Building the Enterprise of the Future

Annual Report 2021

A BETTER TOMORROW™

BAT ZIMBABWE

Page Contents

DANGER: SMOKING IS HARMFUL TO HEALTH

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

OUR BRANDS

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

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

NOT FOR SALE TO PERSONS UNDER THE AGE OF 18

OUR STRATEGY

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

OUR MISSION

Stimulating the senses of new adult generations

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

Our mission is to anticipate and satisfy this ever-evolving consumer 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 guide our culture and behaviours across the group. They have 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 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 FAST

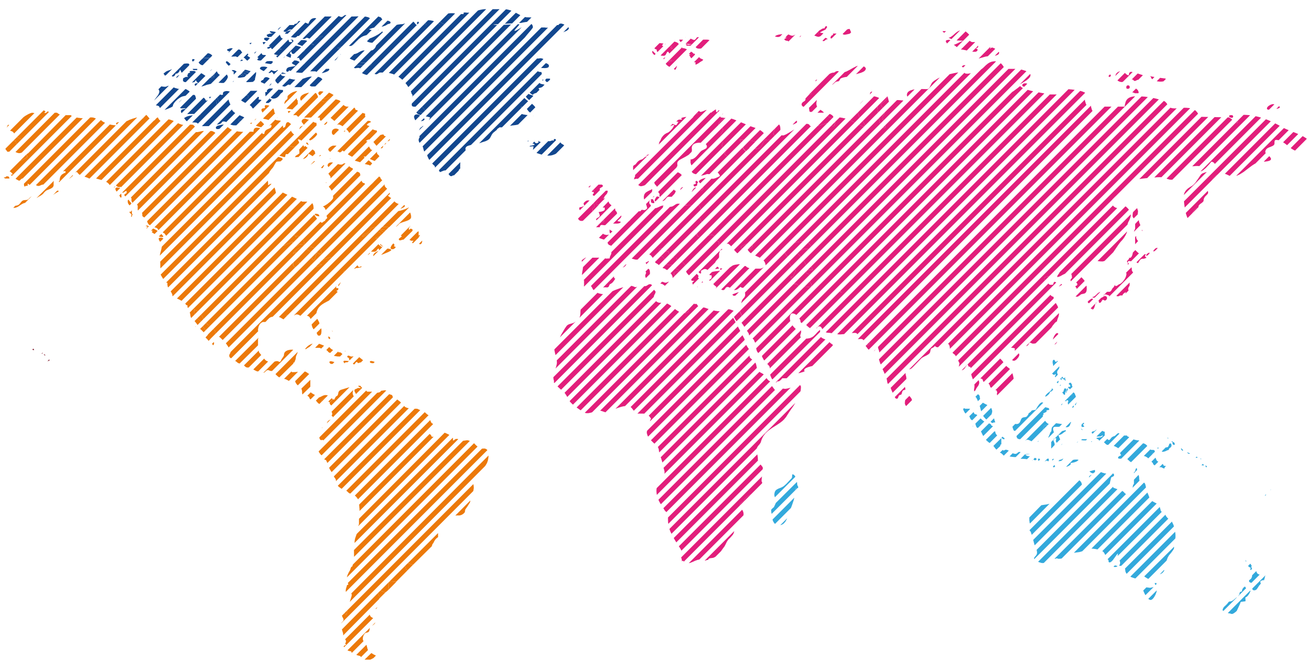
- Speed Matters. Set clear direction and move fast
- Keep it simple. Focus on outcomes
- Learn quickly and share learnings

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

Our sustainability agenda

Our Sustainability Agenda is integral to our evolved Group strategy. Our Sustainability Agenda reflects our commitment to reducing the health impact of our business and excellence across our other ESG priorities. Our approach is driven by extensive stakeholder insights, and through this process, we engage with a wide range of stakeholders to understand what matters most to them, complemented with ongoing risk monitoring, research and benchmarking. This approach ensures we keep pace with emerging topics and stakeholder expectations. Outlined here are the priority areas that form the core of our Sustainability Agenda.

H — Reducing the HEALTH impact of our business

- Consumer choice
- World-class science
- Standards and regulation

E — Excellence in ENVIRONMENTAL management

- Climate change
- Water and waste
- Sustainable agriculture
- Circular economy

S — Delivering a positive SOCIAL impact

- Human rights
- Farmer livelihoods
- Health and safety
- People and culture

G — Robust corporate GOVERNANCE

- Business ethics
- Responsible marketing
- Regulation and policy management

Our Purpose

To build A Better Tomorrow™ by reducing the health impact of our business through offering a greater choice of enjoyable, less risky products for our consumers.

A BETTER TOMORROW™

Created shared value for;

Consumers

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

Society

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; and

Shareholders

By delivering sustainable and superior returns.

A BETTER TOMORROW™

Environmental Stewardship

Water

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

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

In 2021, the total use of water withdrawn from our BAT Zimbabwe manufacturing factory was at 11400m3, against a target of 13400m3. This was a 15% reduction and a consistent drop in water intensity used in production as we continue to optimise our processes and equipment.

Energy

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

To achieve 100% renewable energy in operation sites by 2030.

As BAT Zimbabwe, to deliver the global renewable drive strategy, in 2021, we reduced our use of grid electricity in two depot sites and managed to install 15KVA solar power units at two depot sites, namely Bulawayo and Masvingo.

Our Environmental Priorities

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

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

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

- Implementing collaborative solutions to complex sustainable development challenges.

Building a better Tomorrow™ Environmental Stewardship (continued)

Waste

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

By 2025, 100% of our plastic packaging will be reusable, recyclable or compostable.

Our efforts as BAT Zimbabwe in achieving the targets around waste management has resulted in a 93% reduction in our waste to landfill for the past two years. The waste management sustainability drive is based on the circular economy and is aimed at gaining more ground to achieving 100% waste to land fill by improving our waste segregation and by involving more recyclers in the re-use of polypropylene and tow.

by 2025
100%
plastic will be:

- reusable
- recyclable
- combustible

Climate Change

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

By 2030, we aim to be carbon neutral across our own operations, and across our value chain by 2050.

by 2030
100%
Carbon neutral across own operations

Building a better Tomorrow™ For Society

By protecting the environment, enhancing farmer livelihoods respecting human rights and supporting local communities, we add value to society. This also makes our business sustainable in the long term.

As British American Tobacco Holdings Limited, we believe that by enhancing farmer livelihoods and supporting local communities, we add value to society, and this makes our business sustainable in the long term. To this end, we established the Tobacco Empowerment Trust (BATZ TET) in 2015. The main thrust of the BATZ TET is to empower indigenous farmers with both technical and financial assistance and to help build best agricultural techniques. The Trust also assists students pursuing agricultural studies by providing a 50% scholarship funding facility.

Tobacco growers at an FDP training in Manicaland at Magamba VTC - January 2022

BAT Zimbabwe targeted two Vocational Training Centres ("VTC") for infrastructural development and scholarship funding namely Magamba Vocational Training Centre situated in Mutare and Chaminuka Vocational Training Centre situated in Mt Darwin. At both centres, BAT Zimbabwe erected five boreholes supported by two 10 horsepower pump stations and reservoirs as well as 10ha irrigation systems and a 2-ha irrigation system. The Trust refurbished the male and female hostels at both centres with the capacity to accommodate 300 students. Seven rocket barns with state of the art grading sheds were installed, equipped with boiler systems. Six lecture rooms were built at both centres, together with fully equipped computer laboratories. A total of 450 students from both Magamba and Chaminuka VTCs benefited from the 50% scholarship facility for both Diploma and Certificate students. BAT Zimbabwe invested an amount of USD1 850 000 towards these projects.

BAT Zimbabwe also delivers tobacco Farmers` empowerment programmes since 2018, through an initiative called the Farmers Development Programme. The program is extended to farmers from Mashonaland West, Mashonaland Central and Manicaland Provinces and is targeted at training and capacity building for the Farmers. BAT Zimbabwe delivers this program in partnership with the Tobacco Research Board and Tobacco Industry and Marketing Board. The program ensures farmers are trained by Industry experts. The initiative has a thrust to ensure practicing tobacco growers produce quality tobacco as well as take farming as a business.

DIRECTORATE, COMMITTEES & ADMINISTRATION

Directorate

Non-Executive Chairman

Mr Lovemore T. Manatsa

Non – Executive Directors

Mrs Rachel P. Kupara
Mr Edwin I. Manikai
Mrs Christelle Supparayen-Romeo
Mr Constantine F. Chikosi

Executive Directors

Mr Kimesh Naidoo
Mr Vincent K. Kaloki

Committees

Board Audit Risk and CSR Committee

Mrs Rachel P. Kupara (Chairperson)
Mr Edwin I. Manikai
Mr Constantine F. Chikosi
Mrs Christelle Supparayen-Romeo

Board Remuneration and Nominations Committee

Mr Edwin I. Manikai (Chairperson)
Mrs Rachel P. Kupara
Mr Lovemore T. Manatsa
Mr Constantine F. Chikosi
Mrs. Christelle Supparayen-Romeo

Auditors

KPMG Chartered Accountants (Zimbabwe)
Mutual Gardens
100 The Chase (West)
Emerald Hill
Harare

Administration

Company Secretary
Registered Office
1 Manchester road
P. O. Box ST98
Southerton
Harare

Transfer Secretaries

First Transfer Secretaries
1 Armagh Avenue
Off Enterprise Road
Eastlea
Harare

Bankers

Standard Chartered Bank Zimbabwe Limited
Africa Unity Square Branch
68 Nelson Mandela Avenue
Africa Unity Square Building
P.O. Box 60
Harare

Legal Practitioners

Chihambakwe, Mutizwa and Partners
7 Lawson Avenue
Milton Park
Harare

MawereSibanda Legal practitioners
10th Floor
Chiedza House
Corner First Street
Union Ave
Harare

DIRECTORATE

CHAIRMAN
Lovemore T. Manatsa

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

NON- EXECUTIVE DIRECTOR
Constantine F. Chikosi

Mr Constantine F. Chikosi holds a law degree from the University of Zimbabwe, an M5c (Economics) from the University of Surrey (UKI), 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 L. Manikai

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

NON- EXECUTIVE DIRECTOR
Rachel P. Kupara

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

NON- EXECUTIVE DIRECTOR
Christelle Supparayen-Romeo

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

DIRECTORATE (continued)

MANAGING DIRECTOR
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 (BACC) 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. Kinesh joined British American Tobacco South Africa in June 2019 and was subsequently appointed as the Managing Director for the Company effective 22 October 2019.

Managing Director Designate
Sivenasen Moodley

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

COMPANY SECRETARY
Phyllis Chenjera

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

FINANCE DIRECTOR
Vincent K. Kaloki

Mr. Vincent Kaloki holds a Masters of Science in Information Systems Engineering from the University of Sunderland and Bachelor of Business and Management Accounting from Egerton University. Prior to being appointed the Finance Director at BAT Zimbabwe, Mr. Vincent Kaloki held various senior positions within the BAT Group including British American Tobacco Congo as Head of Finance. Mr. Kaloki brings to the Board, a wealth of experience in finance, accounting and business partnering with multi-national organizations.

LEADERSHIP

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 (BACC) 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. Kinesh joined British American Tobacco South Africa in June 2019 and was subsequently appointed as the Managing Director for the Company effective 22 October 2019.

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FINANCE DIRECTOR
Vincent K. Kaloki

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HEAD OF TRADE
Dorothy Makau

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

LEADERSHIP (continued)

COMPANY SECRETARY
Phyllis Chenjera

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

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 WS 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 (WS), BAT's Operational excellence program for Nairobi factory in Kenya and more recently for Americas and Sub Saharan Africa as the Regional IWS Manage.

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
Blessing Shumba - Hove

Blessing Shumba - Hove is a holder of a Bachelor in Commerce Marketing Management from the University of South Africa and is a member of the Marketers Association of Zimbabwe. Blessing has over 12 years' working experience in strategic business planning, sales, brand management and marketing. BAT Zimbabwe has been her home for the greater part of her working career. Blessing joined BAT Zimbabwe in August 2013 as a Trade Marketing Representative and was later promoted to the role of Area Manager in July 2017. She left the business briefly in February 2020 and later rejoined in March 2021 as Marketing Deployment Manager in charge of BAT Zimbabwe's Brand and Marketing Strategy. Within BAT she has implemented various Route to market models and she also oversaw the successful implementation of a new sales system for the field force.

Awards


top EMPLOYER
AFRICA
2022
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS
top EMPLOYER
ZIMBABWE
2022
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS
British American Tobacco Zimbabwe
(Holdings) Limited

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

.....operating profit icreased by **ZW$1.8 billion (432%)**

Lovemore T. Manatsa
Chairman

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

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

Board Resignations and Appointments
Mr. Kimesh Naidoo resigned from the position of The Managing Director of the Company effective 22 March 2022, this is due to the staff promotions which have occurred within the business. The Board of Directors would like to thank Mr. Kimesh Naidoo for his contribution to the success of Group and wish him all the best in his future endeavors.

The Board is pleased to announce the appointment of Mr. Sivenasen Moodley as the new Managing Director with effect from 22 March 2022.

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

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

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

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

The Group recorded an increase in revenue of 42%, which amounts to ZW$1.4 billion when compared to the previous year, driven by volume growth, price reviews as well as revenue generated from the export of cut-rag tobacco and leaf. The two income generating streams resulted in a gross profit increase of ZW$1.3 billion (77%), when compared to the same period in 2020.

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

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

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

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

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

CHAIRMAN'S STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

Blocked Funds Registration

Subsequent to 31 December 2019, the RBZ registered blocked funds amounting to US$15.7 million in respect of outstanding dividends, in line with the blocked funds guidelines stipulated in the Exchange Control Directive RU28 dated 21 February 2019 and the Exchange Control Circular No. 8 of 24 July 2019. In line with the provisions of the February 2019 Monetary Policy Statement on the settlement arrangements for these blocked funds, RBZ is now finalising the appropriate instrument(s) to facilitate settlement of the registered blocked funds. As a result of the successful registration of blocked funds, which were listed as approved blocked funds under Annex 1 of the Finance Act (no 7) of 2021, (gazetted on 21 December 2021), management has continued to account for the outstanding blocked funds at a rate of US$1: ZW$1.

Dividend

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

Contribution to the Government Treasury

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

Sustainability

As part of our commitment to building a better tomorrow, sustainability remains at the core of our business focus. We strive to operate our business in a socially and environmentally responsible manner. To achieve this, the Group continues to strengthen its systems to address both environmental and social aspects associated with its operations. British American Tobacco Zimbabwe (Holdings) Limited, continues to demonstrate its commitment to sustainable development by enhancing the livelihood of Tobacco Farmers to build long term resilience in farming communities. To this end, the Tobacco Empowerment Trust (TET) was established in 2015. The main thrust of the Trust is to empower indigenous farmers with both technical and financial assistance and to help build best agricultural practices. In 2021, we raised the bar with our sustainability agenda and we intend to reduce our carbon footprint as a group by increasing our renewable energy use and achieving 100% renewable energy use in our operational sites by 2030. To this end, we are gradually switching to solar power for all our trade depots sites and to date we have built solar sites for two depots. We also aim to increase the amount of water recycled to 30% by 2025.

COVID-19 response

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

Outlook

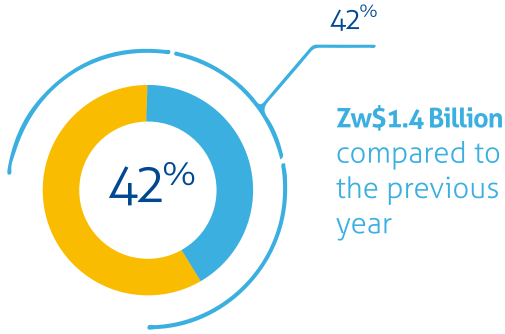
The Board is confident that the Group is in a good position to navigate through the turbulent economic environment. Furthermore, Zimbabwe's economy is forecast to continue on a growth trajectory as the country shrugs off the effects of the COVID-19 p Ukraine and their potential impact on the Zimbabwean business. In the short term the business anticipates a potential increase in the cost of production.

Conclusion

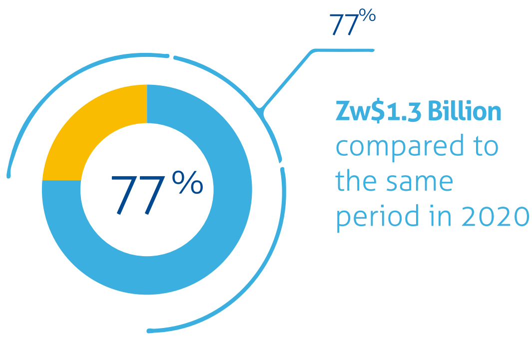
I would like to express my thanks and appreciation to my fellow Directors on the Board, the Management Team, staff, shareholders and all other stakeholders for their support throughout the year.

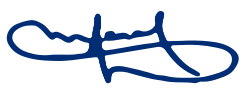
Financial Performance:

Increase of revenue driven by volume growth



Gross profit increase from the two streams





Lovemore T. Manatsa
Chairman
30 March 2022

MANAGING DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

......profit attributable to shareholders was **ZW$1.4 billion**

Kimesh Naidoo
Managing Director

Introduction
Dear shareholders and stakeholders,
I am once again pleased to report on the financial results of British American Tobacco Zimbabwe (Holding) Limited ("the Group") for the year ended 31 December 2021. Our cigarette business continues to deliver sustained performance, and our efforts to transform our product portfolio and drive tobacco harm reduction are steadily progressing. We remain anchored on our renewed strategy and purpose – to build A Better Tomorrow for our stakeholders.

Group performance
The period under review saw a significant improvement in business performance compared to the same period prior year. The Group's investment in key brands, consistent product supply and efficient route to market strategy, delivered a strong volume growth across our product offerings over the comparative period. The Group recorded an increase in volume of 25% from the sale of cigarettes and 74% from the export of cut-rag tobacco.

Net profit attributable to shareholders for the period under review was ZW$1.4 billion compared to a net profit of ZW$98 million in 2020, recording a growth of 1,327%. Basic Earnings per share increased to ZW$80.61 from ZW$5.65 generated in the previous year.

The Board of Directors has decided to not declare a dividend for the period under review due to the need to re-invest in our operations.

Operating environment and overview
There was notable improvement in the trading environment in the period under review driven by the slow-down of inflation as well as decreased exchange rate volatility. The Group remains optimistic that more policies will be employed that will continue to improve the economic environment in Zimbabwe.

Although the issue of blocked funds remains a challenge to the business, engagements with the Reserve Bank of Zimbabwe ("RBZ") to normalize this were of paramount importance during the year under review. This will remain a key focus in 2022 to ensure the Company continues to deliver value for its shareholders. The Group's blocked funds were listed as approved blocked funds under Annex 1 of the Finance Act (No 7) of 2021, (gazetted on 21 December 2021).

Sustainability
As we build a better tomorrow, sustainability is at the core of our business. Our sustainability agenda reflects our commitment to reducing the health impact of our business and excellence across our other ESG priorities. Our approach is driven by extensive stakeholder insights. part of our commitment to ensuring sustainability of our business. From a Society perspective, our sustainability goals are aimed at reducing the overall health and environmental impacts of our business., For our consumers, we are committed to offering a greater choice of enjoyable less risky products For our Employees we are creating a dynamic and purposeful place to work and for the environment we operate in our focus is to reduce the environmental impact of our business to ensure environmental excellence for a greener tomorrow. Comprehensive action plans have been adopted for our factories to achieve zero waste to landfill in 2022 and a five year road map for achieving

MANAGING DIRECTOR'S REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

From a Society perspective, our sustainability goals are aimed at reducing the overall health and environmental impacts of our business

our carbon, energy, water and waste targets. In alignment with the BAT Group strategy, we are committed to achieving carbon neutrality for our own business activities by 2030, and the entire value chain by 2050.

Acknowledgments

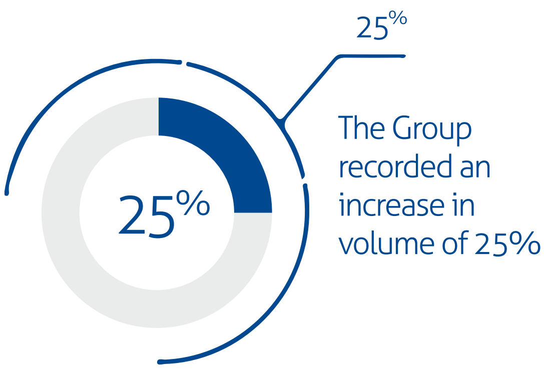
I would like to express my sincere gratitude to our customers, for their unwavering support and loyalty to our brands. We remain committed to satisfying your consumer moments. I would also like to thank our employees for their loyalty, resilience and hard work towards delivering another year of excellent results. Our gratitude is also extended to our Stakeholders, who continue to acknowledge the businesses commitment to the highest standards of business conduct which are made possible by our outstanding team.

Finally, we remain grateful for the input and invaluable counsel of our Board of Directors throughout the year.

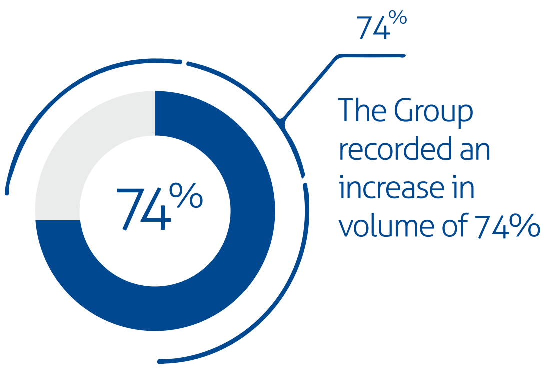
Kimesh Naidoo
30 March 2022

The Group recorded an increase in volume:

Sale of Cigarettes



Export of Cut- rag tobacco



FINANCE DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

.....Net profit before taxation totalled **ZW$2.2 billion**

Vincent K. Kaloki
Finance Director

Introduction
The Directors have pleasure in presenting the audited financial statements for the year ended 31 December 2021.

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

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

Net profit before taxation totalled ZW$2.2 billion whilst profit attributable to ordinary shareholders totalled ZW$1.4 billion (ZW$80.61 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 Group's Articles of Association, Messrs. Chikosi and Manatsa retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election in terms of the Group's Articles of Association.

Directors' Interest
As at 31 December 2021, the Directors held, directly and indirectly, an interest of 0.005% (31 December 2020: 0.005%) in the issued share capital of the Group. No change in the interest of Directors has taken place between the financial year end and the date of this report.

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

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

Share Capital
As at 31 December 2021, the Group had an authorised issued share capital comprising of 20 633 517 ordinary shares. Of these shares, 3 252 000 shares are held as treasury shares as explained under Note 12.

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

On behalf of the Board

Vincent K. Kaloki
Finance Director
30 March 2022

REPORT OF THE AUDIT COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2021

The Audit Committee is responsible for oversight over financial reporting and related internal controls....

Rachel Kupara
Non-Executive Director

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

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

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

- **Appropriateness of exchange rates in accordance with International Accounting Standard 21:** The Zimbabwean economy is currently characterized by two exchange rates, the official exchange rate which is prescribed by the Reserve Bank of Zimbabwe and the parallel market rate. The determination of the appropriate exchange rate remains a challenge as there is a disparity between the official exchange rate and the parallel exchange rate.

- **Financial Reporting in a hyper inflationary economy:** The economy continues to be categorized as hyperinflationary which requires the application of IAS 29, Financial Reporting in Hyperinflationary Economies, on the basis that the functional currency remains ZW$.

- **Accounting for legacy debt:** The Group accounts for the registered blocked funds of US$15.7 million (relating to dividends) on a US$1:ZW$1 basis. RBZ issued a circular in the Finance Act in which they acknowledged the legacy debts that they have registered.

Internal controls and Risk Management
The following matters were presented to the Audit Committee for review:

- The control navigator was presented for review by the Finance Director. The control navigator is the framework that the Group uses to monitor the effectiveness and implementation of internal controls.

- The Committee reviewed the business risk register presented by management which detailed the identified risks that the Group is facing and the proposed updates to the risk register. The risk register is updated and reviewed on a quarterly basis.

- The loss report and security incidents report was reviewed by the Committee. A few occurrences were reported during the period and the mitigatory actions taken to minimise the risk of re-occurrence of the incidents.
- The Legal and External affairs report was presented by the Company Secretary. The report outlined all key governance, regulatory and legislation matters which affected the Group.

Appointment of Auditors
The Audit Committee recommends the reappointment of KPMG Chartered Accountants (Zimbabwe) as the Group's external auditors for the financial year ending 31 December 2022.

Kupara

R. Kupara
Audit Committee Chairperson
30 March 2022

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Phyllis Chenjera
Company Secretary

Introduction

British American Tobacco Zimbabwe (Holdings) Limited remains committed to the principles of transparency, responsibility, integrity, accounting, independence and fairness in its dealings with stakeholders. The Company`s structures are continuously reviewed and updated to ensure compliance with applicable laws and generally acceptable Corporate Governance practices. The Directors confirm that the company materially complied with the National Corporate Governance Code of Zimbabwe the Companies and other business entities Act, principles of the UK Code on Corporate Governance as read together with the British American Tobacco Group Corporate Governance Booklet throughout the financial year.

Board Composition

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

The board composition ensures a well-balanced directorate with a broad range of business and industry expertise. The board comprises five (5) Non- Executive Directors and two (2) Executive Directors. The Chairman is an Independent Non-Executive Director and the Managing Director is responsible for the day-to-day management of the Company.

There is a clear separation of responsibilities between the Board and Management. The Company Secretary is responsible to the Board for ensuring that correct procedures are followed as well as adherence to corporate governance principles and standards.

The Board meets at least four times a year. Additional meetings may be convened to consider specific business issues which may arise between scheduled meetings. No additional meetings were required during the financial year under review.

Board Appointments

The Board notes the resignation of Mr. Kimesh Naidoo as the Managing Director of BAT Zimbabwe. Mr. Naidoo has diligently served the Group for the last two years and has been instrumental to the growth of the Group. The Board extends its appreciation to Mr. Naidoo for his service and wishes him the very best as he takes up a new role within BAT East & Southern Africa markets. The Board further congratulates Mr. Sivenasen Moodley who will succeed Mr. Naidoo as Managing Director of the Group. The appointment of the Mr Moodley will be ratified at the next Annual General Meeting.

In terms of Article 96 of the Company's Articles of Association, at least one third of the Directors must retire by rotation in each year. In this regard, Mr Constantine Chikosi and Mr Lovemore Manatsa will retire at the next Annual General Meeting and being eligible, offer themselves for re-election in terms of the Company's Articles of Association.

Board Committees

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

2021 BOARD ATTENDANCE

Director	Year of Appointment	Main Board	Audit, risk, CSR Committee	Remuneration and Nominations Committee
Mr. Lovemore T. Manatsa	2016	4/4	N/A	4/4
Mr. Edwin I. Manikai	2017	4/4	4/4	4/4
Mr. Constantine F. Chikosi	2019	4/4	4/4	4/4
Mrs Rachel P. Rupara	2019	4/4	4/4	4/4
Kimesh Naidoo	2019	4/4	4/4	4/4
Mrs. Christelle S. Romeo	2021	4/4	4/4	4/4
Vincent K. Kaloki	2021	4/4	4/4	4/4

The Remuneration and Nominations Committee

The Board Compensation Committee comprises of four Non-Executive Directors and is chaired by Mr Edwin Isaac Manikai. The committee is responsible for assisting the Board in fulfilling its Corporate Governance responsibilities with regards to remuneration matters including the 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.

Audit, Risk and Corporate Social Responsibility Committee

The Audit, Risk and Corporate Social Responsibility Committee comprises of four Non-Executive Directors and is chaired by Mrs Rachel Kupara. The Committee meets at least four times a year and is responsible for assisting the Board in fulfilling its corporate governance responsibilities in relation to 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.

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 2021.

ZSE Listing Rules Annual Compliance Certificate

I, Phyllis Chenjera in my capacity as Company Secretary of British American Tobacco Zimbabwe (Holdings) Limited ("the Company"), being duly authorised hereto, certify that the Company has, during the twelve months ended 31 December 2021, complied with every disclosure requirement for continued listing on the Zimbabwe Stock Exchange ("ZSE") imposed by the Committee of the ZSE during that period.

Phyllis Chenjera
Company Secretary
30 March 2022

STATEMENT OF DIRECTORS RESPONSIBILITY

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

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

The financial statements for the year ended 31 December 2021, which appear on pages 31 to 76 have been approved by the Board of Directors and are signed on its behalf by:

Lovemore Manatsa
Chairman

Kimesh Naidoo
Managing Director

These consolidated financial statements have been prepared under the supervision of Vincent K. Kaloki (CPA).

Vincent K. Kaloki
Finance Director

Company Secretary`s certification

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

Phyllis Chenjera
Company Secretary
Harare
30 March 2022

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FOR THE YEAR ENDED 31 DECEMBER 2021

Page Contents

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
	2021 ZW$ 000	**2020 ZW$ 000**
Revenue	4 721 328	3 334 453
Operating profit	2 192 041	411 782
Profit before income tax	2 180 028	411 782
Profit/(Loss) attributable to shareholders	1 401 168	98 158
Total assets	3 539 790	2 530 561
Basic earnings per share ($)	80.61	5.65
Diluted earnings per share ($)	80.61	5.65

	UNAUDITED HISTORICAL YEAR ENDED 31 DECEMBER	
	2021 ZW$ 000	**2020 ZW$ 000**
Revenue	3 828 144	1 522 516
Operating profit	2 032 667	370 620
Profit before income tax	2 020 654	370 620
Profit attributable to shareholders	1 488 531	271 914
Total assets	3 051 341	1 339 034
Basic earnings per share (ZW$)	85.64	15.64
Diluted earnings per share (ZW$)	85.64	15.64

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Mutual Gardens
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Zimbabwe
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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

Qualified 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 31 to 76, which comprise the inflation adjusted consolidated and separate statements of financial position as at 31 December 2021, 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 the inflation adjusted consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matters described in the Basis for qualified opinion section of our report, the inflation adjusted consolidated and separate financial statements present fairly, in all material respects, the inflation adjusted consolidated and separate financial position of British American Tobacco Zimbabwe (Holdings) Limited as at 31 December 2021, 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 qualified opinion

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

During the period 1 January 2020 to 23 June 2020, the Group 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 through the interbank foreign currency market, the interbank rate did not satisfy the requirements to be considered an appropriate exchange rate in accordance with IAS 21. The impact of this departure from IAS 21 affected the inflation adjusted consolidated and separate financial statements for the year 31 December 2020, and whilst considered to be material, it was impractical to quantify the misstatement, due to the lack of an appropriate alternate rate that would satisfy the requirements of IAS 21.

Management has not restated the prior year amounts in line with the requirements of IAS 8; and consequently, many corresponding numbers, in respect of the financial performance and cash flows, remain misstated on the inflation adjusted consolidated and separate financial statements of 31 December 2020.

Non-compliance with International Financial Reporting Standards IAS 29 – Financial Reporting in Hyperinflationary Economies (IAS 29)

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 has been applied to the incorrect balances due to the non-compliance with IAS 21 in the prior years, as commented on above.

Our opinion on the current year's inflation adjusted consolidated and separate financial statements has been qualified because of the possible effects of these matters on the comparability of the current year's inflation adjusted financial statements with those of the prior year.

Independent Auditors' Report (continued)

RBZ blocked funds

As described in note 14 to the inflation adjusted consolidated and separate financial statements, the Group has continued to account for foreign liabilities amounting to US$15.7 million, approved as blocked funds on a 1:1 basis being ZW$15.7 million, as included in Trade and other payables balance, as the Directors believe the Reserve Bank of Zimbabwe (RBZ) will assist the Group in sourcing foreign currency at that rate. Whilst the amount has been listed as approved blocked funds in the Finance Act (No.7) of 2021, enacted on 31 December 2021, no legally binding instrument had been issued by the RBZ to confirm the contractual terms supporting settlement of the approved blocked funds. The accounting of these foreign liabilities at a rate of 1:1 is not in line with the requirement of IAS 21, which requires foreign currency denominated liabilities to be translated at the closing spot rates at the respective period end. Accordingly, other losses is understated by ZW$423.9 million, monetary gain on hyperinflation adjustment is understated by ZW$769.6 million, the trade and other payables balance is understated by ZW$1,706.6 million and the opening retained earnings balance as at 1 January 2021 is overstated by ZW$2,052.3 million.

This departure from IAS 21 on the inflation adjusted consolidated and separate financial statements is material and our opinion on the current year's inflation adjusted consolidated and separate financial statements has been qualified as a result.

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 qualified 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. These matters were addressed in the context of our audit of the inflation adjusted consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for qualified opinion, section we have determined the matters described below to be the key audit matters to be communicated in our report.

Application of IAS 21 – The Effects of Changes in Foreign Exchange Rates (IAS 21) with respect to the appropriateness of the determined spot rate
(Group and Company) - Refer to accounting policies note 2.6

Key audit matter	How the matter was addressed in our audit
The Zimbabwean economy is currently characterized by two exchange rates: the official exchange rate, prescribed by the Reserve Bank of Zimbabwe (RBZ) (the auction rate) and the parallel market rate, which is unofficial. The Group and Company's transactions include a mix of Zimbabwe Dollar (ZW$), Pounds Sterling (GBP) and US Dollar (US$) based transactions, both from a sale (cut-rag exports), expenses and foreign balances perspective, all of which are required to be translated to ZW$ at the prevailing spot rate at the dates of the transactions or valuation, where items are re-measured. The Group and Company has applied the auction rate in its determination of the appropriate spot rate pursuant to complying with IAS 21 for the financial year ended 31 December 2021. Foreign currency transactions and balances were thus translated to ZW$ at the auction rate, as the Group and Company has concluded that there is no lack nor a temporary lack of exchangeability of foreign currency in terms of IAS 21 given that the Group and Company participated in the foreign exchange auction and were allotted foreign currency which demonstrated exchangeability. Due to the uncertainty surrounding which exchange rate should be considered as the prevailing spot rate for the purpose of translating foreign currency transactions and balances to ZW$, the appropriateness of the determined spot rate was considered a key audit matter.	Our audit procedures performed included the following: • We evaluated management's technical analysis outlining their considerations for the basis of using the auction rate as the spot rate in accordance with the requirements of IAS 21 by performing an analysis of the amount of successful bids against the amounts allocated, thereby assessing whether the Group and Company were able to obtain foreign currency from the auction market; • We assessed the adequacy of the disclosures made in the financial statements in respect of the significant estimates and judgements made in the determination of the appropriate foreign currency exchange translation rate in terms of IAS 21 – The Effects of Changes in Foreign Exchange Rates.

Independent Auditors' Report (continued)

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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

As described in the Basis for qualified opinion section above, the Group has not restated the inflation adjusted consolidated and separate comparative financial statements, as required by IAS 8, to resolve the matters which resulted in the adverse opinion in the prior year relating to the non-compliance with IAS 21. In addition, the Group continued to account for foreign liabilities, approved as blocked funds, at an exchange rate of 1:1 as at 31 December 2021, which is not in compliance with IAS 21. We have, therefore, concluded that the other information is materially misstated for the same reasons with respect to the amounts or other items in the Chairman's statement, the Directors' report and the Financial highlights.

Responsibilities of the directors for the inflation adjusted consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated and separate financial statements in accordance with 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 or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the inflation adjusted consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these inflation adjusted consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 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 to cease to continue as a going concern.

Independent Auditors' Report (continued)

- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated and separate financial statements, including the disclosures, and whether the inflation adjusted consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

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

31 March 2022

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER 2021 ZW$ 000	2020 ZW$ 000
Revenue	20	4 721 328	3 334 453
Cost of sales	22.1	(1 669 467)	(1 611 950)
Gross profit		**3 051 861**	**1 722 503**
Selling and marketing costs	22.2	(614 944)	(443 039)
Administrative expenses		(534 320)	(539 139)
Impairment loss on trade receivables	30.1	(16 167)	(7 395)
Re-measurement of share-based payment liability	16	(4 298)	(1 163)
Other income	21	20 893	2 252
Other losses	23	(82 731)	(616 615)
Monetary gain on hyperinflation adjustment		372 531	294 377
Operating profit		**2 192 041**	**411 782**
Finance Costs		(12 013)	-
Profit before income tax		**2 180 028**	**411 782**
Income tax expense	24	(778 860)	(313 624)
Total comprehensive income for the year		**1 401 168**	**98 158**
Attributable to:			
Owners of the parent		**1 401 168**	**98 158**
Basic earnings per share (ZW$)	26	80.61	5.65
Diluted earnings per share (ZW$)	26	80.61	5.65
Headline earnings per share (ZW$)	26	59.18	(11.29)

The notes on pages 31 to 76 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 30 March 2022 and signed on its behalf by:

Managing Director

Finance Director

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
		2021	**2020**
	Note	**ZW$ 000**	**ZW$ 000**
Revenue	20	4 721 328	3 334 453
Cost of sales	22.1	(1 669 467)	(1 611 950)
Gross profit		**3 051 861**	**1 722 503**
Selling and marketing costs	22.2	(614 944)	(443 039)
Administrative expenses		(534 320)	(539 139)
Impairment loss on trade receivables	30.1	(16 167)	(7 395)
Re-measurement of share-based payment liability	16	(4 298)	(1 163)
Other income	21	20 893	2 252
Other losses	23	(82 731)	(616 615)
Monetary gain on hyperinflation adjustment		372 531	294 377
Operating profit		**2 192 041**	**411 782**
Finance Costs		(12 013)	-
Profit before income tax		**2 180 028**	**411 782**
Income tax expense	24	(778 860)	(313 624)
Total comprehensive income for the year		**1 401 168**	**98 158**
Attributable to:			
Owners of the parent		**1 401 168**	**98 158**
Basic earnings per share (ZW$)	26	80.61	5.65
Diluted earnings per share (ZW$)	26	80.61	5.65
Headline earnings per share (ZW$)	26	59.18	(11.29)

The notes on pages 31 to 76 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 30 March 2022 and signed on its behalf by:

....
Managing Director

....
Finance Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
		2021	2020
ASSETS	**Note**	**ZW$ 000**	**ZW$ 000**
Non-current assets			
Property, plant and equipment	3	371 042	331 310
Intangible assets	4	27	363
Investment property	5	8 977	9 443
Financial assets at fair value through profit or loss	10	8 234	2 708
Deferred tax asset	17	-	138 173
		388 280	**481 997**
Current assets			
Inventories	8	1 163 354	1 327 092
Trade and other receivables	9	483 021	523 015
Cash and cash equivalents	11	1 505 136	198 456
		3 151 511	**2 048 563**
Total assets		**3 539 791**	**2 530 560**
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital	12	323 773	323 773
Non-distributable reserve		20 896	20 896
Retained earnings		1 937 338	536 170
Total equity		**2 282 007**	**880 839**
Non-current liabilities			
Deferred tax liability	17	7 672	-
		7 672	-
Current liabilities			
Trade and other payables	14	835 188	1 451 945
Staff benefits provisions	15	246 073	98 932
Share-based payment liability	16	6 043	2 075
Current income tax liability	25	162 808	96 770
		1 250 112	**1 649 721**
Total equity and liabilities		**3 539 791**	**2 530 560**

The notes on pages 31 to 76 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 30 March 2022 and signed on its behalf by:

Managing Director

Finance Director

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
		2021	2020
ASSETS	**Note**	**ZW$ 000**	**ZW$ 000**
Non-current assets			
Property, plant and equipment	3	371 042	331 310
Intangible assets	4	27	363
Investment property	5	8 977	9 443
Financial assets at fair value through profit or loss	10	8 234	2 708
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Total equity and liabilities		**3 539 791**	**2 530 560**

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Managing Director Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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Managing Director

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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 in 2009. 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 2021

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

		INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
		2021	**2020**
	Note	**ZW$ 000**	**ZW$ 000**
Cash flows from operating activities			
Cash generated/(utilised) from operations	18	1 592 329	(49 263)
Interest paid		(12 013)	-
Income tax paid	25	(566 976)	(352 388)
Net cash generated/(utilised) from operating activities		**1 013 340**	**(401 651)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(91 811)	(2 850)
Net cash used in investing activities		**(91 811)**	**(2 850)**
Cash flows from financing activities			
Dividends paid to owners of the parent	27	-	-
Net cash used in financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents Before effects of inflation		**921 529**	**(404 501)**
Effect of inflation on cash and cash equivalents		386 307	297 347
Net increase/(decrease) in cash and cash equivalents		**1 307 836**	**(107 154)**
Cash and cash equivalents at the beginning of the year		198 456	305 560
Effect of movement in exchange rates on cash held		(1 157)	50
Cash and cash equivalents at the end of the year	11	**1 505 135**	**198 456**

The notes on pages 31 to 76 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 30 March 2022 and signed on its behalf by:

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SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER 2021 ZW$ 000	2020 ZW$ 000
Cash flows from operating activities			
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Interest paid		(12 013)	-
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Net cash used in investing activities		**(91 811)**	**(2 850)**
Cash flows from financing activities			
Dividends paid to owners of the parent	27	-	-
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Cash and cash equivalents at the end of the year	**11**	**1 505 135**	**198 456**

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Finance Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

British American Tobacco Zimbabwe (Holdings) Limited ("the Company") and its subsidiaries (together, "Group") manufactures, distributes and sells cigarettes through a network of independent retailers and distributors. The Group has a cigarette manufacturing plant in Zimbabwe and sells cigarettes entirely on the Zimbabwean market and exports cut rag outside Zimbabwe.

These financial statements are presented in Zimbabwean dollars (ZW$), rounded to the nearest thousand dollars.

The Group is a limited liability company incorporated and domiciled in Zimbabwe. The address of its registered office is Number 1 Manchester Road, Southerton, Harare, Zimbabwe. The Group has its primary listing on the Zimbabwe Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 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 2020 financial statements are the basis for the comparative financial information presented in 2021.

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 2021 are as follows:

Dates	Indices	Conversion Factor
CPI as at 31 December 2021	3 977.50	1.00
CPI as at 31 December 2020	2 474.51	1.61
Average CPI 2021	3 135.23	
Average CPI 2020	1 579.09	

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting period to the end of that reporting period.

- Assets and liabilities linked by agreements to changes in prices, such as index linked bonds and loans, are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the end of the reporting period. The amounts are carried at this adjusted amount in the restated statement of financial position.
- An impairment loss is recognised in profit or loss if the remeasured amount of a non-monetary item exceeds its recoverable amount.
- Comparative financial statements are restated by applying the relevant year end conversion factors.
- All items in the statement of profit or loss and other comprehensive income with the exception of unrealised gains and losses are restated by applying the relevant monthly conversion factors.
- All items in the statement of cash flows are stated in terms of the measuring unit current at the balance sheet date.
- The effect of inflation on the net monetary position of the Group is included in profit or loss as a gain or loss on net monetary position.

The Group financial statements have been prepared on the going concern basis which the Directors believe to be appropriate (refer to note 35).

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

The following standards and interpretations were in issue and effective:

IFRS 16	COVID-19 Related Rent Concessions (Amendment to IFRS 16). Effective 1 June 2020.
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). Effective 1 January 2021.

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

IFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16). Effective 1 April 2021
IAS 37	Onerous Contracts – costs of fulfilling a contract (Amendments to IAS 37). Effective 1 January 2022
Other	Annual Improvements to IFRS Standards 2018-2020
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). Effective 1 January 2022
IFRS 3	Reference to the Conceptual Framework (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
IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1and IFRS Practice Statement 2). Effective 1 January 2023
IAS 8	Definition of Accounting Estimates (Amendments to IAS 8). Effective 1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). Effective 1 January 2023
IFRS 17	Insurance contracts and amendments to 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 2022 and earlier application is permitted, however, the Group has not early adopted the new or amended standards. The amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

2.2 Consolidation

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

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 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

2.3 Investment in subsidiaries

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Zimbabwe dollar (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.

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 of bids were allocated as the auction system progressed which indicated exchangeability of the rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation (continued)

The Group participated in the foreign exchange auction and were allotted foreign currency which demonstrated exchangeability, from 23 June 2020, in 2020, and throughout 2021. With effect from 23 June 2020, the Group applied auction rates to translate foreign currency transactions and balances into ZW$ and has continued to apply the ZW$ as the functional currency.

(b) Transactions and balances

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

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

2.6 Property, plant and equipment

Recognition and measurement

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

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

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

Depreciation

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

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

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

Derecognition

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

2.7 Intangible assets

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

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

Accounting system software	8 years

The residual values and useful lives are reassessed annually.

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

2.8 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 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.

2.9 Impairment of non-financial assets

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

2.10 Financial assets

2.10.1 Classification

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

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

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

(b) Amortised cost

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

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

2.10.2 Recognition and measurement

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

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

2.10.3 Offset

If a legally enforceable right exists to set-off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts and the Group intends to settle on a net basis, the relevant financial assets and liabilities are offset.

2.11 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average costing method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less cost to dispose.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Trade payables (continued)

Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

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

2.13 Impairment of financial assets

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

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

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

2.14 Borrowings

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

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

2.15 Trade receivables

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

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

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

2.16 Cash and cash equivalents

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

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

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

2.17 Share capital

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

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Share capital (continued)

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.

2.18 Current and deferred tax

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

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

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

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

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

2.19 Provisions

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

Long-service award provision

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

Restructuring provision

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

2.20 Revenue recognition

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

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

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

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (continued)

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

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

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

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

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

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

2.24 Employee benefits

(a) Pension obligations

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Share-based payment (continued)

(b) Incentive bonus plan

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

2.25 Share-based payment

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

The ESOT holds 10% of the ordinary share capital of British American Tobacco Zimbabwe (Holdings) Limited (2 063 352 shares). 1 031 676 shares were donated to the ESOT without consideration by BAT International Holdings (UK) Limited and a further 1 031 676 shares were issued for value from new share capital by British American Tobacco Zimbabwe (Holdings) Limited.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021					
Opening net book amount	48 059	168 790	70 317	44 144	331 310
Additions	-	15 393	14 996	61 422	91 811
Disposals	-	-	(14 040)	-	(14 040)
Depreciation charge	-	(6 109)	(9 295)	(22 635)	(38 039)
Closing net book amount	**48 059**	**178 074**	**61 978**	**82 931**	**371 042**
At 31 December 2021					
Cost	48 059	247 270	556 712	165 926	1 017 968
Accumulated depreciation and impairment	-	(69 196)	(494 734)	(82 995)	(646 925)
Net book amount	**48 059**	**178 074**	**61 978**	**82 931**	**371 042**

Depreciation expense amounting to ZW$15 910 157 (2020: ZW$13 961 758) has been charged in cost of sales, ZW$10 671 646 (2020: ZW$9 364 769) in selling and marketing costs and ZW$ 11 457 429 (2020: ZW$10 054 323) 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 2020					
Opening net book amount	48 059	174 321	109 852	49 081	381 313
Additions	-	-	-	2 851	2 851
Depreciation charge	-	(5 531)	(39 535)	(7 788)	(52 854)
Closing net book amount	**48 059**	**168 790**	**70 317**	**44 144**	**331 310**
At 31 December 2020					
Cost	48 059	231 877	600 794	104 504	985 234
Accumulated depreciation and impairment	-	(63 087)	(530 477)	(60 360)	(653 924)
Net book amount	**48 059**	**168 790**	**70 317**	**44 144**	**331 310**

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

4. INTANGIBLE ASSETS

Consolidated and Company

INFLATION ADJUSTED	COMPUTER SOFTWARE ZW$ 000	TOTAL ZW$ 000
Year ended 31 December 2021		
Opening net book amount	363	363
Amortisation charge	(336)	(336)
Closing net book amount	**27**	**27**
At 31 December 2021		
Cost	44 864	44 864
Accumulated amortisation charge	(44 837)	(44 837)
Net book amount	**27**	**27**
Year ended 31 December 2020		
Opening net book amount	700	700
Amortisation charge	(336)	(336)
Closing net book amount	**363**	**363**
At 31 December 2020		
Cost	44 864	44 868
Accumulated amortisation charge	(44 501)	(44 501)
Net book amount	**363**	**363**

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

5. INVESTMENT PROPERTY

Consolidated and Company

INFLATION ADJUSTED	LAND AND BUILDINGS ZW$ 000	TOTAL ZW$ 000
Year ended 31 December 2021		
Opening net book amount	9 443	9 443
Depreciation charge	(466)	(466)
Closing net book amount	**8 977**	**8 977**
At 31 December 2021		
Cost	14 281	14 281
Accumulated depreciation	(5 304)	(5 304)
Net book amount	**8 977**	**8 977**
Year ended 31 December 2020		
Opening net book amount	9 908	9 908
Depreciation charge	(465)	(465)
Transfer in	-	-
Closing net book amount	**9 443**	**9 443**
At 31 December 2020		
Cost	14 281	14 281
Accumulated depreciation	(4 838)	(4 838)
Net book amount	**9 443**	**9 443**

Investment property comprises of buildings that are leased to third parties, refer to note 32. Rental income recognised by the Group during 2021 was ZW$4 416 119 (2020: ZW$1 130 630) and was included in "other income", see note 21.

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

5. INVESTMENT PROPERTY (continued)

	Fair value measurements (Level 2)	
	2021	**2020**
INFLATION ADJUSTED	**ZW$ 000**	**ZW$ 000**
Investment property	106 660	73 597

Fair values of investment property

The fair value of investment property as at 31 December 2021 was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

A Director's valuation of the Company's investment property was performed to determine the fair value as at 31 December 2020.

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 2021 ZW$ 000	Fair value at 31 December 2020 ZW$ 000	Valuation technique	Observable inputs	Relationship of observable inputs to fair value
Investment property	106 660	73 597	approach	square metre	The higher/lower the price per square metre, the higher/lower the fair value

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

	INFLATION ADJUSTED	
	2020	2021
6 INVESTMENT IN SUBSIDIARIES	ZW$ 000	ZW$ 000
Company		
Investment in subsidiaries	-	-

Set out below are the Company's subsidiaries at 31 December 2021. The subsidiaries, as listed below, have share capital consisting solely of ordinary shares, which are held directly by the Company. All the subsidiaries are dormant and have nil values with insignificant assets and liabilities.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021			
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)	294 770	-	294 770
Financial assets at fair value through profit or loss	-	8 234	8 234
Cash and cash equivalents	1 505 136	-	1 505 136
Total	**1 799 906**	**8 234**	**1 808 140**

	Other financial liabilities ZW$ 000	Total ZW$ 000
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	789 256	789 256
Total	**789 256**	**789 256**

31 December 2020	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)	244 779	-	244 779
Financial assets at fair value through profit or loss	-	2 708	2 708
Cash and cash equivalents	198 456	-	198 456
Total	**443 235**	**2 708**	**445 942**

	Other financial liabilities ZW$ 000	Total ZW$ 000
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	1 255 887	1 255 887
Total	**1 255 887**	**1 255 887**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

8. INVENTORIES

	INFLATION ADJUSTED	
	2021	**2020**
	ZW$ 000	**ZW$ 000**
Consolidated and Company		
Raw materials	1 080 408	1 091 257
Finished goods	73 709	228 066
Consumables	9 237	7 769
	1 163 354	**1 327 092**

The cost of inventories recognised as an expense and included in "cost of sales" amounted to ZW$1 992 605 (2020: ZW$729 201). During the year, write downs amounting to ZW$ nil (2020: ZW$ nil) were recognised in cost of sales as an expense during the year.

9. TRADE AND OTHER RECEIVABLES

Consolidated and Company		
Trade receivables	147 682	96 192
Less: Provision for impairment of trade receivables	(4 356)	(2 603)
Trade receivables - net	143 326	93 589
Other receivables	55 363	56 829
Prepayments	188 250	223 590
Receivables from related parties (note 29)	152 124	217 502
Less: Provision for impairment of receivables from related parties	(56 042)	(68 495)
	483 021	**523 015**

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 2021, trade receivables amounting to ZW$50 420 926 (2020: ZW$33 101 815) 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$430 000 (2020: ZW$471 500).

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

9. TRADE AND OTHER RECEIVABLES (continued)

Consolidated and Company (continued)

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

	INFLATION ADJUSTED			
31 December 2021	**Total ZW$ 000**	**Up to 30 days ZW$ 000**	**31 to 60 days ZW$ 000**	**61 days and more ZW$ 000**
Wholesalers	92 796	85 700	6 611	485
Retailers	39 631	33 663	988	4 980
Stockists	15 254	14 054	233	967
Other receivables	55 363	39 614	-	15 749
Prepayments	188 250	188 250	-	-
Receivables from related parties	152 124	84 518	-	67 606
Provision for impairment of receivables	(60 398)	-	-	(60 398)
Total	**483 021**	**445 799**	**7 832**	**29 389**
31 December 2020				
Wholesalers	50 518	50 518	-	-
Retailers	18 464	17 689	775	-
Stockists	27 210	26 089	494	627
Other receivables	56 829	31 514	-	25 315
Prepayments	223 590	223 590	-	-
Receivables from related parties	217 502	-	124 865	92 637
Provision for impairment of receivables	(71 098)	-	-	(71 098)
Total	**523 015**	**349 400**	**126 134**	**47 481**

As at 31 December 2021, trade receivables excluding related parties amounting to ZW$38 460 804 (2020: ZW$27 210 078) were overdue.

The amount of the provision recognised on total trade receivables including related parties as of 31 December 2021 amounted to ZW$60 398 799 (2020: ZW$71 098 125). The individually impaired receivables mainly relate to distributors, wholesalers, retailers and an intercompany, which are in a difficult economic situation.

	INFLATION ADJUSTED	
	2021 ZW$ 000	**2020 ZW$ 000**
The ageing of these receivables is as follows:		
3 to 6 months	4 356	2 603
Over 6 months	56 042	68 495
	60 398	**71 098**

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

9. TRADE AND OTHER RECEIVABLES (continued)

Consolidated and Company (continued)

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

	INFLATION ADJUSTED	
	2021 ZW$ 000	2020 ZW$ 000
ZWL	386 940	379 234
USD	91 687	143 781
GBP	4 394	-
ZAR	-	-
Total	**483 021**	**523 015**

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

At 1 January	**71 098**	**52 975**
Provision for receivables impairment	3 386	7 395
Unused amounts reversed	-	-
Movement in exchange rates	12 781	51 894
Inflation adjustment	(26 867)	(41 166)
At 31 December	**60 398**	**71 098**

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 2021, the gross exposure to credit risk in respect of trade and other receivables by type of counterparty was as follows:

	INFLATION ADJUSTED	
	2021 ZW$ 000	2020 ZW$ 000
Wholesalers	92 796	50 518
Retailers	39 631	18 464
Stockists	15 254	27 210
Other receivables	55 363	56 829
Prepayments	188 250	223 590
Related parties	152 124	217 502
	543 418	**594 113**

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	INFLATION ADJUSTED 2021 ZW$ 000	2020 ZW$ 000
Consolidated and Company		
Listed securities held for trading		
Equity securities - Nampak Holdings Limited	8 234	2 708

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**
2021				
Quoted securities at market value	**8 234**	**-**	**-**	**8 234**
2020				
Quoted securities at market value	**2 708**	**-**	**-**	**2 708**

Financial instruments in Level 1

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

11. CASH AND CASH EQUIVALENTS

	INFLATION ADJUSTED 2021 ZW$ 000	2020 ZW$ 000
Consolidated and Company		
Cash at bank and on hand	1 505 136	198 456
Cash and cash equivalents	**1 505 136**	**198 456**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

12. SHARE CAPITAL

Consolidated and Company	INFLATION ADJUSTED			
	2021		2020	
	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

	2021 Number of shares	2021 Value ZW$ 000
At 1 January 2020	**20 633 517**	**384 349**
Less treasury shares	(3 252 000)	(60 576)
At 31 December 2020	**17 381 517**	**323 773**
At 1 January 2021	**20 633 517**	**384 349**
Less treasury shares	(3 252 000)	(60 576)
At 31 December 2021	**17 381 517**	**323 773**

	Number of Ordinary shares	Ordinary shares ZW$ 000
Issued and fully paid		
Company		
At 31 December 2020	**20 633 517**	**384 349**
At 31 December 2021	**20 633 517**	**384 349**
Treasury shares		
At 31 December 2020	**3 252 000**	**60 576**
At 31 December 2021	**3 252 000**	**60 576**

All ordinary shares rank equally with regard to the Company's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

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

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

13. DIRECTORS' INTERESTS

Company

At 31 December 2021, the Directors held, directly or indirectly, the following number of shares in the Company:

	2021 Number of shares	2020 Number of shares
L T Manatsa	1 000	1 000

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

14. TRADE AND OTHER PAYABLES

	INFLATION ADJUSTED	
	2021 ZW$ 000	2020 ZW$ 000
Consolidated and Company		
Trade payables	66 092	201 644
Amounts due to related parties (note 28)	518 337	628 988
Social security and other taxes	162 189	183 739
Accrued expenses	85 865	433 226
External dividends	2 705	4 348
Other	-	-
	835 188	**1 451 945**

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:

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

14. TRADE AND OTHER PAYABLES (continued)

Consolidated and Company (continued)

	INFLATION ADJUSTED 2021 ZW$ 000	INFLATION ADJUSTED 2020 ZW$ 000
Consolidated and Company		
ZAR	501 804	614 509
GBP	35 332	11 948
EUR	1 784	401
US dollar	91 335	2 130
ZWL	204 460	822 957
MXN	473	-
	835 188	**1 451 945**

15. STAFF BENEFITS PROVISION

	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 2020	**-**	**15 840**	**27 840**	**354**	**44 034**
Utilised during the year	-	(15 840)	(27 840)	(354)	(44 034)
Charged to the statement of comprehensive income	-	47 100	45 166	6 666	98 932
At 1 January 2021	**-**	**47 100**	**45 166**	**6 666**	**98 932**
Utilised during the year	-	(47 100)	(45 166)	(6 666)	(98 932)
Charged to the statement of comprehensive income	108 903	54 901	76 716	5 553	246 073
At 31 December 2021	**108 903**	**54 901**	**76 716**	**5 553**	**246 073**

(a) Incentive bonus liability
The incentive bonus liability is payable within four months after year end.

(b) Provision for restructuring costs provision
This is a provision that was based on the number of employees who were involved in a redundancy exercise. These costs were fully provided for in 2021. The provision of ZW$108 903 000 (which is fully termination benefits) at 31 December 2021 is expected to be fully utilised during the first half of 2022.

(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 2021.

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

16. SHARE-BASED PAYMENT LIABILITY

Consolidated and Company

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

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

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

	INFLATION ADJUSTED	
	2021	**2020**
	ZW$ 000	**ZW$ 000**
At 1 January 2021	**2075**	**981**
Transfer from leave liability	-	-
Re-measurement of share-based payment liability	4 298	1 623
Amounts paid during the year	(329)	(529)
At 31 December 2021	**6 043**	**2 075**

17. DEFERRED TAX LIABILITY/(ASSET)

Consolidated and Company

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

Property, plant and equipment - accelerated depreciation	67 710	71 789
Provisions	(75 214)	(70 629)
Allowance for credit losses	(14 931)	(4 747)
Marketable securities - fair value	329	93
Unrealised exchange differences	(51 116)	(134 305)
Inventory	77 149	(374)
Prepayments	3 745	-
Deferred tax liability / (asset) - net	**7 672**	**(138 173)**

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

At 1 January	**(138 173)**	**(51 462)**
Credit to the statement of comprehensive income	145 845	(86 711)
At 31 December	**7 672**	**(138 173)**

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

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

Consolidated and Company (continued)
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 2021	**(138 173)**	**(138 173)**
Charge to the statement of comprehensive income	145 845	145 854
At 31 December 2021	**7 672**	**7 672**
At 1 January 2020	**(222 098)**	**(222 098)**
Charge to the statement of comprehensive income	83 925	83 925
At 31 December 2020	**(138 173)**	**(138 173)**

18. CASH GENERATED FROM OPERATIONS

	INFLATION ADJUSTED	
	2021 ZW$ 000	2020 ZW$ 000
Consolidated and Company		
Profit before income tax	**2 180 028**	**411 782**
Adjustment for:		
- Depreciation of property, plant and equipment and investment property	38 504	53 320
- Amortisation of intangible assets (note 4)	336	336
- Loss on sale of property, plant and equipment	226	-
- Fair value gains on financial assets at fair value through profit or loss (note 23)	(5 526)	(1 854)
- Other non-cash items	37	-
- Finance costs	12 013	-
- Unrealised exchange gains on cash held	1 157	(50)
- Monetary gain on hyperinflation adjustment	(372 531)	(294 377)
Changes in working capital:		
- Decrease /(Increase) in inventories	163 738	(505 501)
- Decrease /(Increase) in trade and other receivables	39 996	(284 728)
- (Decrease)/Increase in trade and other payables	(616 758)	515 819
- Increase in provisions for other liabilities and charges	147 141	54 897
- Increase in share-based payment liability	3 968	1 095
Cash generated/(utilised in) from operations	**1 592 329**	**(49 263)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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**
2021			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	21 389	46 000	67 389
NSSA	1 176	1 176	2 352
	22 565	**47 176**	**69 741**
2020			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	10 412	22 742	33 154
NSSA	198	198	396
	10 610	**22 940**	**33 550**

	INFLATION ADJUSTED	
	2021	**2020**
20. REVENUE	**ZW$ 000**	**ZW$ 000**
Consolidated and Company		
Revenue from sales of goods in domestic market	4 246 004	2 988 393
Revenue from cut rag exports to foreign market	475 324	346 060
	4 721 328	**3 334 453**

21. OTHER INCOME

Consolidated and Company		
Rental income	4 417	1 131
Sundry income	10 950	-
Financial assets at fair value through profit or loss (note 10)		
- Fair value gains	5 526	1 121
	20 893	**2 252**

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

		INFLATION ADJUSTED	
		2021	2020
		ZW$ 000	ZW$ 000
22.	**OPERATING PROFIT**		
	Consolidated and Company		
	Operating profit before taxation includes the following:		
22.1	**Cost of sales**		
	Leaf consumed	530 676	350 329
	Wrapping materials consumed	206 007	198 910
	Manufacturing costs	484 158	439 839
	Other cost of sales	448 626	622 872
		1 669 467	**1 611 950**

The inflation adjusted cost of sales movement, year on year is impacted by the variations between the prior year upliftment factors (refer to note [2.1]], and the timing of incurring costs in 2021, with the upliftment factors varying between 1.52 (January 2021) and 1 (December 2021).

		2021 ZW$ 000	2020 ZW$ 000
22.2	**Selling and marketing costs**		
	Brand specific expenses	160 406	93 593
	Marketing overheads	116 789	86 916
	Route to marketing overheads	337 749	262 530
		614 944	**443 039**
22.3	Auditors' remuneration - current year	15 105	10 371
	Depreciation of property, plant and equipment	38 504	53 124
	Directors' fees	10 970	11 020
22.4	**Staff costs**		
	Salaries and wages	763 270	552 221
	Pension contributions	46 556	34 976
		809 826	**587 197**

The number of employees as at 31 December 2021 was 108 (2020: 111).

		2021 ZW$ 000	2020 ZW$ 000
23.	**OTHER LOSSES**		
	Consolidated and Company		
	Exchange losses	(82 505)	(616 615)
	Loss on sale of property, plant and equipment	(226)	-
		(82 731)	**(616 615)**

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

24. INCOME TAX EXPENSE

	INFLATION ADJUSTED	
	2021	2020
	ZW$ 000	ZW$ 000
Consolidated and Company		
Current income tax on profit for the year	633 015	400 335
Deferred taxation expense/(income) (note 17)	145 845	(86 711)
	778 860	**313 624**

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:

	2021	2020
	%	%
Tax effect on current income tax rate	24.72	24.72
Prior year adjustments	-	-
Tax rate change	-	-
Disallowable expenditure:		
Depreciation of property, plant and equipment	0.19	0.03
Excess pension contributions	0.23	0.41
Intermediated Money Transfer Tax	0.21	0.74
Canteen Expenses	0.42	0.47
Entertainment Expenses	0.13	0.03
Other non-deductible expenses	0.64	0.32
Gain on fair value of shares	(0.26)	0.37
IAS 29 Adjustments	9.45	49.07
Effective tax rate	**35.73**	**76.16**

Other non-deductible expenses include subscriptions, donations and consultancy fees.

25. INCOME TAX PAID

Consolidated and Company		
Opening balance	96 770	48 823
Current tax (note 24)	633 015	400 335
Closing balance per statement of financial position	(162 808)	(96 770)
	566 976	**352 388**

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

26. EARNINGS PER SHARE

Consolidated and Company

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

	INFLATION ADJUSTED	
	2021	2020
	ZW$ 000	ZW$ 000
Profit attributable to equity holders of the Company (ZW$ 000)	1 401 168	98 158
Weighted average number of ordinary shares in issue (thousands)	17 382	17 382
Basic and diluted earnings per share	80.61	5.65
Headline earnings per share	59.18	(11.29)

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 2021. No dividends were declared in 2020.

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	
	2021	2020
	ZW$ 000	ZW$ 000
The following transactions were carried out with related parties:		
(a) Consolidated and Company		
Other sales:		
British American Tobacco Mozambique Lda	265 493	373 334
British American Tobacco South Africa (Pty) Limited	210 315	40
British American Tobacco Kenya plc	-	3 424
	475 808	**376 798**

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

28. RELATED PARTY TRANSACTIONS (continued)

(b) Purchase of goods and services:

	INFLATION ADJUSTED	
	2021	2020
	ZW$ 000	ZW$ 000
British American Tobacco South Africa (Pty) Limited	288 720	406 646
British American Tobacco (Holdings) Limited	7 196	4 968
British American Tobacco Vranje AD	372	-
British American Tobacco Tutun	-	49
British American Tobacco Chile	262	-
British American Tobacco Kenya	600	-
British American Tobacco Mexico	556	-
British American Tobacco Mozambique	425	-
British American Tobacco Zambia	2 434	-
British American Tobacco Nigeria Limited	832	262
	301 397	**411 925**

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

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

None of the outstanding balances is secured. A provision for bad and doubtful debts of ZW$56 042 449 (2020: ZW$68 495 090) has been recognised in the current year in respect of amounts owed by related parties. No guarantees have been given or received.

(c) Year end balances arising from sales/purchases of goods and services

	INFLATION ADJUSTED	
	2021	2020
	ZW$ 000	ZW$ 000
Receivable from related parties (note 9):		
British American Tobacco Angola Lda	-	-
British American Tobacco South Africa (Pty) Limited	32 822	1 296
British American Tobacco (GLP) Limited	7 170	17 332
British American Tobacco Mozambique Limitada	51 695	121 720
British American Tobacco Kenya Plc	-	3 145
British American Tobacco Investments Limited	4 394	5 420
	96 081	**148 913**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

28. RELATED PARTY TRANSACTIONS (continued)

	INFLATION ADJUSTED	
	2021	**2020**
	ZW$ 000	**ZW$ 000**
(d) Payable to related parties (note 14):		
British American Tobacco (Holdings) Limited	29 419	4 654
British American Tobacco South Africa (Pty) Limited	389 471	614 509
British American Tobacco (GLP) Limited	50 123	7 294
British American Tobacco Niemeyer	163	214
British-American Tobacco Singapore Limited	178	218
British American Tobacco Pecsi	90	1
British American Tobacco Tutun	76	101
British American Tobacco BT Bentoel Prima	158	2
British American Tobacco Vranje AD	359	83
British American Tobacco Nigeria Limited	1 874	1 266
British American Tobacco Kenya	539	-
British American Tobacco Mexico	473	-
British American Tobacco Chile	181	-
British American Tobacco Zambia	2 220	-
	475 324	**628 342**

(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	
	2021	**2020**
	ZW$ 000	**ZW$ 000**
Short term employee benefits	44 986	35 091
Post-employment benefits	633	454
	45 619	**35 545**

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

29. CAPITAL COMMITMENTS

There were no capital commitments at year end (2020: 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 2021, 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$ 44 284 003 lower/higher (2020: ZW$ 48 307 749), 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.

(b) Credit risk

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

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Consolidated and Company (continued)

30.1 Financial risk factors (continued)

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

	INFLATION ADJUSTED	
	2021	**2020**
	ZW$ 000	**ZW$ 000**
Trade receivables and other receivables, excluding prepayments		
- Trade receivables from customers	294 769	299 426
- Cash and cash equivalents	1 505 136	198 456
	1 799 905	**497 882**

The fair value of trade and other receivables at 31 December 2021 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	
	2021	**2020**
Financial institution	**ZW$ 000**	**ZW$ 000**
Standard Chartered Bank of Zimbabwe Limited	961 997	8 730
Stanbic Bank Zimbabwe Limited	303 703	94 464
First Capital Bank Zimbabwe Limited	1 650	2 507
Central Africa Building Society (CABS)	237 786	92 755
	1 505 136	**198 456**

(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).

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Consolidated and Company (continued)

30.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

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

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

Maturity analysis as at 31 December 2021 is as follows:

Consolidated and Company	INFLATION ADJUSTED			
	Up to one month ZW$ 000	1 to 2 months ZW$ 000	Later than 3 months ZW$ 000	Total Total ZW$ 000
Assets				
Cash and cash equivalents	1 505 136	-	-	1 505 136
Trade and other receivables (excluding prepayments)	173 030	7 833	22 181	203 044
Receivables from related parties	84 518	-	7 207	91 725
Financial assets at fair value	2 708	-	-	2 708
through profit or loss	8 234	-	-	8 234
Total assets	**1 770 918**	**7 833**	**29 388**	**1 808 139**
Liabilities				
Trade and other payables (excluding statutory liabilities)	(672 999)	-	-	(672 999)
Liquidity gap	**1 097 919**	**7 833**	**29 388**	**(1 135 140)**

NOTES TO THE FINANCIAL STATEMENTS
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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:

Consolidated and Company	INFLATION ADJUSTED			
	Up to one month ZW$ 000	**1 to 2 months ZW$ 000**	**Later than 3 months ZW$ 000**	**Total Total ZW$ 000**
Assets				
Cash and cash equivalents	198 456	-	-	198 456
Trade and other receivables (excluding prepayments)	125 813	1 269	25 941	153 023
Receivables from related parties	-	124 865	24 141	149 006
Financial assets at fair value through profit or loss	2 708	-	-	2 708
Total assets	**326 977**	**126 134**	**50 082**	**503 193**
Liabilities				
Trade and other payables (excluding statutory liabilities)	(1 268 208)	-	-	(1 268 208)
Liquidity gap	**(941 232)**	**126 134**	**50 082**	**(765 015)**

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 2021, the Group neither had borrowings payable to related parties, nor other financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Consolidated and Company (continued)

30.2 Capital risk management (continued)

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

	INFLATION ADJUSTED	
	2021	**2020**
	ZW$ 000	**ZW$ 000**
Total liabilities	1 257 784	1 649 722
Less: Cash and cash equivalents	(1 505 136)	(198 456)
Net debt	**(247 352)**	**1 451 266**
Total equity	**2 282 007**	**880 839**
Net debt to equity ratio	**(0.11)**	**1.65**

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).

NOTES TO THE FINANCIAL STATEMENTS
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31. SEGMENT INFORMATION

Consolidated and Company

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

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

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

Revenue amounting to ZW$4 246 003 682 (2020: ZW$2 988 392 516) is from external customers who are domiciled in Zimbabwe and is from the sale of cigarettes.

Revenue amounting to ZW$475 323 984 (2020: ZW$346 060 227) is from internal customers who are domiciled outside Zimbabwe and is from the sale of leaf and cut-rag.

	INFLATION ADJUSTED		
	Cigarettes	**Leaf and Cut rag**	**Total**
2021	**ZW$ 000**	**ZW$ 000**	**ZW$ 000**
External revenue	6 667 694	475 324	7 143 018
Tobacco duties	(2 421 690)	-	(2 421 690)
Net revenue	**4 246 004**	**475 324**	**4 721 328**
Profit before interest, taxation, depreciation and amortisation	**2 187 670**	**43 211**	**2 230 881**
Depreciation	(38 504)	-	(38 504)
Amortisation	(336)	-	(336)
Interest	(12 013)	-	(12 013)
Profit before income tax	**2 136 817**	**43 211**	**2 180 028**
Total assets	**3 488 095**	**51 695**	**3 539 790**
Total liabilities	**1 257 784**	**-**	**1 257 784**

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

31. SEGMENT INFORMATION (CONTINUED)

Consolidated and Company (continued)

	INFLATION ADJUSTED		
2020	**Cigarettes ZW$ 000**	**Leaf and Cut rag ZW$ 000**	**Total ZW$ 000**
External revenue	4 505 864	346 060	4 851 924
Tobacco duties	(1 517 471)	-	(1 517 471)
Net revenue	**2 988 393**	**346 060**	**3 334 453**
Profit before interest, taxation, depreciation and amortisation	**433 977**	**31 460**	**465 438**
Depreciation	(53 320)	-	(53 320)
Amortisation	(336)	-	(336)
Profit before income tax	**380 321**	**31 460**	**411 782**
Total assets	**2 408 841**	**121 720**	**2 530 560**
Total liabilities	**1 649 723**	**-**	**1 649 723**

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.

Amounts recognised in the profit or loss
Rental Income recognised by the Company during 2021 was ZW$ 4.417million (2020: ZW$1. 131million) and was included in 'Other Income' (see Note 21). Maintenance expense, included in 'Administrative Expenses', was as follows:

	INFLATION ADJUSTED	
	2021 ZW$ 000	**2020 ZW$ 000**
Income-generating property	646	1 292
Lease income receivable		
No later than 1 year	895	853
Later than 1 year and no later than 5 years	4 477	4 263
Later than 5 years	-	-
	5 372	**5 116**

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.

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

33. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

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

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

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

- Note 2.14 – 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 2.18 - recognition of deferred tax assets; availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- Note 2.18 - determining the provision for income taxes: there are many transactions and calculations for which the ultimate tax determination is uncertain;
- Note 2.6 - determining the useful lives of property, plant and equipment: estimate is based on projected lives of these assets.

34. EVENTS AFTER REPORTING DATE

Since the year end, there has been significant movement of the auction exchange rates. As at the reporting date, the rate had increased from a closing rate of US$1: ZW$108.7 to US$1: ZW$142.4. This represents an average of 31% increase in a period of 3 months. Should this trend continue, the 2022 closing interbank rate could be significantly above the 2021 closing rate. In addition to the rate movement, the CPI index has significantly increased to current rate of 4,483 as of February 2022, from 3,977 as at 31 December 2021.

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

35. GOING CONCERN

The Group has recognised an inflation adjusted net profit after tax of ZW$1 401 168 for the year ended 31 December 2021 against a net profit after tax of ZW$98 158 181 in the previous year. The total inflation adjusted current assets exceeded current liabilities by ZW$1 901 396 594 (2020: ZW$398 841 318).

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 ZAR105 027 311 owing in respect of goods supplied and services rendered.

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.

NOTICE TO SHAREHOLDERS

SIXTY-SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-Second 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, 29th April 2022 at 10:00 am. Shareholders may either attend the meeting in person or virtually as per the instructions at the end of this notice. The usual Covid-19 preventative protocols will be implemented for shareholders who attend the meeting in person.

ORDINARY BUSINESS

1. Minutes of the Previous Meeting
To confirm and sign off the minutes of the 61st Annual General Meeting.

2. Financial Statement and Reports
To receive, review and adopt the audited financial statements for the year ended 31 December 2021 together with the reports of the year ended 31 December 2021 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 2021.
(Note: The consolidated directors' emoluments are included in the annual report).

3.2 Appointment and Re-election of Directors
3.2.1 To re-elect by individual resolution, Mr. L. T. Manatsa and Mr. C. F. Chikosi who retire by rotation in terms of Article 96 of the Company's Articles of Association and being eligible have offered themselves for re-election.

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

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

3.2.3 To note the resignation of Mr Kimesh Naidoo as a Director of the company.

4. Auditors

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

4.2 Appointment and Re-election of Auditors
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 7 years.

5. Audit Committee report
To receive and adopt the report of the Audit Committee.

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

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

Notes:
Details of the Virtual AGM will be emailed by First Transfer Secretaries (Pvt) Ltd ('FTS') to all Shareholders. Shareholders are advised to update their contact details with the following contact: First Transfer Secretaries (Private) Limited 1 Armagh Avenue, Eastlea, Harare Telephone: +263 242 782869/72 Email: info@fts-net.co

By Order of the Board

Phyllis Chenjera
Company Secretary
30 March 2022

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

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-Second 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, 29th April 2022 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-Second 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, 29th April 2022 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-Second 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, 29th April 2022 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.

Affix
Stamp
here

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

Affix
Stamp
here

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

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The Company Secretary
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Harare

NOTES

BAT ZIMBABWE

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Tel: +263 772 131 883 - 6.
Website: www.batzimbabwe.com