seen to interfere materially.

Each Director is required to immediately disclose to the Board if they have any interest or relationship which is likely to impact on their independence or if the director believes that he or she is no longer independent.

The following are the Company's Independent Directors:

Name	Year of Appointment
Mr. Lovemore T. Manatsa	2016
Mrs. Rachel P. Kupara	2017
Mr. Edwin I. Manikai	2017
Mr. Constantine F. Chikosi	2019

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 2020.

A Balanced Board

Our Non-Executive Directors come from the broad industry and have professional backgrounds with varied experience and expertise aligned to the needs of the business.
The Board appreciates the benefit of diversity in all its forms, within its own membership and at all levels of the Company. The Board promotes diversity and is encouraging initiatives to improve gender diversity in senior management roles.

Board Committees

Audit, Risk and Corporate Social Responsibility Committee
The Audit, Risk and Corporate Social Responsibility Committee comprises of four Non-Executive Directors. The committee is chaired by Mrs Rachel P. Kupara and all its members are financially literate. The committee meets at least three times a year and 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; and
- Oversight of the independence of external auditors.

At least once a year, the Audit, Risk and Corporate Social Responsibility Committee meets privately with the external auditors.

Board Remuneration and Nominations Committee

The Board Remuneration and Nominations Committee comprises of four Non-Executive Directors. The committee is chaired by Mr Edwin I. Manikai. The committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities with regards to board composition and remuneration matters including the following:

- Regularly review the structure, size and composition of the main Board to ensure that the main Board has an appropriate balance of skills, expertise, knowledge and independence;
- Identifying and nominating candidates, for the approval of the main Board;
- Remuneration framework for Non-Executive Directors;
- Remuneration and incentive framework including any proposed equity incentive awards to Executive Directors and other senior employees; and
- Strategic human resources direction.

ZSE Listing Rules Annual Compliance Certificate

I, Stephen Nyabadza 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 2020, complied with every disclosure requirement for continued listing on the Zimbabwe Stock Exchange ("ZSE") imposed by the Committee of the ZSE during that period.

Stephen Nyabadza
Acting Company Secretary
29 March 2021

INDEX TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

Page	Contents

The financial statements are expressed in Zimbabwe Dollars (ZW$).

FINANCIAL HIGHLIGHTS
year ended 31 December 2020

Group summary (ZW$ 000)

	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER 2020 ZW$ 000	2019 ZW$ 000
Revenue	2 074 453	1 477 847
Operating profit/(loss)	256 180	(26 224)
Profit/(Loss) before income tax	256 180	(26 224)
Profit/(Loss) attributable to shareholders	61 066	(124 258)
Total assets	1 574 329	1 127 695
Basic earnings per share (ZW$)	3.51	(7.15)
Diluted earnings per share (ZW$)	3.51	(7.15)

	UNAUDITED HISTORICAL YEAR ENDED 31 DECEMBER 2020 ZW$ 000	2019 ZW$ 000
Revenue	1 522 516	152 759
Operating profit	370 620	31 980
Profit before income tax	370 620	31 980
Profit attributable to shareholders	271 914	22 740
Total assets	1 339 034	183 626
Basic earnings per share (ZW$)	15.64	1.31
Diluted earnings per share (ZW$)	15.64	1.31

KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe
Tel: +263 (4) 303700, 302600
Fax: +263 (4) 303699

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

Adverse opinion

We have audited the inflation adjusted consolidated and separate financial statements of British American Tobacco Zimbabwe (Holdings) Limited (the Group and Company) set out on pages 25 to 62, which comprise the inflation adjusted consolidated and separate statements of financial position as at 31 December 2020, and the inflation adjusted consolidated and separate statements of profit or loss and other comprehensive income, the inflation adjusted consolidated and separate statements of changes in equity and inflation adjusted the consolidated and separate statements of cash flows for the year then ended, and notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the Basis for adverse opinion section of our report, the inflation adjusted consolidated and separate financial statements do not present fairly the inflation adjusted inflation adjusted consolidated and separate financial position of British American Tobacco Zimbabwe (Holdings) Limited as at 31 December 2020, 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 International Financial Reporting Standards and the manner required by the Companies and Other Business Entities Act [Chapter 24:31].

Basis for adverse opinion

Non-compliance with International Financial Reporting Standards IAS 21 - The Effects of Changes in Foreign Exchange Rates (IAS 21) in the prior and current financial year and inappropriate application of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8).

As described in note 2.6 to the inflation adjusted consolidated and separate financial statements for the period 1 October 2018 to 22 February 2019 the Group and Company applied the United States dollar (US$) as its functional currency in order to comply with Statutory Instrument 33 (SI 33), issued on 22 February 2019, the Group and Company changed its functional currency to the Zimbabwe dollar (ZW$) with effect from 23 February 2019. SI 33 precluded the use of any other currency other than US$ as functional currency prior to 22 February 2019 and this impacted on the financial statements as at 31 December 2018.

The inflation adjusted consolidated and separate financial statements are presented in Zimbabwe dollars, also referred to as the RTGS dollar in SI 33.

The Directors, based on their interpretation of IAS 21, acknowledged that there was a functional currency change from the US$ to RTGS dollar, with effect from 1 October 2018, and that the market exchange rate between the US$ and RTGS dollar was not 1: 1 after 1 October 2018. However, the Group and Company only accounted for the change in functional currency prospectively from 23 February 2019, in compliance with SI 33. This constitutes a departure from the requirements of IAS 21 due to the need to comply with local regulations as enunciated under SI 33. Had the Group and Company applied the requirements of IAS 21, the balances as at 31 December 2019 would have been materially impacted. This departure from IAS 21 led to an adverse opinion being issued on the comparatives.

RBZ legacy debt/blocked funds
As described in note 14 to the inflation adjusted consolidated and separate financial statements, the Group and the Company has continued to account foreign liabilities amounting to US$15.7 million, for outstanding dividends and to foreign suppliers registered and approved as blocked funds, on a 1:1 basis being ZW$15.7 million as included within the Trade and other payables balance, as the Directors believe the Reserve Bank of Zimbabwe ("RBZ") will assist the Company in sourcing foreign currency at that rate. As described in note 9, as at the date of this report, an amount of ZW$15.7 million has been placed with the RBZ (through authorised dealers) and recognised within the trade and other receivables balance under current assets. No legally binding instrument had been issued by the RBZ to confirm the contractual terms supporting settlement of the approved blocked funds. This is not in line with the requirements of IAS 21 The Effects of Changes in Foreign Exchange Rates, which requires foreign currency denominated liabilities to be translated at the closing spot rates at the respective year end.

The Group and Company have not restated the inflation adjusted consolidated and separate financial statements, as required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, to resolve the matters which resulted in the adverse opinion in the prior year relating to the non-compliance with IAS 21.

Due to the nature of matters discussed above it was impracticable to determine the effect on the closing balances as at 31 December 2019. As opening balances have a bearing into the determination of the financial performance and cash flows of the current year, the impact, whilst considered to be material, on the inflation adjusted consolidated and separate financials statements was not determined.

Furthermore, our conclusion on the current period's financial results is modified because of the possible effects of the matter on the comparability of the current period's financial results with that of the prior year.

Exchange rates used in the current year (Non-compliance with IAS 21: The Effects of Changes in Foreign Exchange Rates)
As described in note 2.1, during the period 1 January 2020 to 23 June 2020, the Group and Company translated foreign denominated transactions and balances using the interbank rate. During this period, due to the lack of access to foreign currency for immediate delivery, we do not believe interbank rate satisfied the requirements to be considered an appropriate exchange rate in accordance with IAS 21. It was impractical to quantify the impact of this departure on the inflation adjusted consolidated and separate financial statements for the year ended 31 December 2020.

Hyperinflation reporting
In addition, as described in note 2.1 to the inflation adjusted consolidated and separate financial statements, Zimbabwe became a hyperinflationary economy with effect from 1 July 2019. IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29) has been applied to the incorrect balances due to non-compliance with IAS 21 and IAS 8, as commented on above.

The effects of the above departures from International Financial Reporting Standards are material and pervasive to the inflation adjusted consolidated and separate financial statements.

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 and Company 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 adverse opinion.

Key audit matters
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 matters described in the Basis for adverse 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, the 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Adverse Opinion section above, the Group and Company should have translated its local currency transactions and balances to ZW$ using a rate determined in accordance with IAS 21. We have, therefore, concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Chairman's Statement, the Directors' Report, and the Financial Highlights affected by the failure to translate the local currency transactions and balances using a rate which complies with the requirements of IAS 21.

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 International Financial Reporting Standards 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 and Company'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 and/or the Company 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 and the Company'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 and Company'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 and/or the Company 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.

Report on Other Legal and Regulatory Matters

In fulfilment of the requirements of Section 193 of the Companies and Other Business Entities Act (Chapter 24:31) ("the Act"), we report to the shareholders as follows:

Section 193(1)

As a result of the effects of the matter described in the Basis for Adverse Opinion section of our report, the inflation adjusted financial statements of the Group and the Company are not properly drawn up in accordance with the Act and do not give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2020.

Section 193(2)

We have no matters to report in respect of the Section 193(2) requirements of the Act.

KPMG

Vinay Ramabhai
Chartered Accountant (Z)
Registered Auditor
PAAB Practicing Certificate Number 0569

29 March 2021

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

Mutual Gardens
100 The Chase (West)
Emerald Hill
P.O Box 6, Harare
Zimbabwe

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER 2020 ZW$ 000	2019 ZW$ 000
Revenue	**20**	**2 074 453**	**1 477 847**
Cost of sales	22.1	(1 002 838)	(424 488)
Gross profit		**1 071 615**	**1 053 359**
Selling and marketing costs	22.2	(275 627)	(126 604)
Administrative expenses		(335 412)	(131 032)
Impairment loss on trade receivables		(4 601)	(29 243)
Re-measurement of share-based payment liability	16	(723)	(99)
Other income	21	703	7 720
Other (losses)/gains	23	(382 915)	(276 127)
Monetary gain/(loss) on hyperinflation adjustment		183 140	(524 199)
Operating profit/(loss)		**256 180**	**(26 225)**
Profit/(loss) before income tax		**256 180**	**(26 225)**
Income tax expense	24	(195 114)	(98 034)
Total comprehensive income/(loss) for the year		**61 066**	**(124 259)**
Attributable to:			
Owners of the parent		**61 066**	**(124 259)**
Basic earnings/(loss) per share (ZW$)	26	3.51	(7.15)
Diluted earnings/(loss) per share (ZW$)	26	3.51	(7.15)
Headline earnings/(loss) per share (ZW$)	26	(7.02)	23.01

The notes on pages 33 to 62 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 29 March 2021 and signed on its behalf by:

…………………………
Managing Director

…………………………
Acting Finance Director

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER 2020 ZW$ 000	2019 ZW$ 000
Revenue	20	2 074 453	1 477 847
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Managing Director

Acting Finance Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

ASSETS	Note	INFLATION ADJUSTED AS AT 31 DECEMBER 2020 ZW$ 000	2019 ZW$ 000
Non-current assets			
Property, plant and equipment	3	206 117	237 226
Intangible assets	4	226	435
Investment property	5	5 875	6 164
Financial assets at fair value through profit or loss	10	1 684	2 382
Deferred tax asset	17	85 961	32 016
		299 863	**278 223**
Current assets			
Inventories	8	825 620	511 132
Trade and other receivables	9	325 382	148 244
Cash and cash equivalents	11	123 465	190 097
		1 274 467	**849 473**
Total assets		**1 574 330**	**1 127 696**
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital	12	201 428	201 428
Non-distributable reserve		13 000	13 000
Retained earnings		333 565	272 499
Total equity		**547 993**	**486 927**
Current liabilities			
Trade and other payables	14	903 295	582 390
Staff benefits liability	15	61 548	27 395
Share-based payment liability	16	1 291	610
Current income tax liability	25	60 203	30 374
		1 026 337	**640 769**
Total equity and liabilities		**1 574 330**	**1 127 696**

The notes on pages 33 to 62 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 29 March 2021 and signed on its behalf by:

……………………………… Managing Director

……………………………… Acting Finance Director

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

ASSETS	Note	INFLATION ADJUSTED AS AT 31 DECEMBER 2020 ZW$ 000	2019 ZW$ 000
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………………………………
Managing Director

………………………………
Acting Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

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

The notes on pages 33 to 62 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 29 March 2021 and signed on its behalf by:

……………………………..……
Managing Director

……………………………………
Acting Finance Director

[1] **Non-distributable reserve**
This reserve arose as a result of the change in the Company's functional currency from the Zimbabwe Dollar to the United States Dollar. 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 2020

	INFLATION ADJUSTED ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Share capital ZW$ 000	Non-distributable reserve [2] ZW$ 000	Retained earnings ZW$ 000	Total ZW$ 000
Balance as at 1 January 2019	**201 428**	**13 000**	**396 758**	**611 186**
Total comprehensive (loss)/income for the year	-	-	(124 259)	(124 259)
Dividends	-	-	-	-
Balance as at 31 December 2019	**201 428**	**13 000**	**272 499**	**486 927**
Balance as at 1 January 2020	**201 428**	**13 000**	**272 499**	**486 927**
Total comprehensive income for the year	-	-	61 066	61 066
Dividends	-	-	-	-
Balance as at 31 December 2020	**201 428**	**13 000**	**333 565**	**547 993**

The notes on pages 33 to 62 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 29 March 2021 and signed on its behalf by:

……………………………… ………………………………
Managing Director Acting Finance Director

[2] **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 2020

	Note	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER 2020 ZW$ 000	2019 ZW$ 000
Cash flows from operating activities			
Cash generated/(utilised) from operations	18	(30 648)	(80 593)
Income tax paid	25	(219 230)	(140 331)
Net cash (utilised) from operating activities		**(249 878)**	**(220 924)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1 773)	(5 545)
Proceeds from sale of property, plant and equipment		-	458
Net cash used in investing activities		**(1 773)**	**(5 087)**
Cash flows from financing activities			
Dividends paid to owners of the parent	27	-	(126)
Net cash used in financing activities		**-**	**(126)**
Effect of movement in exchange rates on cash held		**31**	**-**
Effect of inflation on cash and cash equivalents		**184 988**	**(518 896)**
Net decrease in cash and cash equivalents		**(66 632)**	**(745 033)**
Cash and cash equivalents at the beginning of the year		190 097	935 130
Cash and cash equivalents at the end of the year	11	**123 465**	**190 097**

The notes on pages 33 to 62 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 29 March 2021 and signed on its behalf by:

……………………………
Managing Director

……………………………
Acting Finance Director

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

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Net cash used in investing activities		**(1 773)**	**(5 087)**
Cash flows from financing activities			
Dividends paid to owners of the parent	27	-	(126)
Net cash used in financing activities		**-**	**(126)**
Effect of movement in exchange rates on cash held		**31**	**-**
Effect of inflation on cash and cash equivalents		**184 988**	**(518 896)**
Net decrease in cash and cash equivalents		**(66 632)**	**(745 033)**
Cash and cash equivalents at the beginning of the year		190 097	935 130
Cash and cash equivalents at the end of the year	11	**123 465**	**190 097**

The notes on pages 33 to 62 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 29 March 2021 and signed on its behalf by:

…………………………
Managing Director

…………………………
Acting Finance Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

1. GENERAL INFORMATION

British American Tobacco Zimbabwe (Holdings) Limited ("the Company") 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 Company 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 Company 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") 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.

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 2019 financial statements are the basis for the comparative financial information presented in 2020.

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

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

In October 2019, the Public Accountants and Auditors Board confirmed the general market consensus that Zimbabwe had become a hyperinflationary economy with effect from 1 July 2019. IAS 29 Financial Reporting in Hyperinflationary Economies requires that the financial statements be prepared in the currency of a hyperinflationary economy and be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement was calculated by means of conversion factors derived from the Zimbabwe Consumer Price Index (CPI) issued by the Zimbabwe Central Statistical Office.

The CPI is the general price index that reflects changes in purchasing power and is the index that is being used in the country. The indices and conversion factors used to restate the accompanying financial statements at 31 December 2020 are as follows:

Dates	Indices	Conversion Factor
CPI as at 31 December 2020	2 474.51	1.00
CPI as at 31 December 2019	551.63	4.49
Average CPI 2020	1 579.09	
Average CPI 2019	240.27	

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

- Monetary assets and liabilities that are carried at amounts at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors.
- Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Zimbabwe dollars at the foreign exchange rate ruling at that date.
- Deferred tax items are re-measured in accordance with IAS 12 after restating the nominal carrying amounts of non-monetary items at the date of the opening statement of financial position of the reporting period by applying the measuring unit at that date. The deferred tax items are restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting period to the end of that reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- 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 exchange 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 35).

2.1.1 New and amended standards and interpretations for 2020 and forthcoming requirements

The following standards and interpretations were in issue and effective:

IFRS 3 Definition of a Business (Amendments to IFRS 3). Effective 1 January 2020.

IAS 1 and IAS 8 Definition of Material (Amendments to IAS 1 and IAS 8). Effective 1 January 2020.

IFRS9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). Effective 1 January 2020.

Conceptual Framework Amendments to References to Conceptual Framework in IFRS Standards. Effective 1 January 2020.

IFRS 16 COVID-19 Related Rent Concessions (Amendments to IFRS 16). Effective 1 June 2020

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

IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7). Effective 1 January 2021

IAS 37 Onerous Contracts (Amendments to IAS 37). Effective 1 January 2022

IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). Effective 1 January 2022

IFRS 2 Amendments to IFRS 3. Effective 1 January 2022

IAS 1 Classification of Liabilities as Current or Non-current (Amendments to IAS 1). Effective 1 January 2023

IFRS 17 Insurance contracts. Annual periods beginning on or after 1 January 2023.

2.1.2 New and amended standards and interpretations not yet adopted

Several new standards are effective for annual periods beginning after 1 January 2020 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 Change in significant accounting policies

The Group applied Amendments to IFRS 3 and Amendments to IAS 1 and IAS 8 effective from 1 January 2020, but they do not have a material effect on the Group's financial statements.

2.3 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 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.

2.5 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.

2.6 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 (ZW$), referred to in SI33 as the RTGS dollar (ZW$) has been adopted as the functional currency and presentation currency for 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 (ZW$) in order to establish an exchange rate between the current monetary balances and foreign currency. RTGS dollars (ZW$) 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 (ZW$) as legal tender and prescribed that, for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be RTGS dollars (ZW$) at a rate of 1:1 to the US$ and would become opening RTGS dollar (ZW$) values from the effective date.

(a) Functional and presentation currency (continued)

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: ZW$1 as prescribed by the Government in compliance with Statutory Instrument 33 of 2020 and thereafter the Group applied the exchange 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 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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

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. With effect from 23 June 2020, the Group applied auction rates to translate foreign currency transactions and balances into ZW$.

(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".

2.7 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.

2.8 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.

2.9 Investment property

Investment property consists of residential land and buildings let out to third parties or operating lease agreements. Investment property is stated at cost less accumulated impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investment property (continued)

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.

2.10 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.

2.11 Financial assets

2.11.1 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.

2.11.2 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.

2.11.3 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.

2.12 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 cost to dispose.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 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.

2.14 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 2020 is determined per the provision matrix below incorporating credit risk and probability of recoverability:

Items outstanding but not overdue	0.10 % of invoice value
Items within 30 days overdue	0.12 % of invoice value
Items over 30 days but within 3 months overdue	0.14 % of invoice value
Items over 3 months but within 6 months overdue	0.16 % of invoice value
Items over 6 months but within 12 months overdue	0.18 % of invoice value
Items over 12 months overdue	0.20 % of invoice value

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.

2.15 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.

2.16 Trade receivables

Trade receivables are amounts due from customers for merchandise 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 2.14 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.

2.17 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.

2.18 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Share capital (continued)

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.

2.19 Current and deferred tax

The tax expense for the period comprises current tax, withholding 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.

2.20 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.

2.21 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.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 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.

2.22 Other income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate. No finance income was recognised in the current or prior year.

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

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 2.24.

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

2.23 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.

2.24 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.

2.25 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Employee benefits (continued)

or where there is a past practice that has created a constructive obligation.

2.26 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.

3. PROPERTY, PLANT AND EQUIPMENT

Consolidated and Company

INFLATION ADJUSTED	Freehold land ZW$ 000	Buildings ZW$ 000	Vehicles, machinery and equipment ZW$ 000	Furniture, fittings and equipment ZW$ 000	Total ZW$ 000
Year ended 31 December 2020					
Opening net book amount	29 898	108 450	68 343	30 535	237 226
Additions	-	-	-	1 773	1 773
Disposals	-	-	-	-	-
Depreciation charge	-	(3 441)	(24 596)	(4 845)	(32 882)
Closing net book amount	**29 898**	**105 009**	**43 747**	**27 463**	**206 117**
At 31 December 2020					
Cost	29 898	144 257	373 771	65 015	612 941
Accumulated depreciation and impairment	-	(39 248)	(330 024)	(37 552)	(406 824)
Net book amount	**29 898**	**105 009**	**43 747**	**27 463**	**206 117**

Depreciation expense amounting to ZW$13 961 758 (2019: ZW$11 744 558) has been charged in cost of sales, ZW$9 364 769 (2019: ZW$12 332 214) in selling and marketing costs and ZW$10 054 323 (2019: ZW$11 797 675) in administrative expenses.

INFLATION ADJUSTED	Freehold land ZW$ 000	Buildings ZW$ 000	Vehicles, machinery and equipment ZW$ 000	Furniture, fittings and equipment ZW$ 000	Total ZW$ 000
Year ended 31 December 2019					
Opening net book amount	29 898	112 312	94 589	30 531	267 330
Additions	-	-	1 418	4 127	5 545
Disposals	-	(246)	-	-	(246)
Depreciation charge	-	(3 616)	(27 664)	(4 123)	(35 403)
Transfers to Investment property	-	-	-	-	-
Closing net book amount	**29 898**	**108 450**	**68 343**	**30 535**	**237 226**
At 31 December 2019					
Cost	29 898	144 257	373 771	63 242	611 168
Accumulated depreciation and impairment	-	(35 807)	(305 428)	(32 707)	(373 942)
Net book amount	**29 898**	**108 450**	**68 343**	**30 535**	**237 226**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

4. INTANGIBLE ASSETS

Consolidated and Company

INFLATION ADJUSTED	Computer software ZW$ 000	Total ZW$ 000
Year ended 31 December 2020		
Opening net book amount	435	435
Amortisation charge	(209)	(209)
Closing net book amount	**226**	**226**
At 31 December 2020		
Cost	27 911	27 911
Accumulated amortisation charge	(27 685)	(27 685)
Net book amount	**226**	**226**
Year ended 31 December 2019		
Opening net book amount	646	646
Amortisation charge	(211)	(211)
Closing net book amount	**435**	**435**
At 31 December 2019		
Cost	27 911	27 911
Accumulated amortisation charge	(27 476)	(27 476)
Net book amount	**435**	**435**

5. INVESTMENT PROPERTY

Consolidated and Company

INFLATION ADJUSTED	Land and buildings ZW$ 000	Total ZW$ 000
Year ended 31 December 2020		
Opening net book amount	6 164	6 164
Depreciation charge	(289)	(289)
Closing net book amount	**5 875**	**5 875**
At 31 December 2020		
Cost	8 885	8 885
Accumulated depreciation	(3 010)	(3 010)
Net book amount	**5 875**	**5 875**
Year ended 31 December 2019		
Opening net book amount	6 424	6 424
Depreciation charge	(260)	(260)
Transfer in	-	-
Closing net book amount	**6 164**	**6 164**
At 31 December 2019		
Cost	8 885	8 885
Accumulated depreciation	(2 721)	(2 721)
Net book amount	**6 164**	**6 164**

Investment property comprises of buildings that are leased to third parties, refer to note 32. Rental income recognised by the Group during 2020 was ZW$703 000 (2019: ZW$315 000) and was included in "other income", see note 21.

5. INVESTMENT PROPERTY (continued)

INFLATION ADJUSTED	Fair value measurements (Level 2) 2020 ZW$ 000	2019 ZW$ 000
Investment property	45 786	42 122

Fair values of investment property

A Director's valuation of the Company's investment property was performed to determine the fair value as at 31 December 2020. The Director's used the US$ fair values determined by external property valuers in the previous year as the basis of their valuation and have considered the movement in the US$:ZW$ exchange rate during 2020 in determining their valuation.

The fair value of investment property as at 31 December 2019 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.

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.

Information about fair value measurements using significant observable inputs (Level 2):

INFLATION ADJUSTED	Fair value at 31 December 2020 ZW$ 000	Fair value at 31 December 2019 ZW$ 000	Valuation technique	Observable inputs	Relationship of observable inputs to fair value
Investment property	45 786	42 122	Market approach	Market price per square metre	The higher/lower the price per square metre, the higher/lower the fair value

6. INVESTMENT IN SUBSIDIARIES

	INFLATION ADJUSTED 2020 ZW$ 000	2019 ZW$ 000
Company		
Investment in subsidiaries	-	-

Set out below are the Company's subsidiaries at 31 December 2020. 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

6. INVESTMENT IN SUBSIDIARIES (continued)

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 2.26 (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.

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
31 December 2020			
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)	186 281	-	186 281
Financial assets at fair value through profit or loss	-	1 684	1 684
Cash and cash equivalents	123 465	-	123 465
Total	**309 746**	**1 684**	**311 430**

	Other financial liabilities ZW$ 000	Total ZW$ 000
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	781 321	781 321
Total	**781 321**	**781 321**

31 December 2019	Assets at amortised cost ZW$ 000	Assets at fair value through profit or loss ZW$ 000	Total ZW$ 000
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)	131 337	-	131 337
Financial assets at fair value through profit or loss	-	2 382	2 382
Cash and cash equivalents	190 097	-	190 097
Total	**321 434**	**2 382**	**323 816**

	Other financial liabilities ZW$ 000	Total ZW$ 000
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	582 085	582 085
Total	**582 085**	**582 085**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

8. INVENTORIES	INFLATION ADJUSTED 2020 ZW$ 000	2019 ZW$ 000
Consolidated and Company		
Raw materials	678 901	431 274
Finished goods	141 886	71 514
Consumables	4 833	8 344
	825 620	**511 132**

The cost of inventories recognised as an expense and included in "cost of sales" amounted to ZW$729 201 (2019: ZW$153 769 985).

During the year, write downs amounting to ZW$ nil (2019: ZW$420 971) were recognised in cost of sales as an expense during the year.

9. TRADE AND OTHER RECEIVABLES

Consolidated and Company

	2020	2019
Trade receivables	59 844	111 142
Less: Provision for impairment of trade receivables	(1 619)	(3 189)
Trade receivables - net	58 225	107 953
Other receivables	35 355	-
Prepayments	139 101	16 906
Receivables from related parties (note 29)	135 314	53 153
Less: Provision for impairment of receivables from related parties	(42 613)	(29 768)
	325 382	**148 244**

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.

As at 31 December 2020, trade receivables amounting to ZW$33 101 815 (2019: ZW$131 341 367) were fully performing. There is no concentration of credit risk in respect of Group customers as they are all currently subject to similar environmental factors. Collateral is in place in respect of trade receivables valued at ZW$471 500 (2019: ZW$2 168 911).

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

		INFLATION ADJUSTED		
31 December 2020	**Total ZW$ 000**	**Up to 30 days ZW$ 000**	**31 to 60 days ZW$ 000**	**61 days and more ZW$ 000**
Wholesalers	31 429	31 429	-	-
Retailers	11 487	11 005	482	-
Stockists	16 929	16 231	308	390
Other receivables	35 355	19 606	-	15 749
Prepayments	139 100	139 100	-	-
Receivables from related parties	135 314	-	77 682	57 632
Provision for impairment of receivables	(44 232)	-	-	(44 232)
Total	**325 382**	**217 371**	**78 472**	**29 539**
31 December 2019				
Wholesalers	43 665	43 140	525	-
Retailers	21 505	20 617	888	-
Stockists	13 014	11 834	1 180	-
Prepayments	16 907	16 907	-	-
Receivables from related parties	53 153	-	-	53 153
Total	**148 244**	**92 498**	**2 593**	**53 153**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

9. TRADE AND OTHER RECEIVABLES (continued)

Consolidated and Company (continued)

As at 31 December 2020, trade receivables excluding related parties amounting to ZW$26 742 039 (2019: ZW$69 113 331) were overdue.

The amount of the provision recognised on total trade receivables including related parties as of 31 December 2020 amounted to ZW$44 232 072 (2019: ZW$32 956 684). The individually impaired receivables mainly relate to distributors, wholesalers, retailers and an intercompany, which are in a difficult economic situation.

	INFLATION ADJUSTED	
	2020 ZW$ 000	**2019 ZW$ 000**
The ageing of these receivables is as follows:		
3 to 6 months	970	76
Over 6 months	43 262	32 882
	44 232	**32 958**

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

	INFLATION ADJUSTED	
	2020 ZW$ 000	**2019 ZW$ 000**
ZWL	235 932	95 087
USD	89 450	42 243
GBP	-	10 183
ZAR	-	731
Total	**325 382**	**148 244**

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

At 1 January	**32 958**	**23 071**
Provision for receivables impairment	4 601	29 243
Unused amounts reversed	-	-
Movement in exchange rates	32 284	-
Inflation adjustment	(25 611)	(19 356)
At 31 December	**44 232**	**32 958**

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 2020, the gross exposure to credit risk in respect of trade and other receivables by type of counterparty was as follows:

	INFLATION ADJUSTED	
	2020 ZW$ 000	**2019 ZW$ 000**
Wholesalers	31 429	43 665
Retailers	11 487	21 505
Stockists	16 928	13 014
Other receivables	35 355	-
Prepayments	139 101	16 907
Related parties	135 314	53 153
	369 614	**148 244**

	INFLATION ADJUSTED	
10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2020 ZW$ 000**	**2019 ZW$ 000**
Consolidated and Company		
Listed securities held for trading		
Equity securities - Nampak Holdings Limited	1 684	2 382

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 2020.

		INFLATION ADJUSTED		
Financial assets	**Level 1 ZW$ 000**	**Level 2 ZW$ 000**	**Level 3 ZW$ 000**	**Total ZW$ 000**
2020				
Quoted securities at market value	1 684	-	-	1 684
2019				
Quoted securities at market value	2 382	-	-	2 382

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.

	INFLATION ADJUSTED	
11. CASH AND CASH EQUIVALENTS	**2020 ZW$ 000**	**2019 ZW$ 000**
Consolidated and Company		
Cash at bank and on hand	123 465	190 097
Cash and cash equivalents	**123 465**	**190 097**

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

12. SHARE CAPITAL

Consolidated and Company

	INFLATION ADJUSTED			
	31 Dec. 2020		31 Dec. 2019	
	Number of ordinary shares	**Ordinary shares ZW$ 000's**	**Number of ordinary shares**	**Ordinary shares ZW$ 000's**
Authorised Ordinary shares at par value ZW$ 0.30 each	21 252 000	6 376	21 252 000	6 376

Issued and fully paid
Consolidated

	2020 Number of shares	**2020 Value ZW$**
At 1 January 2019	20 633 517	239 114
Less treasury shares	(3 252 000)	(37 686)
At 31 December 2019	**17 381 517**	**201 428**
At 1 January 2020	20 633 517	239 114
Less treasury shares	(3 252 000)	(37 686)
At 31 December 2020	**17 381 517**	**201 428**

	Number of ordinary shares	**Ordinary shares ZW$ 000**
Issued and fully paid		
Company		
At 31 December 2019	3 252 000	239 114
At 31 December 2020	**3 252 000**	**239 114**
Treasury shares		
At 31 December 2019	3 252 000	37 686
At 31 December 2020	**3 252 000**	**37 686**

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.

13. DIRECTORS' INTERESTS

Company
At 31 December 2020, the Directors held, directly or indirectly, the following number of shares in the Company:

	2020 Number of shares	**2019 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020 (continued)

14. TRADE AND OTHER PAYABLES

	INFLATION ADJUSTED	
	2020 ZW$ 000	2019 ZW$ 000
Consolidated and Company		
Trade payables	125 448	280 527
Amounts due to related parties (note 28)	391 310	282 479
Social security and other taxes	114 309	305
Accrued expenses	269 523	6 280
External dividends	2 705	12 134
Other	-	665
	903 295	**582 390**

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:

ZAR	382 303	199 037
GBP	7 433	502
EUR	250	296
US dollar	1 325	84 334
ZWL	511 984	298 221
	903 295	**582 390**

15. STAFF BENEFITS LIABILITY

	INFLATION ADJUSTED				
	Provision for restructuring costs ZW$ 000	Annual leave liability ZW$ 000	Incentive bonus liability ZW$ 000	Long service award provision ZW$ 000	Total ZW$ 000
At 1 January 2019	**6 688**	**11 255**	**21 734**	**2 427**	**42 104**
Utilised during the year	(6 688)	(11 255)	(21 734)	(2 427)	(42 104)
Charged to the statement of comprehensive income	-	9 855	17 320	220	27 395
At 1 January 2020	**-**	**9 855**	**17 320**	**220**	**27 395**
Utilised during the year	-	(9 855)	(17 320)	(220)	(27 395)
Charged to the statement of comprehensive income	-	29 302	28 099	4 147	61 548
At 31 December 2020	**-**	**29 302**	**28 099**	**4 147**	**61 548**

(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. The provision amounting to ZW$ 6 688 000 from 2018 was fully utilised during the first half of 2019.

(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 2020.

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 2.26. 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.

	INFLATION ADJUSTED	
	2020 ZW$ 000	**2019 ZW$ 000**
At 1 January 2020	**610**	**6 186**
Transfer from leave liability	-	-
Re-measurement of share-based payment liability	723	99
Amounts paid during the year	(42)	(5 675)
At 31 December 2020	**1 291**	**610**

17. DEFERRED TAX ASSET

Consolidated and Company

The deferred tax asset is made up of:

Property, plant and equipment - accelerated depreciation	44 662	52 204
Provisions	(43 940)	(8 820)
Allowance for credit losses	(2 953)	(8 147)
Marketable securities - fair value	58	24
Inventory write-down	(233)	(464)
Unrealised exchange differences	(83 555)	(66 813)
Deferred tax asset - net	**(85 961)**	**(32 016)**

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

At 1 January 2020	**(32 016)**	**25 525**
Credit to the statement of comprehensive income	(53 945)	(57 541)
At 31 December 2020	**(85 961)**	**(32 016)**

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 ZW$ 000	**Total ZW$ 000**
At 1 January 2020	**(32 016)**	**(32 016)**
Charge to the statement of comprehensive income	(53 945)	(53 945)
At 31 December 2020	**(85 961)**	**(85 961)**
At 1 January 2019	**25 525**	**25 525**
Charge to the statement of comprehensive income	(57 541)	(57 541)
At 31 December 2019	**(32 016)**	**(32 016)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

17. DEFERRED TAX (ASSET)/LIABILITY (continued)

Consolidated and Company (continued)

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. In applying judgement in recognising the net deferred tax asset of ZW$ 85 961 000, management has critically assessed all available information, including future business profit projections. These forecasts are consistent with those prepared and used internally for business planning purposes. Following this evaluation, it was determined there would be sufficient taxable income generated to realise the benefit of the deferred tax assets.

18. CASH GENERATED FROM OPERATIONS

	INFLATION ADJUSTED	
	2020 ZW$ 000	2019 ZW$ 000
Consolidated and Company		
Profit before income tax	256 180	(26 224)
Adjustment for:		
- Depreciation of property, plant and equipment and investment property	33 171	35 667
- Amortisation of intangible assets (note 4)	209	211
- Profit on sale of property, plant and equipment	-	(211)
- Fair value gains on financial assets at fair value through profit or loss (note 23)	(1 153)	(1 391)
- Unrealised exchange gains on cash held	(31)	-
- Monetary (gain)/ loss on hyperinflation adjustment	(183 140)	524 199
Changes in working capital:		
- Increase in inventories	(314 486)	(308 425)
- Increase in trade and other receivables	(177 137)	(16 535)
- Increase/(Decrease) in trade and other payables	320 905	(267 595)
- Increase/(Decrease) in provisions for other liabilities and charges	34 153	(14 709)
- Increase/(Decrease) in share-based payment liability	681	(5 580)
Cash (utilised in)/generated from operations	**(30 648)**	**(80 593)**

19. RETIREMENT BENEFIT OBLIGATIONS

Consolidated and Company

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.

	INFLATION ADJUSTED		
	Employees ZW$ 000	Group ZW$ 000	Total ZW$ 000
2020			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	6 477	14 148	20 625
NSSA	123	123	246
	6 600	**14 271**	**20 871**
2019			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	4 890	10 519	15 409
NSSA	538	538	1 076
	5 428	**11 057**	**16 485**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

	INFLATION ADJUSTED	
	2020	2019
20. REVENUE	ZW$ 000	ZW$ 000
Consolidated and Company		
Revenue from sales of goods in domestic market	1 859 160	1 477 847
Revenue from cut rag exports to foreign market	215 293	-
	2 074 453	**1 477 847**
21. OTHER INCOME		
Consolidated and Company		
Rental income	703	315
Profit on sale of property, plant and equipment	-	211
Sundry income	-	7 194
	703	**7 720**
22. OPERATING PROFIT		
Consolidated and Company		
Operating profit before taxation includes the following:		
22.1 Cost of sales		
Leaf consumed	217 949	104 597
Wrapping materials consumed	123 747	36 753
Manufacturing costs	273 636	72 216
Other cost of sales	387 506	210 922
	1 002 838	**424 488**
22.2 Selling and marketing costs		
Brand specific expenses	58 227	5 200
Marketing overheads	54 073	7 033
Route to marketing overheads	163 327	114 371
	275 627	**126 604**
22.3 Auditors' remuneration - current year	6 452	3 077
Depreciation of property, plant and equipment	33 050	35 667
Directors' fees	6 856	3 835
22.4 Staff costs		
Salaries and wages	343 552	183 812
Pension contributions	21 760	15 086
	365 312	**198 898**

22.3 The number of employees as at 31 December 2020 was 111 (2019: 129).

	2020	2019
23. OTHER (LOSSES)/GAINS		
Consolidated and Company		
Financial assets at fair value through profit or loss (note 10)		
- Fair value (losses)/gains	698	1 391
- Exchange losses	(383 613)	(277 518)
	(382 915)	**(276 127)**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020 (continued)

	INFLATION ADJUSTED	
24. INCOME TAX EXPENSE	**2020 ZW$ 000**	**2019 ZW$ 000**
Consolidated and Company		
Current income tax on profit for the year	249 059	155 574
Deferred taxation income (note 17)	(53 945)	(57 540)
	195 114	**98 034**

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Zimbabwe tax rate as follows:

	2020 %	**2019 %**
Tax effect on current income tax rate	24.72	25.75
Prior year adjustments	-	(0.35)
Tax rate change	-	(1.68)
Disallowable expenditure:		
Depreciation of property, plant and equipment	0.03	0.09
Excess pension contributions	0.41	0.20
Other non-deductible expenses	0.82	2.40
Gain on fair value of shares	0.37	(0.36)
IAS 29 Adjustments	49.81	-
Effective tax rate	**76.16**	**26.05**

Other non-deductible expenses include Intermediated Money Transfer Tax, donations and canteen costs.

	INFLATION ADJUSTED	
25. INCOME TAX PAID	**2020 ZW$ 000**	**2019 ZW$ 000**
Consolidated and Company		
Opening balance	30 374	15 131
Current tax (note 24)	249 059	155 574
Closing balance per statement of financial position	(60 203)	(30 374)
	219 230	**140 331**

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.

	INFLATION ADJUSTED	
	2020 ZW$ 000	**2019 ZW$ 000**
Profit/(Loss) attributable to equity holders of the Company (ZW$ 000)	61 066	(124 259)
Weighted average number of ordinary shares in issue (thousands)	20 634	20 634
Basic and diluted earnings per share	3.51	(7.15)
Headline earnings/(loss) per share	(7.02)	19.38

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

27. DIVIDENDS

Consolidated and Company
The Group did not declare a dividend for the year and no dividends were paid in 2020. No dividends were declared in 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

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 2020 ZW$ 000	2019 ZW$ 000
The following transactions were carried out with related parties:		
Consolidated and Company		
(a) Other sales:		
British American Tobacco (GLP) Limited	-	2 645
British American Tobacco Mozambique Lda	232 261	167
British American Tobacco South Africa (Pty) Limited	25	83
British American Tobacco Zambia plc	-	17
British American Tobacco Kenya plc	2 130	-
	234 416	**2 912**
(b) Purchase of goods and services:		
British American Tobacco South Africa (Pty) Limited	252 986	211 173
British American Tobacco (Holdings) Limited	3 091	-
British American Tobacco Shared Services GSD UK	-	2 790
British American Tobacco (GLP) Limited	-	5 818
British American Tobacco Pesci Dohanygyar KFT	-	76
British American Tobacco PT Bentoel Prima	-	144
British American Tobacco Niemeyer	-	130
British American Tobacco Vranje AD	-	45
British American Tobacco Singapore	140	40
British American Tobacco Tutun	31	90
British American Tobacco Nigeria Limited	163	-
	256 411	**220 306**

Goods, services and machinery are acquired from British American Tobacco (Holdings) Limited and British American Tobacco South Africa (Pty) Limited. Information technology support services are received from British American Tobacco Shared Services GSD UK.

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$42 612 653 (2019: ZW$29 768 044) has been recognised in the current year in respect of amounts owed by related parties. No guarantees have been given or received.

	INFLATION ADJUSTED 2020 ZW$ 000	2019 ZW$ 000
(c) Year end balances arising from sales/purchases of goods and services		
Receivable from related parties (note 9):		
British American Tobacco Angola Lda	-	22 519
British American Tobacco Malawi	58	4
British American Tobacco South Africa (Pty) Limited	807	862
British American Tobacco (GLP) Limited	10 783	-
British American Tobacco Mozambique Limitada	75 725	-
British American Tobacco Kenya Plc	1 957	-
British American Tobacco Investments Limited	3 371	-
	92 701	**23 385**

28. RELATED PARTY TRANSACTIONS (continued)

(d) Payable to related parties (note 14):

	INFLATION ADJUSTED 2020 ZW$ 000	2019 ZW$ 000
British American Tobacco (Holdings) Limited	2 895	69 612
British American Tobacco Shared Services GSD UK	-	2 238
British American Tobacco South Africa (Pty) Limited	382 302	199 042
British American Tobacco (GLP) Limited	4 538	11 143
British American Tobacco Niemeyer	133	112
British-American Tobacco Singapore Limited	136	40
British American Tobacco Pecsi	1	63
British American Tobacco Tutun	63	72
British American Tobacco BT Bentoel Prima	1	112
British American Tobacco Vranje AD	52	45
British American Tobacco Nigeria Limited	787	-
British American Tobacco Mozambique Limitada	402	-
	391 310	**282 479**

(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 2020 ZW$ 000	2019 ZW$ 000
Short term employee benefits	39 361	16 360
Post-employment benefits	674	654
	40 035	**17 014**

29. CAPITAL COMMITMENTS

There were no capital commitments at year end (2019: 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 2020, 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$ 30 053 561 lower/higher (2019: ZW$ 27 751 800), mainly as a result of foreign exchange gains or 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.

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Financial risk factors (continued)

(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.

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

	INFLATION ADJUSTED	
	2020 ZW$ 000	2019 ZW$ 000
Trade receivables and other receivables, excluding prepayments		
- Trade receivables from customers	186 281	131 337
- Cash and cash equivalents	123 465	190 097
	309 746	**321 434**

The fair value of trade and other receivables at 31 December 2020 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:

	INFLATION ADJUSTED	
Financial institution	**2020 ZW$ 000**	**2019 ZW$ 000**
Standard Chartered Bank of Zimbabwe Limited	5 431	136 720
Stanbic Bank Zimbabwe Limited	58 769	6 953
First Capital Bank Zimbabwe Limited	57 705	41 068
Central Africa Building Society (CABS)	1 560	5 356
	123 465	190 097

(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 2.6 (a).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

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 2020 is as follows:

	INFLATION ADJUSTED			
	Up to one month ZW$ 000	1 to 2 months ZW$ 000	Later than 3 months ZW$ 000	Total ZW$ 000
Assets				
Cash and cash equivalents	123 465	-	-	123 465
Trade and other receivables (excluding prepayments)	78 271	790	16 139	95 200
Receivables from related parties	-	77 682	15 019	92 701
Financial assets at fair value through profit or loss	1 684	-	-	1 684
Total assets	**203 420**	**78 472**	**31 158**	**313 050**
Liabilities				
Trade and other payables (excluding statutory liabilities)	(788 986)	-	-	(788 986)
Liquidity gap	**(585 566)**	**78 472**	**31 158**	**(475 936)**

At the reporting date, the Group did not hold sufficient monetary assets to cover liabilities. Plans to mitigate the liquidity gap risk are described above in this note.

Maturity analysis as at 31 December 2019 is as follows:

	INFLATION ADJUSTED			
	Up to one month ZW$ 000	1 to 2 months ZW$ 000	Later than 3 months ZW$ 000	Total ZW$ 000
Assets				
Cash and cash equivalents	190 097	-	-	190 097
Trade and other receivables (excluding prepayments)	105 157	26 179	-	131 336
Receivables from related parties	-	-	23 385	23 385
Financial assets at fair value through profit or loss	-	-	2 382	2 382
Total assets	**295 254**	**26 179**	**25 767**	**347 200**
Liabilities				
Trade and other payables (excluding statutory liabilities)	(582 085)	-	-	(582 085)
Liquidity gap	**(286 831)**	**26 179**	**25 767**	**(234 885)**

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 2020, the Group neither had borrowings payable to related parties, nor other financial institutions.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020 (continued)

30. FINANCIAL RISK MANAGEMENT (continued)

Consolidated and Company (continued)

30.2 Capital risk management

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

	INFLATION ADJUSTED	
	2020	**2019**
	ZW$ 000	**ZW$ 000**
Total liabilities	1 026 337	640 769
Less: Cash and cash equivalents	(123 465)	(190 097)
Net debt	**902 872**	**450 672**
Total equity	**547 993**	**486 927**
Net debt to equity ratio	**1.65**	**0.93**

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).

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 the year, the Group started exporting cut-rag and earned revenues from the export business. Management has made an assessment and have 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$1 864 047 853 (2019: ZW$863 148 520) is from external customers who are domiciled in Zimbabwe and is from the sale of cigarettes.

Revenue amounting to ZW$215 293 453 (2019: ZW$ nil) is from internal customers who are domiciled outside Zimbabwe and is from the sale of cut-rag.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020 (continued)

31. SEGMENT INFORMATION (continued)
Consolidated and Company

	INFLATION ADJUSTED		
2020	**Cigarettes ZW$ 000**	**Cut rag ZW$ 000**	**Total ZW$ 000**
External revenue	2 803 220	215 293	3 018 513
Tobacco duties	(944 060)	-	(944 060)
Net revenue	**1 859 160**	**215 293**	**2 074 453**
Profit before interest, taxation, depreciation and amortisation	**269 988**	**19 572**	**289 560**
Depreciation	(33 171)	-	(33 171)
Amortisation	(209)	-	(209)
Profit before income tax	**236 608**	**19 572**	**256 180**
Total assets	**1 498 604**	**75 725**	**1 574 329**
Total liabilities	**1 026 337**	**-**	**1 026 337**

	INFLATION ADJUSTED	
2019	**Cigarettes ZW$ 000**	**Total ZW$ 000**
External revenue	2 272 274	2 272 274
Tobacco duties	(794 427)	(794 427)
Net revenue	**1 477 847**	**1 477 847**
Profit before interest, taxation, depreciation and amortisation	**9 653**	**9 653**
Depreciation	(35 667)	(35 667)
Amortisation	(211)	(211)
Profit before income tax	**(26 225)**	**(26 225)**
Total assets	**1 127 696**	**1 127 696**
Total liabilities	**640 769**	**640 769**

32. OPERATING LEASES

Consolidated and Company
The Company leases out various residential properties and offices under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and most lease agreements are renewable at the end of the lease period at market rates.

	INFLATION ADJUSTED	
Lease income receivable	**2020 ZW$ 000**	**2019 ZW$ 000**
No later than 1 year	853	436
Later than 1 year and no later than 5 years	4 263	2 180
Later than 5 years	-	-
	5 116	**2 616**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020 (continued)

33. USE OF JUDGEMENTS AND ESTIMATES

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 2.6 - determining the functional currency: key factors in determining the change in functional currency;
- Note 2.6 - 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 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 2.14 – 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 2.19 - recognition of deferred tax assets; availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- Note 2.19 - determining the provision for income taxes: there are many transactions and calculations for which the ultimate tax determination is uncertain;
- Note 2.7 - determining the useful lives of property, plant and equipment: estimate is based on projected lives of these assets.

34. EVENTS AFTER REPORTING DATE

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 Group'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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (continued)

35. GOING CONCERN

The Group has recognised an inflation adjusted net profit after tax of ZW$61 066 000 for the year ended 31 December 2020 against a net loss after tax of ZW$124 259 000 in the previous year. The total inflation adjusted current assets exceeded current liabilities by ZW$248 128 000 (2019: ZW$208 704 000).

The Reserve Bank of Zimbabwe ("RBZ") approved and registered the Group's blocked funds amounting to US$15.7 million in respect of outstanding dividends and goods 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. In line with the provisions of the February 2019 Monetary Policy Statement on the settlement arrangements for these blocked funds, RBZ is now 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 dividends at a rate of US$1: ZW$1 and have not been translated at the closing rates.

The Directors believe that the Reserve Bank of Zimbabwe will honour its commitment to settle the Group's outstanding foreign liabilities at a rate of ZW$1: US$1 registered as 'blocked funds" as per Exchange Control Directive 28 of 2020. In the event that Reserve Bank of Zimbabwe will not honour its commitment, the majority shareholder, British American Tobacco International Holdings (UK) Limited, has further confirmed that it is the present intention to provide continuing financial support which also indicated that it will not demand repayment of amounts owed by the Group until such a time that it is restored to solvency. The ultimate parent company, British American Tobacco plc will offer financial support to the Group since the majority of the foreign outstanding obligations are owed to related companies within the BAT Group. Furthermore, British American Tobacco South Africa Limited has committed to subordinate an amount of ZAR108 000 000 owing in respect of goods supplied and services rendered.

The COVID-19 pandemic has not had any significant financial impact on the performance of the Group, recording an operating profit in 2020 compared to an operating loss in 2019.

In March 2020, the Group 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 Group.

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.

Shareholder 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	2,722,708	13.20
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	757,642	3.67
6	STANDARD CHARTERED NOMINEES (PRIVATE) LIMITED,	589,887	2.86
7	NATIONAL SOCIAL SECURITY AUTHORITY	319,224	1.55
8	CIMAS MEDICAL AID SOCIETY	220,000	1.07
9	HIPPO VALLEY ESTATE PF-DATVEST	188,381	0.91
10	AMZIM PENSION FUND	105,157	0.51
11	ZIMBABWE ELECTRICITY IND PENSION FUND	104,529	0.51
12	LOCAL AUTHORITIES PENSION FUND	101,977	0.49
13	DELTA BEVERAGES PENSION FUND	101,125	0.49
14	OMZIL STRA SHREHLDER TRAP FUND	98,946	0.48
15	PUBLIC SERVICE PENSION FUND-OMIG	91,437	0.44
16	FBC HOLDINGS PF	81,701	0.40
17	ANGLO AMERICAN ASSOCIATED COMPANIES PENSION FUND	74,772	0.36
18	NATIONAL FOODS P/ F-IMARA	69,688	0.34
19	OLD MUTUAL SHARED SVS PVT LTD	68,085	0.33
20	HIT PENSION FUND - IMARA	55,388	0.27
	TOTAL	**18,901,595**	**91.61**
	Other Shareholders	**1,731,922**	**8.39**
	Total Number of Shares	**20,633,517**	**100.00**

NOTICE TO SHAREHOLDERS

Sixty-First Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty First Annual General Meeting of the shareholders of British American Tobacco Zimbabwe (Holdings) Limited will be held at Cresta Lodge Harare, Corner of Samora Machel Avenue and Robert Mugabe Road, Msasa, Harare on Friday, 30th April 2021 at 10:00 am for the following purposes:

Ordinary Business

1. Minutes of the Previous Meeting
To confirm and sign off the minutes of the 60th Annual General Meeting.

2. Financial Statement and Reports
To receive and adopt the audited financial statements for the year ended 31 December 2020, 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 2020.

3.2 Appointment and Re-election of Directors

3.2.1 To re-elect by individual Resolution, Mrs Rachel P. Kupara and Mr Edwin 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, by individual Resolution, the appointment of Mrs Christelle Supparayen-Romeo and Mr Vincent Kaloki who were co-opted to the Board during the year, in terms of Article 88 of the Company's Articles of Association.

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

4 Auditors

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

4.2 To reappoint Messrs. 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 6 years.

5 Special Business / Amendment of the Articles of Association

5.1 Procedure for Virtual General Meetings

To consider and if deemed fit, to pass the following Resolution as a special Resolution:

"That the Articles of Association of the Company are hereby amended by the insertion of the following after Article 60 as Article 60A and 60B:

[60A] Notwithstanding, any other provision herein, the Directors may by Resolution determine that any one or more members, or proxies of members may participate by electronic communication in all or part of the General Meeting that is being held in person, as long as the electronic communication employed by the Company for the purposes of the virtual connection, ordinarily enables all persons participating in that meeting to communicate concurrently with each other and participate effectively at the meeting.

[60B] If the Company provides for participation in a meeting by electronic communication, as contemplated in Article 60A:

(a) the notice of that meeting must inform members of the availability of that form of participation, and provide any necessary information to enable shareholders or their proxies to access the available medium or means of electronic communication, and;

(b) the Company shall be responsible for the cost of setting up and hosting a virtual General Meeting but access to the medium or means of electronic communication by a member shall be at the expense of the member or proxy except to that extent as the Company determines otherwise.

NOTICE TO SHAREHOLDERS (continued)

Sixty-First Annual General Meeting

5.2 Power to Repurchase Own Shares

To consider and if deemed fit, to pass the following Resolution as a special Resolution:

"That the Articles of Association of the Company are hereby amended by the insertion of the following after Article 50 as Article 50A and 50B:

[50A] Subject to section 128 and section 129 of the Companies and Business Entities Act [Cap 24:31], and approval by members in a General Meeting, the Company may repurchase its own shares, provided that prior to executing any share repurchase, considering all reasonably foreseeable financial circumstances of the Company at that time, it should be the Director`s opinion that:

(a) the assets of the Company as fairly valued, equal or exceed the liabilities of the Company; and

(b) it appears that the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months immediately thereafter.

[50B] Subject to the provisions of the Companies and Business Entities Act [Cap 24:31], and the Securities and Exchange (Zimbabwe Stock Exchange Listing Requirements) Rules, 2019 shares repurchased by the Company pursuant to the Article 50A, may be cancelled or held by the Company as Treasury Shares as the General Meeting may determine."

EXPLANATORY NOTES TO SPECIAL BUSINESS

1 Hosting shareholder meetings in which shareholders can participate virtually is efficient and allows greater participation of shareholders in decision making. Due to health restrictions in times of certain pandemics, virtual meetings maybe the only practical solution available to hold shareholder meetings. Section 170 of the Companies and Busines Entities Act [Cap 24:31], permits public companies to hold General Meetings with virtual participation of shareholders, provided the Articles of Association permit this. Resolution 5.1 proposes the constitutional framework and procedure relating to virtual connections at General Meetings.

2 In terms of section 128 and section 129 of the Companies and Business Entities Act [Chapter 24:31], as read together with Securities and Exchange (Zimbabwe Stock Exchange Listing Requirements) Rules, 2019, the Company is permitted to repurchase its own shares provided the Articles of Association of the Company allows this and the shareholders have given express authority in a General Meeting. Resolution 5.2 amends the Articles to create the authority for the Company to repurchase its own shares. If deemed appropriate, resolutions for general or specific authority to enter into share repurchase arrangements will be tabled at future General Meetings for approval by shareholders.

By Order of the Board

Stephen Nyabadza
Acting Company Secretary
08 April 2021

Registered Office:
1 Manchester Road
P O Box ST 98
Southerton
Harare
Zimbabwe

Transfer Secretaries:
First Transfer Secretaries
1 Armgah Road
Eastlea
P O Box 11
Harare, Zimbabwe
Email: zmazhandu@fts-net.com

NOTES:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to speak and, on a poll, vote in his/her stead.

2. A proxy need not be a member of the Company. Proxy forms should be forwarded to reach the office of the Transfer Secretaries at least 48 hours before the commencement of the meeting.

NOTES

Form of Proxy

Sixty-First 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-First 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, 30th April 2021 at 10:00am.

Signed this ....day of...2021

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 initialed 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-First 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-First 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, 30th April 2021 at 10:00am.

Signed this ....day of...2021

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.
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BAT
ZIMBABWE

Affix
Stamp
here

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

BAT
ZIMBABWE

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here

The Company Secretary
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The Company Secretary
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