

Delivering **transformation**



2023 Annual Report & Financial Statements

BAT
ZIMBABWE

A refined purpose:

The best choice any adult smoker can make will always be quitting combustible tobacco products completely.

For the last few years, our aim has been to build A Better Tomorrow™. This has meant working to reduce the health impact of our business by offering adult consumers a greater choice of enjoyable And reduced-risk* products compared to cigarettes.

Now is the time to take a step forward.

A Better Tomorrow™ Means Building a Smokeless World.

**A smokeless world built
On smokeless products
Where, ultimately,
Cigarettes have become
A thing of the past.**

**A world where smokers
have migrated from
cigarettes to smokeless
alternatives.**

**A world where Tobacco
Harm Reduction is both
understood and accepted.**

**A world where smokers
make a switch to better.**

*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk-free and are addictive.

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



BRITISH AMERICAN TOBACCO ZIMBABWE (HOLDINGS) LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

PREAMBLE

This is the Annual Report and audited Financial Statements (hereinafter referred to as “Annual Report”) for British American Tobacco Zimbabwe (Holdings) Limited (“BAT Zimbabwe”) comprising of the Strategic Report, Governance Report, Reports of the Directors and audited Financial Statements for the year ended 31 December 2023.

This Annual Report has been drawn up and is presented in accordance with and reliance upon applicable Zimbabwean Company Laws, including the Companies and Other Business Entities Act Chapter 24:31. The liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided by the law. A soft copy of the Annual Report is emailed to the shareholders with valid email addresses. A digital copy can also be accessed on our website www.batzimbabwe.com. References in this publication to ‘the Company’, ‘BAT Zimbabwe’, ‘the Business’, ‘we’, ‘us’, and ‘our’, shall refer to British American Tobacco Zimbabwe (Holdings) Limited.

Cautionary Statement

The material in this Annual Report is provided for the purpose of giving information about BAT Zimbabwe to shareholders and is not provided for tobacco or nicotine product advertising, promotional or marketing purposes. This material does not constitute and should not be construed as constituting an offer to sell, or solicitation of an offer to buy any of our tobacco products. Our products are sold in compliance with the laws of Zimbabwe. The Strategic Report and certain other sections of the Annual Report contain forward-looking statements that are subject to risk factors associated with, amongst other things, the changing economic and business dynamics affecting Zimbabwe. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables that could cause actual results to differ materially from those actually anticipated.

About Us

British American Tobacco Zimbabwe (Holdings) Limited (“BAT Zimbabwe”) is the leading tobacco manufacturer in Zimbabwe by market share. BAT Zimbabwe is part of the British American Tobacco Group of Companies (“BAT”) and has been operating in Zimbabwe for over 80 years. BAT Zimbabwe is a company incorporated in terms of the laws of Zimbabwe and listed on the Zimbabwe Stock Exchange. The Company manufactures and sells cigarettes to more than 2,000 retailers and wholesalers, and also distributes nicotine products to traders across the country.

We are a strong forward-looking Company with a proven strategy that is delivering sustained value for our shareholders. BAT Zimbabwe’s diverse strengths- our unique brands, our new products innovations and our talented people- are the foundations of our continuing progress.

We continue to build a sustainable business and contribute to Zimbabwe’s socio-economic growth in various ways including through partnerships with our trade and business partners as well as key industry stakeholders.

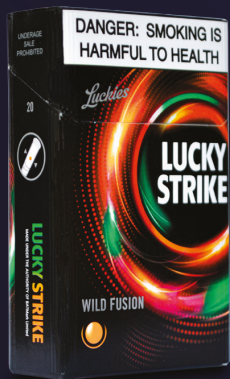
Our Environmental, Social and Governance (‘ESG’) agenda includes various initiatives in tobacco harm reduction, economic empowerment, skills development, waste management and environmental conservation through which we have recorded various milestones including championing waste management and water stewardship initiatives.



DANGER: SMOKING IS HARMFUL TO HEALTH

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

A FUTURE FIT PORTFOLIO



NOT FOR SALE TO PERSONS UNDER THE AGE OF 18

Board of Directors

Mr. Lovemore T. Manatsa**	(Chairperson)
Mr. Kenneth Gitonga*	(Managing Director)
Ms. Lucy Irungu*	(Finance Director)
Mrs. Rachel P. Kupara**	
Mr. Edwin I. Manikai**	
Mr. Philemon Kipkemoi**	
Mr. Constantine F. Chikosi**	
Ms. Phyllis Chenjera	(Company Secretary)

Audit Risk and CSR Committee

Mrs. Rachel P. Kupara	(Chairperson)
Mr. Edwin I. Manikai	
Mr. Constantine F. Chikosi	
Mr. Philemon Kipkemoi	
Mr. Lovemore T. Manatsa	

Board Remuneration and Nominations Committee

Mr. Edwin I. Manikai	(Chairperson)
Mrs. Rachel P. Kupara	
Mr. Lovemore T. Manatsa	
Mr. Constantine F. Chikosi	
Mr. Philemon Kipkemoi	

** Non-Executive Director
* Executive Director

Company Secretary

Registered Office
1 Manchester Road
P. O. Box ST98
Southerton
Harare

Auditor

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

Legal Practitioners

Chihambakwe, Mutizwa and Partners
7 Lawson Avenue
Milton Park
Harare

Mawere and Sibanda Commercial Lawyers
10th Floor Chiedza House
Corner 1st Street and
Kwame Nkrumah Avenue
Harare

Principal Bankers

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

Transfer Secretaries

First Transfer Secretaries
1 Armagh Avenue
Off Enterprise Road
Eastlea
Harare

Registered Office

1 Manchester Road
P. O. Box ST98
Southerton
Harare

Chairman's Statement



“ Notwithstanding the challenging economic environment, BAT Zimbabwe recorded resilient performance in the period under review. ”

Introduction

The trading environment for the year ended 31 December 2023 was characterized by rising retail prices for basic commodities and rising inflation, resulting in pressure on consumer purchasing power. Excise Duty remained unchanged for the year 2023.

Notwithstanding the challenging economic environment, British American Tobacco Zimbabwe (hereinafter referred to as 'the Group') has recorded a remarkable financial performance for the year ended 31 December 2023 delivering 147% and 101% growth in revenue and profit before tax respectively, compared to same period last year.

The Group and Company remains committed to ensuring that long-term sustainability for the business and value creation for its stakeholders is created and maintained.

Board Resignations and Appointments

Mr. Kimesh Naidoo resigned from the position of Managing Director of the Group and Company effective 25 March 2024. The Board of Directors would like to thank Mr. Kimesh Naidoo for his contribution to the success of the Group and Company and wish him all the best in his future endeavours.

Mr. Wilson Chitsonga resigned from his position of Finance Director of the Group and Company effective 25 March 2024. The Board of Directors would like to thank Mr. Wilson Chitsonga for his contribution to the success of the Group and Company and wish him all the best in his future endeavours.

The Board is pleased to announce the appointment of Mr. Kenneth Gitonga as the new Managing Director with effect from 26 March 2024.

The Board is pleased to announce the appointment of Ms. Lucy Irungu as the new Finance Director with effect from 26 March 2024.

Volumes

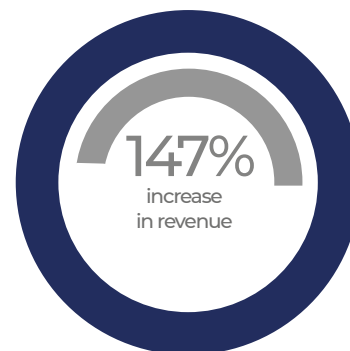
The Group and Company's total sales for the period under review declined by 5% compared to the same period prior year. Due to the challenging operating environment the Group and Company has experienced less sales and an increased credit defaulting rate from the Customers. Export volumes of cut rag tobacco reduced to 282,940 kgs, representing a decrease of 32% during the period under review compared to prior year.

The Group and Company recorded a negative volume performance for the year under review of 1, 003 million sticks compared to 1,054 million sticks for the year ending 2022. The Group and Company saw the introduction of 'New Category' Products into the Zimbabwean market in the month of October 2023 which realized a total sale of 34 thousand devices.

Despite these shortcomings, the Group and Company continues to strive for excellence and improvement in the following reporting period.

Financial Results

The Group and Company recorded a revenue of ZW\$288 billion representing an increase of 147% compared to last year, which was driven by continuously reviewing of pricing in line with the currency devaluation and as well as revenue generated from cut-rag tobacco and leaf.



Chairman's Statement (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

Selling and marketing costs increased by 109% compared to same period prior year and administrative expenses also increased by 46% versus last year and the increase in costs was ascertained to the significant devaluation of the currency which led to suppliers revising their prices and charging more for their services and goods.

Nonetheless, the Group and Company recorded a significant increase in profit after tax of 131% compared to prior year and the amount recorded for the year ended 31 December 2023 was ZW\$55.4 billion and the earnings per share increased to ZW\$ 2 684.85 from ZW\$ 1 163.51 in the prior year.

Blocked Funds

The Group and Company registered blocked funds pursuant to a Reserve Bank of Zimbabwe ("RBZ") Directive, amounting to US\$16 352 138.92 (Sixteen million three hundred and fifty-two thousand one hundred and thirty-eight United States Dollars and ninety-two cents only) in respect of outstanding dividends, in line with the blocked funds guidelines stipulated in the Exchange Control Directive RU28 dated 21 February 2019 read together with the Exchange Control Circular No. 8 of 24 July 2019. Following the registration of the blocked funds, an amount of ZW\$16 352 138.92 (Sixteen million three hundred and fifty-two thousand one hundred and thirty-eight Zimbabwean Dollars and ninety-two cents only) was transferred to the RBZ to allow settlement of the registered blocked funds.

In line with the provisions of the February 2019 Monetary Policy Statement on the settlement arrangements for these blocked funds, RBZ is now finalizing the appropriate instrument(s) to facilitate settlement of the registered blocked funds, which were listed as approved blocked funds under Annex 1 of the Finance Act (no 7) of 2021, (gazetted on 21 December 2021), management has continued to account for the outstanding blocked funds at a rate of US\$: ZW\$1.

Dividend

The Group and company continue to hold in the highest regards the interest of its shareholders to achieve maximum returns on their investment. In view of the profit for the period under review, the board proposes the declaration of a final dividend of ZW\$1 186.70 per share. Further details on the payment of the dividend will be communicated in a separate dividend announcement.

Contribution to the Government Treasury

The Group and Company continues to contribute to the Government Treasury through various tax heads which include Excise Duty, Corporate Tax, Value Added Tax, Custom Duties, Pay As You Earn and Withholding Tax. The Group and Company's contribution to the

Zimbabwe Revenue Authority (ZIMRA) in the year under review increased from ZW\$12.5 billion (historical cost) in 2022 to ZW\$115.2 billion (historical cost) for the year ending 31st December 2023.

The key contributors of the increased tax contribution were Excise Duty, Corporate Tax and Pay As You Earn driven by increases in selling price of our product and profit generated before taxation, rising inflation and changes in legislation.

Sustainability

Our Sustainability Agenda is integral to our evolved Group strategy. It reflects our commitment to reducing the health impact of our business as our principal focus area. This is underpinned by excellence across our other ESG priorities.

Our Sustainability Agenda has been refreshed to reflect the changing external environment. Specifically, we are clear that reducing the health impact of our business is our principal focus area, as well as placing a greater emphasis on the importance of addressing climate change and environmental management. At the same time, we remain committed to delivering a positive social impact and ensuring robust corporate governance across the Group.

A key strength of our approach to sustainability is a robust process to identify and understand the most material ESG topics that drive our long-term business sustainability and value creation. Each year we engage with a wide range of stakeholders to understand what matters to them most and complement this with ongoing risk monitoring, research and benchmarking.

Outlook

Although trading conditions are expected to remain challenging in 2024, the Board is confident that the Group and Company are in a good position to navigate through the oscillating economic environment through the implementation of effective business strategies, the equity of our brands and the quality of our people. The Group and Company will continue to deliver growth and value for its stakeholders.

Conclusion

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



Lovemore T. Manatsa
Chairman

28 MARCH 2024

Managing Director's Review



“ During the period under review, the Business continued to deliver sustained performance, with a key highlight being the evolution of our product portfolio to include ‘New Category’ products. ”

Introduction

It is an exciting time for me to take over as Managing Director of BAT Zimbabwe. I commend my predecessor, Mr. Kimesh Naidoo, for his remarkable job in leading the evolution of the business and sustaining strong fundamentals that will shape the next phase of our business transformation.

Our industry is evolving and with this comes great opportunity. With our depth of talent, innovative brands and refined strategy, I am confident that we will take full advantage of these opportunities as we accelerate the transformation of BAT into a stronger multi-category consumer goods business.

During the period under review, the Business continued to deliver sustained performance, with a key highlight being the evolution of our product portfolio to include ‘New Category’ products. This was characterised by the introduction of BAT’s vapour product brand Vuse. This move speaks to our commitment to reducing the health impact of our business by providing smokers with a wide range of smokeless products.

77.7 Billion

operating profit was recorded by the group in financial year 2023

55.3 Billion

Net attributable to shareholders for the period under review

Managing Director's Report (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

Group and Company Performance

As mentioned in the Chairman's Statement, sustainability remains central to everything we do at BAT.

Despite an increasingly turbulent external operating environment, the fundamentals of our business, as well as our industry, remain solid. As such the Management believes that BAT Zimbabwe is in a strong position to build a business that is fit for growth. The growth of adult smokers seeking smokeless alternatives is a long-term trend, which should be effectively addressed through a balanced and sustainable regulatory and fiscal approach. We believe that this will enable smokers to switch faster on the back of access to smokeless products with reduced risk*. Through a multi-category product portfolio, we are well placed to meet this consumer shift through our mission to enable smokers Switch to Better, while continuing to manage our combustible cigarette business in a responsible manner.

While reducing the health impact of our business is a key focus area, we continue to place emphasis on our Environment, Social, and Governance (ESG) priorities. This encompasses efforts to drive excellence in environmental management, deliver a positive social impact, and ensure robust corporate governance across the business. As part of our accelerated ESG targets, we aim to achieve Net Zero emissions by 2050 across our value chain – (comprising Scope 1, 2 & 3 greenhouse gas (GHG) emissions); attainment of Carbon neutral operations by 2030 (comprising Scope 1 & 2 GHG emissions); ensuring 35% less water is withdrawn by the year 2025; the enhancement of prosperous livelihoods; increase the proportion of women in management roles to 45% by the year 2025; and aiming for full adherence to our Standards of Business Conduct (SoBC); amongst other key ESG performance indicators.

I am pleased to report that we are making significant progress across the various targets as reported in the subsequent pages of this report.

A purposeful place to work

As I reflect on the resilient performance of our business thus far, I take this opportunity to acknowledge the contribution and commitment of our People, who are pivotal to delivering superior business results. We continue to enhance and strengthen initiatives that foster a purposeful workplace environment, including through championing diversity and inclusion and building a legacy of leaders. I commend the Management for driving a cohesive and impactful cultural framework, enabling our employees to bring their difference and thrive in a dynamic organisation. We are proud of this sustained external recognition and validation of our employer value proposition and will continue in our commitment to deliver a world-class People agenda.

Looking forward

The Management of BAT Zimbabwe remains focused on securing long-term, sustained value creation by nurturing an enabling culture, building our brands and delivering A Better Tomorrow™. Alongside this, we are confident in our ability to navigate the increasingly challenging operating environment powered by our sustained stakeholder partnerships, including trade and business partners. We remain optimistic for the future, on the basis that we have established a robust foundation, on which the transformation of our business is founded.

Lastly, I extend my heartfelt appreciation and gratitude to the Board of Directors, Leadership Team, employees, strategic partners, shareholders, and all other stakeholders for their invaluable contribution to our resilient performance in 2023.

** Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk-free and are addictive.*



Kenneth Gitonga
Managing Director

28 March 2024

Finance Director's Report



“ Profit before taxation amounted to ZW\$86.7 billion whilst profit attributable to ordinary shareholders totalled ZW\$55.4 billion. ”

Introduction

On behalf of the Board Directors, I have the pleasure of presenting the audited financial statements for the year ended 31 December 2023.

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

Group and Company Results

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

Profit before taxation amounted to ZW\$86.7 billion whilst profit attributable to ordinary shareholders totalled ZW\$55.4 billion (ZW\$2 684.85 per share).

Dividends

The Board proposes to declare a dividend of ZW\$1 186.70 per share in view of the profit for the year.

Reserves

The movements in reserves are shown in the statement of changes in shareholders' equity.

Investments

Information of subsidiaries, associate companies and other investments are disclosed in note 5 of the financial statements.

Directors' Interest

As at 31 December 2023, the Directors held, directly and indirectly, an interest of 0.005% (31 December 2022: 0.005%) in the issued share capital of the Group and Company. No change in the interest of Directors has taken place between the financial year end and the date of this report.

Going Concern

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and further analysis of the factors likely to affect the business are set out in note 33.

Stock Market Listings

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

Share Capital

As at 31 December 2023, the Group and Company 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 11.

Auditors

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

Lucy Irungu
Finance Director

28 MARCH 2024



Strategic Report

BAT Group Strategic Navigator



Purpose/Vision/Mission



Pillars & Building Blocks



We are BAT: Our Values

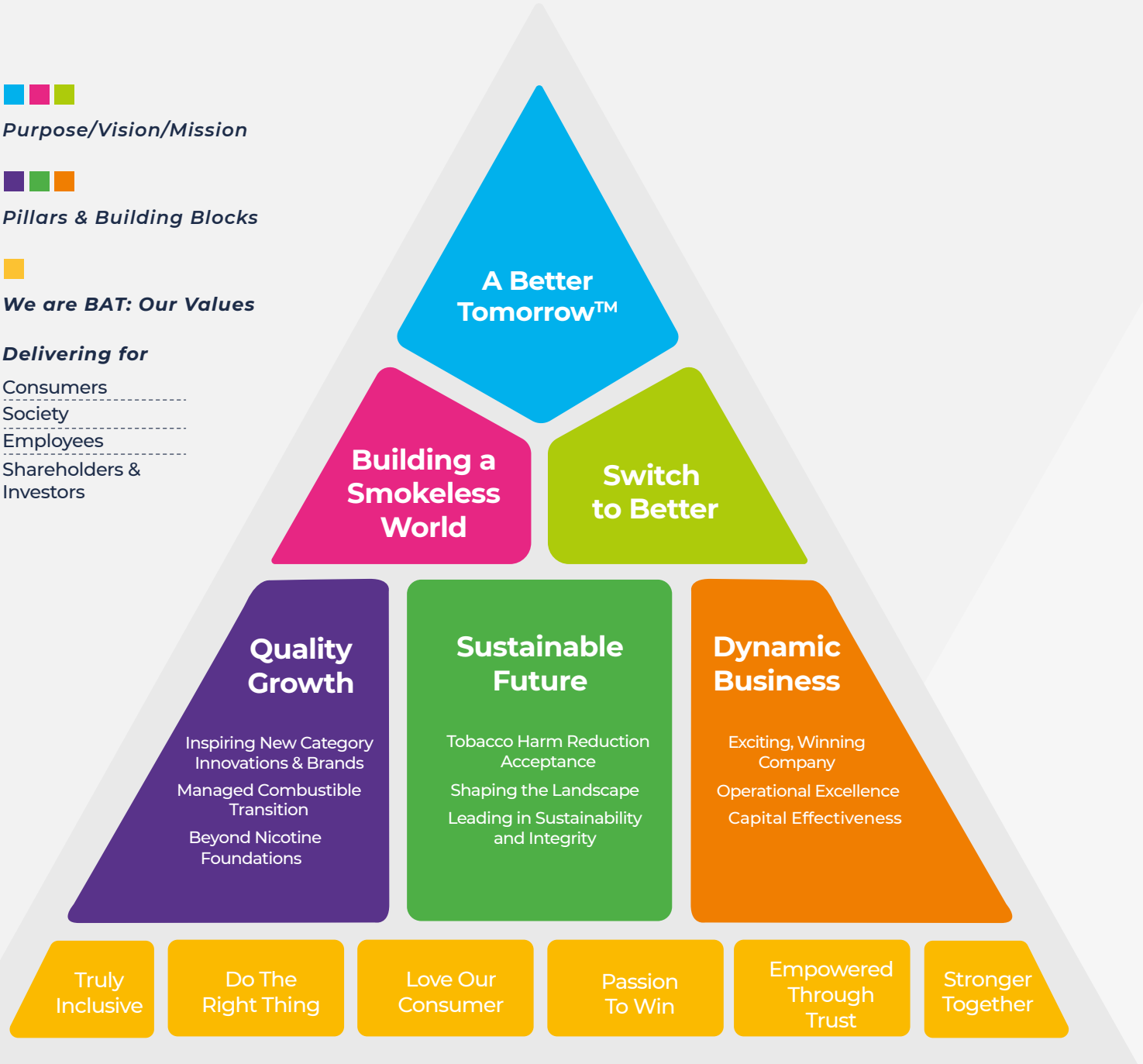
Delivering for

Consumers

Society

Employees

Shareholders &
Investors



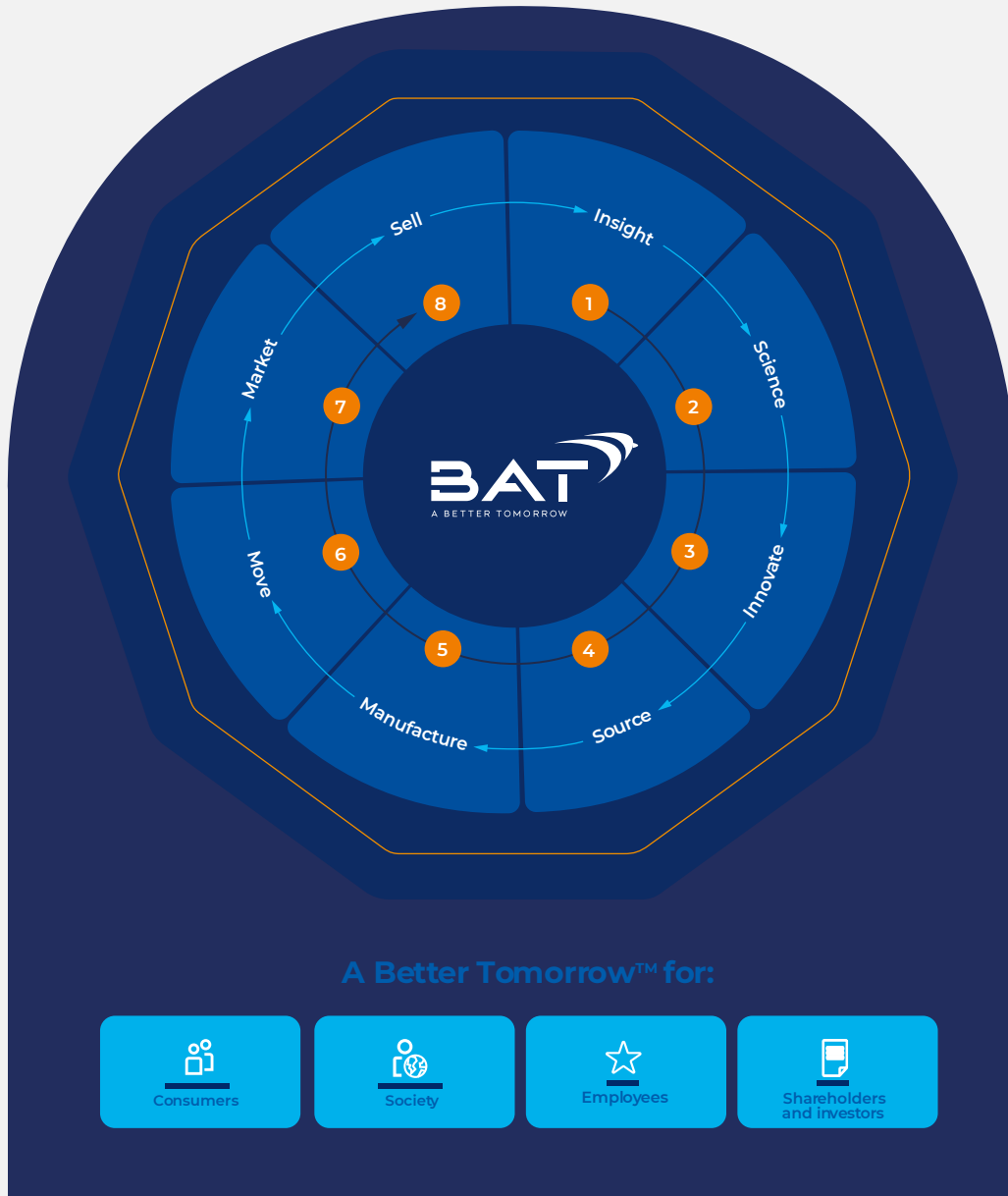
BAT Group Business Model

As a global business, BAT strives to understand its diverse consumers, develop products to satisfy their preferences and ultimately distribute them to consumers around the world. Taking into account feedback from stakeholders enables BAT to refine its strategy, deliver sustained value and build A Better Tomorrow™.

BAT Group eight-step business model

Our business model begins and ends with the consumer. The insights we gather from adult consumers, underpinned by robust science, unlock value by ensuring we offer the right product choices to meet their preferences. Our product portfolio is constantly being enhanced through innovations designed to better serve adult consumers and build A Better Tomorrow™.

Following the responsible sourcing of raw materials and components, we utilise our global footprint to manufacture at speed and scale. We use our global distribution capabilities to ensure our products are where they need to be, when they are needed, based on our market archetype model. Through our responsible marketing practices and powerful portfolio, we market and sell our products which, in turn, generate further insights.



Key enablers



▶ Insights

Seeing over the horizon

As one of the most longstanding and established consumer goods businesses in the world, we have a unique view of the consumer across our product categories, which is increasingly driven by powerful data and analytics. These insights ensure that the development and responsible marketing of our products is fit to satisfy consumer needs.

Driven by the BAT Group's consumer insight platform PRISM, BAT focuses on product categories and consumer segments that have the best potential for long-term sustainable growth.



▶ Science

Accelerating tobacco harm reduction

World-class science is needed to substantiate the quality, safety and reduced-risk impact of BAT's New Category products.

This is crucial for building consumer trust and encouraging adult smokers to completely switch to less risky* alternatives.

The BAT Group has an extensive scientific research programme in a broad spectrum of scientific fields, including molecular biology, toxicology and chemistry. BAT is transparent about its science and publishes details of its research programmes on the dedicated Group website: www.batsscience.com, and the results of our studies in peer reviewed journals.



▶ Innovate

Staying ahead of the curve

As consumer preferences and technology rapidly evolve, BAT relies on its network of digital hubs, innovation super centers, world-class R&D laboratories, external partnerships and the Group's venturing initiative, *Btomorrow* ventures, to stay ahead of the curve. Driving sustainable growth is at the core of our innovation.

BAT makes significant investments in research and development to deliver innovations that satisfy or anticipate consumer preferences and generate growth for the business. Led by our strength in developing consumer insights, each innovation helps us on our journey to build A Better Tomorrow™ by reducing the health impact of our business.



▶ Source

Sourcing materials responsibly

Our tobacco is sourced directly from the BAT Global Leaf Pool which allows us to maintain global standards for all our products. The Global Leaf Pool sources tobacco from markets around the world, including Zimbabwe.



▶ Manufacture

Utilising our world class manufacturing capabilities

We manufacture high-quality cigarettes in modern facilities and ensure that these products and the tobacco leaf we purchase are in the right place, at the right time. We work to ensure that our costs are globally competitive and use our resources as effectively as possible.



▶ Move

Moving our products seamlessly

By applying modern technologies, including AI and machine learning, we ensure that our products are where they are needed, when they are needed. We distribute our products effectively and efficiently using a variety of distribution models suited to local circumstances and conditions. These distribution models include retailers, supplied through distributors and wholesalers.



▶ Market

Marketing our products responsibly

Tobacco and nicotine products should be marketed responsibly to adults only and should never be sold to, or consumed by those under the minimum legal age. Through a globally responsible approach to marketing, we help to raise standards and prevent underage access.

BAT Group's responsible marketing framework

Our International Marketing Principles (IMP) govern our marketing across all product categories. They include strict requirements to be responsible, accurate and targeted at adult consumers only. Our IMP are applied even when they are stricter than local laws.



▶ Sell

Offering consumer choice

We have a powerful brand portfolio that we are proud of. Our brands are well positioned, with leading edge insights, science and innovation behind our product pipeline.

BAT offers a range of products in markets around the world, including combustible products, vapour, modern oral and tobacco heating products (THPs). This range of high quality products covers all segments, from value for money to premium. Products manufactured in Zimbabwe are sold in the domestic market.

Our sustainability agenda >>

Our sustainability agenda is integral to our Company strategy and purpose to build A Better Tomorrow™. It reflects our commitment to reducing the health impact of our business as our principal focus area. This is underpinned by excellence across our environment, social and governance (ESG) priorities.

Our sustainability agenda is integral to our evolved Group strategy, and 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. 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 that we keep pace with emerging topics and stakeholder expectations. Outlined here are the priority areas that form the core of our Sustainability Agenda.



Reducing the health impact of our business



Excellence in environmental management

Climate change
Circular economy
Biodiversity & Ecosystems
Water



Delivering a positive social impact

Human rights
Farmer livelihoods
People, Diversity & culture



Robust corporate governance

Responsible marketing & transparent communication
Ethics & Integrity
Sustainability governance

Created shared value for



Consumers



Society



Employees



Shareholders

BAT Group Values



TRULY INCLUSIVE

We embrace diversity and celebrate our differences
We are curious and safeguard the right to say what you think
We debate constructively yet progress together



DO THE RIGHT THING

We act with integrity to achieve results
We care about our impact on society and our planet
We are thoughtful in our decision making



LOVE THE CONSUMER

We understand the consumer better than anyone
We are obsessed with innovation and our brands
We have the courage to test, fail fast, and learn to improve



PASSION TO WIN

We equally value “How” and “What”, and go the extra mile for success
We prioritise effectively and act like owners of our business
We own our purpose with determination and resilience



EMPOWERED THROUGH TRUST

We start with trust and believe in each other
We ensure decisions are made at the right level
We understand that empowerment comes with accountability



STRONGER TOGETHER

We pull together as one team, through good and bad
We collaborate beyond borders and functions
We help each other grow and succeed

A Better Tomorrow™ for consumers



Our strategy to transform into a multi-category business is gaining momentum as we strive to build a consumer-centric product portfolio. This is underpinned by our ambition to reduce the health impact of our business by offering innovative new products backed by science, that provide adult smokers with less risky alternatives*.

BAT is clear that the only way to avoid the health risks related with smoking is to not start smoking, or to quit. However, we encourage those who would otherwise continue to smoke, to switch completely to scientifically substantiated, reduced risk alternatives*. It is on the back of this that we launched our vapour product, Vuse, in Zimbabwe in 2023. Our sale of Vuse is supported by targeted execution and distribution that is anchored on responsible marketing practices, with a clear focus on prevention of under-age access.

Building value in combustibles

Our portfolio strategy in 2023 was focused on driving innovation by building a portfolio of global brands. Despite macroeconomic challenges which impacted our business, our cigarette product portfolio demonstrated resilient performance. This was evidenced by a successful migration of Madison to Lucky Strike and the roll out of a Lucky Strike Wild Fusion Limited Edition Pack. We will continue to deploy a consistent pipeline of innovation to meet evolving consumer needs.

Insights and foresights

Insights and foresights are key in enabling a future fit strategy by anticipating consumer needs. To drive this, we use data analytics and automation to drive product innovation, design robust customer experiences and drive superior performance by our teams.

Building sustainable trade partnerships and future-fit capabilities

Our trade partners are valued stakeholders who are key to ensuring that we meet the needs of our consumers. As such, we continue to implement various programmes with our trade partners to build their capacity and enhance business competitiveness. This in turn helps them build sustainable businesses.

Responsible marketing

We continue to enhance our prevention of underage access (PUA) programme, in line with BAT Group's International Marketing Principles and local laws. This programme includes various initiatives, such as:

- Regular training and education workshops for our retailers and trade partners on compliance with the applicable regulations and guidelines on the sale of our products.
- Retailer spot checks carried out by BAT trade

representatives to ensure all points of sale display the appropriate health warnings and minimum legal age information notices.

- Contractual requirements and undertaking by traders to adhere to applicable regulations.
- Clear health warnings and age restrictions are affixed on our product packaging so that parents and adults are clear that the product is not suitable for anyone under the age of 18 years in Zimbabwe. The active ingredient is also clearly identified on the packaging.



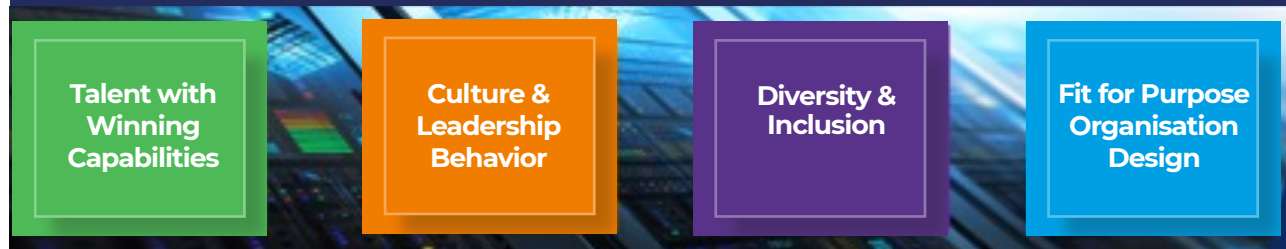
*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk-free and are addictive.

A Better Tomorrow™

for Employees



Building Blocks of an Empowered Organisation



2023 was yet another fantastic year!

Our enduring success can be attributed to the excellence of our employees, which is forged in our strong culture and talented, diverse organisation. As an Empowered Organisation, we aim to embed engaged, agile and high performing teams to deliver an Enterprise of the Future.

Talent development

To fuel growth from within, we rolled out skills assessments to assess the competencies of our existing employees, with clear actions to address identified gaps. This will ensure we remain future ready and have the right people in the right roles. We have also focused on driving learning, through digital learning platforms such as the GRID, which offers around-the-clock accessing to boost our learning agility. In 2023, we rolled out the 7 learning essentials campaign with key topics on Mastering Inclusion, Digital Capabilities Foundation, Sustainability, Leading the Transformation, Product Knowledge Foundation, Revenue Growth Management and Situational Self Awareness with a monthly Plug in and Learn series. We also continued with our internship programme across various functions in the Business, with a key focus developing technical skills.

Culture and leadership behavior

At the core of our culture is employee insights. Through our bi-annual employee opinion survey, Your Voice Survey (YVS), which we conducted in 2023, we received holistic feedback from employees on key aspects. The outcomes will help drive future engagement and contribute to our efforts to remain an employer of choice across Zimbabwe. The 2023 YVS results recorded improvement in most areas covered under the survey, particularly on Diversity & Inclusion and Empowerment. The survey also provided invaluable insights on areas of focus on to ensure our Employees remain engaged to deliver our business objectives.

Diversity and Inclusion

We remain passionate about promoting and harnessing Diversity and Inclusion. We have a strategy that focuses on Gender, Persons with Disabilities and Generations. Our 2025 ambition is to achieve 45% female representation in Management and 30% across the business (we grew this from 28% to 36% in 2023), 5% representation for persons with disabilities (currently at 3%). We also continue to focus on enhancing the representation of Gen z into our workplace.



A Better Tomorrow™

for society and the environment



Our socio-economic contribution

We are committed to building A Better Tomorrow™ through the transformation of our business and industry. While combustible products will remain at the core of the business for some years to come, we are accelerating efforts to reduce the health impact of our business by providing smokers with a choice of reduced risk* alternatives.

Despite persisting challenges in our operating environment, we have consistently invested in our business and sought to increase our contribution to the socio-economic development of the country.

British American Tobacco Zimbabwe (Holdings) Limited (BAT Zimbabwe) is a leading tobacco manufacturer in Zimbabwe by market share and is part of BAT Group, operating in Zimbabwe for over 80 years. BAT Zimbabwe is the only local cigarette manufacturer that has invested in an end to end manufacturing cigarette factory consisting of a primary manufacturing department (cut rag manufacturing) and a secondary manufacturing department (cigarette manufacturing).

We continue to demonstrate resilience on the back of challenging macroeconomic conditions. BAT continues to purchase a considerable amount of the tobacco crop in Zimbabwe, earning the country significant forex inflows. In 2023, BAT Zimbabwe contributed ZW\$ 115.2 billion (historical cost) to Government revenues in the form of excise duties, import duties, value added tax, corporate income tax, withholding taxes and Pay As You Earn.

Delivery with integrity

Our approach to regulation

We have always been clear that we support regulation that is based on robust evidence and thorough research, is arrived at through a robust consultative process and delivers on the intended policy aims, while mitigating unintended consequences. We welcome the opportunity for further dialogue on enabling a balanced and future-fit fiscal and regulatory environment, and firmly believe that this, coupled with robust enforcement action on illicit trade and improved local and global socio-economic conditions, the outlook for our business and our socio-economic contribution to the country remains promising. We continue to contribute to dialogue on creating a sustainable, evidence and science based regulatory framework within the manufacturing sector in Zimbabwe.

Reducing the health impact of our business

We have a clear purpose to build A Better Tomorrow™ by reducing the health impact of our business. BAT is clear



that combustible cigarettes pose serious health risks, and the only way to avoid these risks is to not start smoking, or to quit. However, we encourage those who would otherwise continue to smoke, to switch completely to scientifically substantiated, reduced-risk alternatives*. It is widely acknowledged that most of the harm associated with conventional cigarettes is caused by the toxicants in the smoke produced by the burning of tobacco. Tobacco harm reduction (THR) is a strategy that recognises the harm caused by combustible cigarettes and aims to minimise the health impacts of cigarette smoking.

At its core, THR is the recognition that, while the preferred goal is abstinence, this is not always achievable and that helping smokers change to less harmful alternatives may be a more pragmatic approach. For THR to be effective, alternatives that deliver comparable satisfaction in nicotine delivery, use and sensorial aspects are needed to facilitate transition by smokers.

To facilitate this, the BAT Group has developed a range



of non-combustible reduced risk* products categorized as follows: Tobacco Heated products, Vapour products and Oral Nicotine pouches. Tobacco harm reduction has been recognised by various global organisations, as a legitimate approach to reduce the health risks associated with smoking. The United Kingdom (UK) Health Security Agency and Office for Health Improvement and Disparities, (Previously Public Health England), amongst others, has recognised the use of e-cigarettes as likely to be at least 95% less harmful than smoking.

An increasing number of progressive international scientific and public health communities have recognised that alternative nicotine products are likely to be less risky than smoking* and their availability could have the potential to help reduce smoking related harm at a Population level. In the UK for example, vaping is credited with helping about 50,000 to 70,000 people stop smoking every year and is endorsed by the UK Department of Health and Social Care. Further, regulation across the world is increasingly reflective of the value of THR, with regulators implementing progressive laws that acknowledge the benefit of reduced risk products* and the role they can play in THR.

Given Zimbabwe's progressive approach to regulation in the region, our government has a real chance to lead in reducing tobacco-related harm, by enacting and implementing regulations that contribute to tobacco harm reduction in our country.

Our introduction of vapour products in Zimbabwe in 2023 manifests progress in broadening access to reduced risk products in Zimbabwe. Additionally, the development

of relevant product standards will guarantee quality and safety of products in the specific categories.

Excellence in manufacturing & environmental management

We continue to invest in our business to build future-fit capabilities. We strive to deliver year on year improvement across all our performance metrics driven by a sustained deployment of Integrated Work Systems (IWS). IWS is an organisational capability building strategy aimed at achieving and sustaining break-through business results through 100% employee ownership with a zero-loss mindset.

The Zimbabwe factory is part of BAT's Asia-Pacific, Middle East & Africa (APMEA) region, which has enabled the factory to harness superior IWS capabilities from its sister factories in the region. This contributed to significant improvement of the factory's Overall Equipment Effectiveness (OEE) by more than 10% in 2023 compared to 2022.

We will continue driving IWS implementation to drive a step change in factory performance in 2024, with a key focus in enhanced machinery efficiency and waste reduction.

Energy management

We continue to focus on improving energy efficiency as part of driving environmental conservation and in line with our carbon reduction targets. As part of this, plans are

underway to enhance our use of renewable energy with a focus on solar power.

In 2023, various initiatives including operational enhancements, precise production scheduling, and adept stock management drove down our energy consumption, while maintaining comparable production volumes compared to the previous year. Operational efficiencies improvements on our cigarette making machines meant also fewer hours run contributing to reduced carbon footprint.

Water Stewardship

We are committed to driving good water governance in our operations. In 2023, water withdrawal decreased by 8% compared to the previous year and by 18% compared to our 2018 baseline year. This reduction was facilitated by improvements in water infrastructure maintenance, with plans underway to enhance this through various initiatives including replacement of ageing water lines in 2024.

Waste management

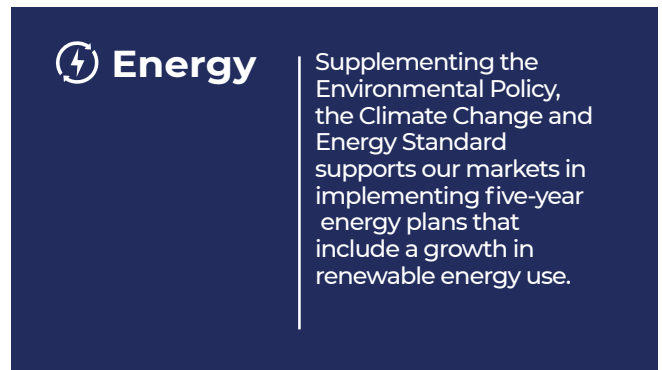
In 2023, we achieved our target of zero waste sent to landfill. Further, we achieved a recycling rate of 92%, surpassing our 2025 target. As part of efforts to sustain and enhance our performance in waste management, we continue to focus on extending the lifecycle of our products and waste recycling initiatives.

Occupational health and safety

Health and Safety

We continue with our commitment to keeping our people safe through various interventions. Our rigorous implementation of risk assessments and toolbox talks resulted in Zero-time lost injury at our premises in 2023. Our enhanced safety program and heightened safety consciousness amongst employees and contractors resulted in a significant increase in reporting of potential hazards through our behaviours observation system "Pulsar". Effective handling of the reported potential hazards reduced the probability for injuries.

Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk-free and are addictive.



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.



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.

Our Goals

In 2023, water withdrawal decreased by 8% compared to the previous year

8%



Waste

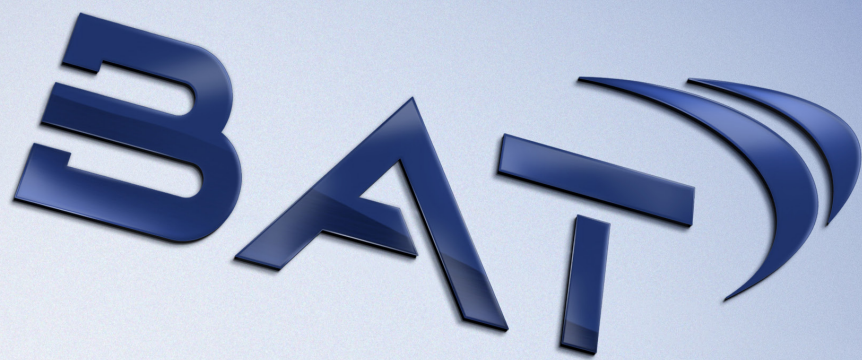
Circularity is at the heart of how we manage resources. From minimising operational waste to innovative New Category product designs, we are addressing a growing global concern about plastic and other waste.

Our Goals

0 we achieved our target of zero waste sent to landfill.

92% Further, we achieved a recycling rate of 92%, surpassing our 2025 target.







RUTA DE EVACUACIÓN →

VUSE

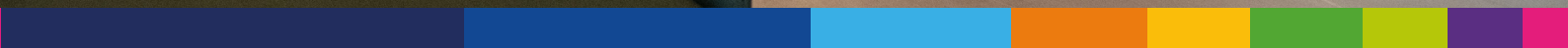
YOUR PART TO FINISH



vule
WE CARE TOGETHER

DROP THE POOD™

Corporate Governance Report



BOARD OF DIRECTORS



LOVEMORE T. MANATSA
Chairman

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 BAT Southern African Markets cluster. In mid - 2007, he was appointed Country Manager for the BAT Zambia & Malawi Cluster and was based in Lusaka. He retired from his last position as Managing Director of the Company on 31 January 2016 but remained as a Non-Executive Director. He also sits on the Board of Irvin's Zimbabwe.



KENNETH GITONGA
Managing Director

Mr. Gitonga re-joined BAT Kenya in April 2017, having initially joined the Company in 2011 as a Brand Manager for the then BAT East and Central Africa Markets Cluster. Mr Gitonga has held various senior roles within BAT, including Trade Marketing Manager for the Americas and Sub-Sahara Africa region and subsequently, International Brand Manager for the Modern Oral Nicotine portfolio, based at the BAT Group office in UK, Head of Activations for the East & Southern Africa Area based in South Africa and his immediate former role as Head of Commercial for BAT East & Southern Africa He was appointed Managing Director of BAT Zimbabwe effective April 2024.

He holds a Bachelor of Commerce Degree (Marketing), a Master of Science in Organizational Development & Management and is currently pursuing a Doctorate in Business Administration.

Mr. Gitonga serves on the Board of Pegasus E.A Limited and is a Trustee for Rainbow Colours Foundation.



LUCY IRUNGU
Finance Director

Ms. Irungu is a certified Public Accountant of Kenya and holds a Bachelor of Commerce degree and an MBA in Finance and International Business. She joined BAT in April 2020 as a Commercial Finance Manager and subsequently the position of Head of Finance Horn of Africa & Indian Ocean Islands in 2021. In April 2023, Ms. Irungu progressed to the role of Head of Commercial Finance, BAT East & Southern Africa markets, which is her immediate former role, based in Kenya. She was appointed Finance Director effective April 2024.

Board of Directors (continued)



CONSTANTINE F. CHIKOSI
Non-Executive Director

Mr Constantine F. Chikosi holds a law degree from the University of Zimbabwe, a MSc (Economics) from the University of Surrey (UKI). He is a Chartered Management Accountant (UK) and a graduate of INSEAD Business School (France). Mr. Chikosi, served for over 19 years with the World Bank Group, where he 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 South East Asia as Chair of committees that shaped the Bank's investment portfolios. He 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. He is an independent director of Mauritius Commercial Bank Group Ltd and serves on its Group Strategy Committee. He sits on the Board of African Sun Limited as a non-executive Director.



EDWIN I. MANIKAI
Non-Executive Director

Mr Edwin I. Manikai is a Senior Partner of Dube Manikai and Hwacha law firm since 1998. He holds a BL (Hons), LLB (UZ) and was admitted as a legal practitioner in 1986. He has 34 years experience as a lawyer focusing on commercial legal practice, having 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 a leading expert in business restructuring in Zimbabwe. He sits on the Board of the Reserve Bank of Zimbabwe.



RACHEL P. KUPARA
Non-Executive Director

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.

Board of Directors (continued)



PHILEMON KIPKEMOI
Non-Executive Director

Mr. Philemon Kipkemoi was appointed as a Non-Executive Director of the Company, effective 21 June 2023. Mr. Kipkemoi has been with the BAT Group for 17 years. He joined BAT Kenya in 2007 from PricewaterhouseCoopers (PwC), where he served as an Internal Audit Manager. He has subsequently held various senior Finance Leadership roles within the Group, including, Finance Controller (Uganda & Big Ben Tobacco DRC), Finance Controller (East & Central Africa), Head of Operations Finance (East & Central Africa) and Head of Finance (Horn of Africa & Indian Ocean Islands). He is currently the Head of Finance for BAT East & Southern Africa markets.



PHYLLIS CHENJERA
Company Secretary

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 Zimbabwe and Powertel Communications.

Leadership Team



Leadership Team



Mr. Gitonga re-joined BAT Kenya in April 2017, having initially joined the Company in 2011 as a Brand Manager for the then BAT East and Central Africa Markets Cluster. Mr Gitonga has held various senior roles within BAT, including Trade Marketing Manager for the Americas and Sub-Sahara Africa region and subsequently, International Brand Manager for the Modern Oral Nicotine portfolio, based at the BAT Group office in UK, Head of Activations for the East & Southern Africa Area based in South Africa and his immediate former role as Head of Commercial for BAT East & Southern Africa Markets based in Kenya.

Kenneth Gitonga
MANAGING DIRECTOR



She joined BAT in April 2020 as a Commercial Finance Manager and subsequently the position of Head of Finance Horn of Africa & Indian Ocean Islands in 2021. In April 2023, Ms. Irungu progressed to the role of Head of Commercial Finance, BAT East & Southern Africa Markets her immediate former role, based in Nairobi, Kenya.

Lucy Irungu
FINANCE DIRECTOR



Blessing Shumba-Hove is a holder of a Bachelor's 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 sales, brand management and marketing with BAT Zimbabwe being her home for the greater part of her working career having joined BAT Zimbabwe in August 2013 as a Trade Marketing Representative. She then held various positions including roles in Botswana, Mozambique and Zambia before assuming her current role as Head of Trade, Zimbabwe effective 1 April 2024.

Blessing Shumba-Hove
HEAD OF TRADE

Leadership (continued)

Ms. Chenjera is a seasoned professional 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 Chenjera
HEAD OF LEGAL, CORPORATE
& REGULATORY AFFAIRS



Mr. Emmanuel Chesire was appointed to his current role in July 2022. He has been with BAT for over 12 years. Prior to his current appointment, Mr. Chesire served as the Engineering and Projects Manager for BAT Kenya. Mr. Chesire has vast knowledge and experience within the business and has risen through the ranks, holding various roles within the Business, including Shift Manager, Quality Assurance Manager, Production Manager and Head of Operations in BAT Papua New Guinea. Mr. Chesire is a holder of a Masters of Science Degree in Accounting and Finance and a Bachelor of Chemical and Process Engineering. He is a member of the Association of Chartered Certified Accountants.

Emmanuel Chesire
HEAD OF OPERATIONS

Mr. Simbarashe Nyaruwanga holds a Bachelor of Arts with specialty in Business and Marketing from the University of Bedfordshire. He is also a member of the Marketers Association of Zimbabwe. He has over 15 years experience gained from the Fast-Moving Consumer Goods Industry and brings significant experience in Trade, Marketing, Route to market, Brand and Customer Management. Over the past 10 years with BAT, Mr. Nyaruwanga has held various positions including Area Manager for Zimbabwe and Route to Market Manager for Southern African Markets Cluster before his current role of Marketing Deployment Manager.



Simbarashe Nyaruwanga
MARKETING DEPLOYMENT MANAGER

Audit and Risk Committee Report



Introduction

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

Financial Reporting

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

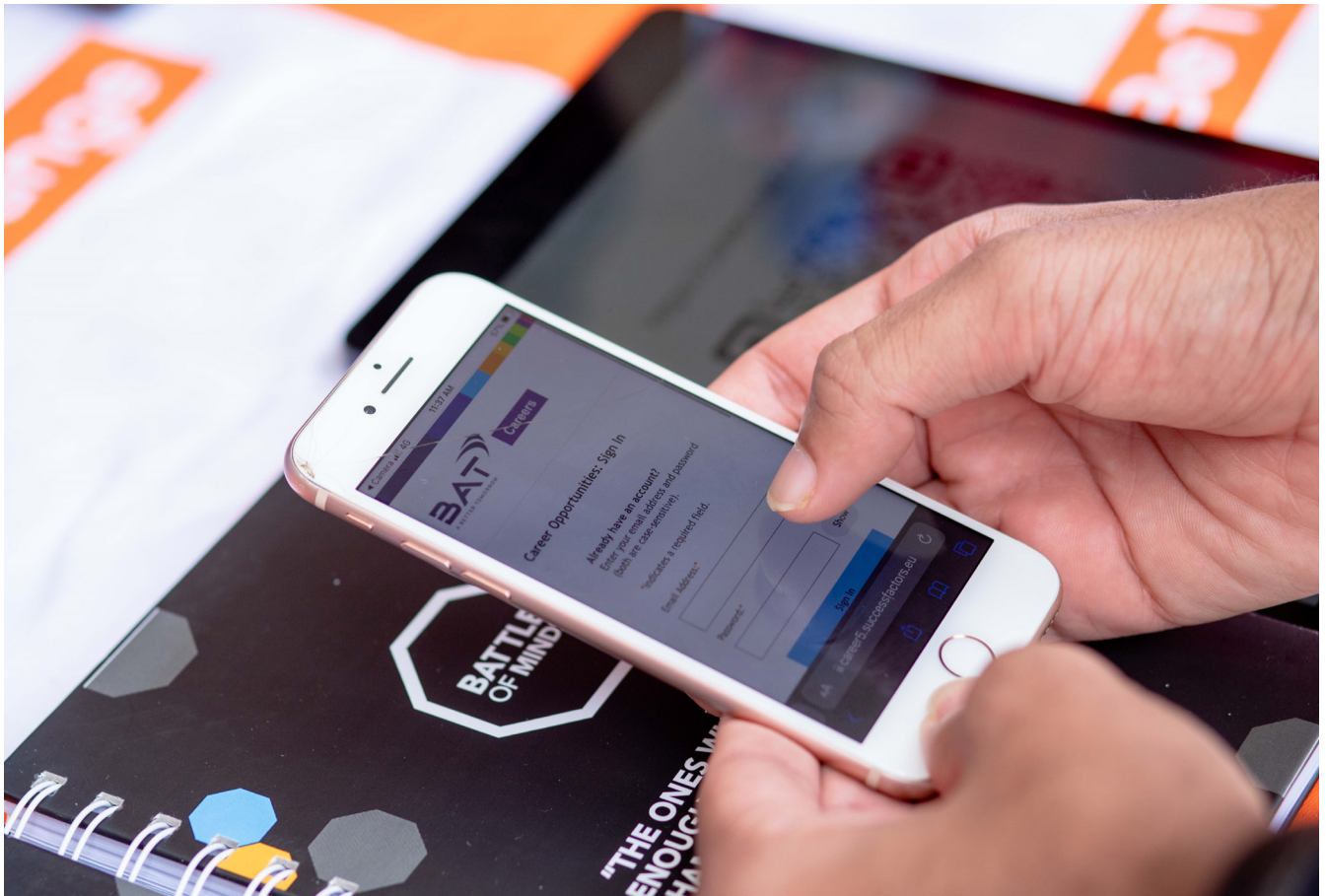
In the current financial year, the key issues were as follows:

- Accounting for blocked funds: BAT Zimbabwe registered blocked funds pursuant to a directive from the Reserve Bank of Zimbabwe (RBZ) amounting to US\$ 16 352 138.92 in respect of outstanding dividends and bills for material supplies in line with the blocked funds guidelines issued by the RBZ. Following this registration, the amount was transferred to the RBZ to allow settlement of the registered blocked funds. In 2021, the Treasury assumed the liability from RBZ in relation to the blocked funds and is currently working on the appropriate instrument(s) to facilitate settlement of the registered blocked funds.

Management has continued to account for the outstanding blocked funds at a rate of US\$1: ZW\$1; however, at the exchange rate as at 31 December 2023 (US\$1:ZW\$ 6 105), the related liabilities were valued at ZW\$ 99 829 808 107.

- Investment Property and Property, Plant & Equipment (PPE) classification: In 2023, management disposed of 3 out of 16 non-strategic properties, with the transaction being completed in February 2024. The disposal of the remaining 13 properties is pending BAT Group approvals, which are expected to be received in due course. IFRS 5 requires that results in respect of assets held for sale and discontinued operations to be presented separately from continuing operations. However, management is of the view that these assets do not meet the criteria set out in IFRS 5 for definition as assets held for sale for the year ended 31 December 2023.
- Accounting for Hyperinflationary Economies: BAT Zimbabwe maintains ZW\$ as its functional currency and has prepared inflation adjusted financial information for the year ending 31 December 2023 for purposes of fair presentation in accordance with IAS 29.
- Appropriateness of Exchange Rates Applied / Functional Currency Assessment: The determination of an appropriate foreign currency exchange rate and

Audit and Risk Committee Report (continued)



whether the use of the RBZ auction rate is adequate remains a critical judgement area for management considering the availability of foreign currency through the RBZ auction platform. Management continues to monitor the gap between the parallel market rate and the official exchange rate in order to mitigate the risk that the rate used may be inappropriate.

Internal controls and Risk Management

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

- The Control Navigator was presented by the Finance Director for review. The Control Navigator is in the framework that the Group and Company 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 and Company are facing and proposed updates to the risk register. The risk register is updated and reviewed on a quarterly basis.
- The Finance Director also presented the outcome of the BAT Group internal audit carried out in October to December 2023 as well as the remediation plan

for the areas of improvement identified therein.

- The Loss Report and Security Incidents Report was presented by Management and reviewed by the Committee. No incidents were reported during the period.
- 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 and Company.

Appointment of Auditors

The Audit and Risk Committee recommends the reappointment of KPMG Chartered Accountants (Zimbabwe) as the Group and Company's external auditors for the financial year ending 31 December 2024.

R. Kupara
Audit and Risk Committee
Chairperson

28 March 2024

Corporate Governance Report



Introduction

British American Tobacco Zimbabwe (Holdings) Limited (the 'Company') remains committed to the principles of transparency, responsibility, integrity, accounting, independence and fairness in its dealings with stakeholders. The Board of Directors is the custodian of corporate governance exercising its oversight role by monitoring the implementation of the company's strategy and business plan. 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.

The Board of Directors

The Board's responsibilities include providing the Company with clear strategic direction, reviewing operational performance, ensuring the integrity of the Company's internal controls, liaising 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 recognizes the synergy between effective governance sustainable performance and creating long term value for all its stakeholders.

To ensure that the Board retains decision-making power over material matters, the Board has put in place a governance framework to support the creation of long-term value for stakeholders. The Board is collectively responsible to its shareholders for the long-term sustainable success of the Company and for the Company's vision, strategic direction, its values, and governance.

Board Composition

The Board composition ensures a well-balanced directorate and is constituted with an equitable ratio of executive and non executive directors, the Board structure and composition is reviewed in terms of the company's constitutive documents and governance practice. The Board is satisfied that the directors have the appropriate balance of knowledge, skills, experience, diversity and independence to govern the Group effectively, considering its nature, size, the scale of operations, and the laws and customs governing its actions.

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.

2023 BOARD ATTENDANCE

Attended/Eligible to Attend

Director	Year of Appointment	Main Board	Audit, Risk and CSR Committee	Remuneration and Nominations Committee
1. Mr. Lovemore T. Manatsa	2016	4/4	4/4	4/4
2. Mr. Edwin I. Manikai	2017	4/4	4/4	2/2
3. Mr. Constantine F. Chikosi	2019	3/4	3/4	1/2
4. Mrs. Rachel P. Kupara	2019	4/4	4/4	2/2
5. Mr. Kimesh Naidoo	2023	3/4	3/4	1/2
6. Mr. Philemon Kipkemoi	2023	3/4	3/4	1/2
7. Mr. Wilson Chitsonga	2022	4/4	4/4	2/2
8. Mrs. Christelle S. Romeo	2021	1/4	1/4	1/2
9. Mr Sivenasen Moodley	2022	1/4	1/4	1/2

The Company Secretary is responsible for the Board operations and ensures that correct procedures are followed as well as adherence to corporate governance principles and standards. The Board meets at least four (4) times a year. Additional meetings may be convened to consider specific business issues which may arise between scheduled meetings. For the year under review, no additional meetings were required.

The key responsibilities of the Board include:

- Approving the Company's business strategy and ensuring necessary financial and human resources are in place to meet agreed objectives;
- Establishing and agreeing an appropriate governance framework;
- Reviewing the sufficiency and effectiveness of risk management and internal control systems;
- Approving the Company's performance objectives and monitoring their achievement;
- Reviewing and agreeing Board succession plans and approving Non-Executive Director appointments;
- Approving the Company's budget;
- Reviewing periodic financial and governance reports;
- Approving the Annual Report, Company results and public announcements;
- Declaring an interim/recommending a final dividend for shareholder approval;
- Approving Company Policies and monitoring compliance with the Standards of Business Conduct

Board Appointments

The Board notes the resignation of Mr. Kimesh Naidoo, Mr. Wilson Chitsonga and Ms. Christelle Supparayen-Romeo as the Managing Director, Finance Director and Non-executive Director, respectively of BAT Zimbabwe

effective 25 March 2024, 25 March 2024 and 21 June 2023 respectively. Mr. Naidoo, Mr. Chitsonga and Ms. Supparayen-Romeo diligently served the Group for the past year and have been instrumental in the growth of the Group. The Board extends its appreciation to them for their service and dedication and wishes them the very best in their future endeavors.

The Board further congratulates Mr Kenneth Gitonga, Ms. Lucy Irungu and Mr. Philemon Kipkemoi who will succeed the outgoing directors as Managing Director, Finance Director and Non-Executive Director of the Group.

In terms of Article 96 of the Company's Memorandum of Incorporation, at least one third of the Directors are subject to retirement 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. In accordance with Article 88 of the Company's Articles of Association, all newly appointed directors will also retire at the AGM for shareholder reappointment.

Annual Board work plan

The Board has in place an annual work plan that sets out Board activities in a year. The Work Plan is designed to enable the Board to drive strategy forward across all the elements of the Company's business model. During the year ended 31 December 2023, the Board held four (4) Board meetings and a strategic planning session which was held in December 2023. The Company held its Annual General Meeting in April 2023.

Board Committees

The Board discharges some of its responsibilities directly and others through two principal Committees i.e. Remuneration & Nomination Committee and the Audit and Risk Committee. The Board Committees are chaired by Non-Executive Directors and governed by specific Terms of Reference. The following is the composition of the Board Committees:

The Remuneration and Nominations Committee

The Board Remuneration and Nominations Committee comprises of five (5) Non-Executive Directors. The Committee is chaired by Mr. Edwin I. Manikai. The Committee is responsible for assisting the Board in fulfilling Corporate Governance responsibilities with regard to remuneration matters including the following:

- Remuneration framework for Non-Executive Directors;
- Remuneration and incentive framework including any proposed equity incentive awards to Executive Directors and other senior employees;
- Strategic human resources direction.
- Review of resignation and nomination for appointment of directors to the Board.

The Audit and Risk Committee

The Audit and Risk Committee comprises of five (5) Non-Executive Directors. The Committee is chaired by Mrs. Rachel P. Kupara. The Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities in relation *inter alia* to the following:

- The integrity of financial reporting;
- The Company's full year and half year financial results;
- Compliance with legal and regulatory obligations;
- Monitoring the effectiveness of BAT Zimbabwe's enterprise-wide risk management and internal controls framework;
- Oversight of the independence of external auditors, the external audit report and audit work plan.
- Reports on security risks, fraud and resultant losses; and,
- Reports on compliance with the Company's Standards of Business Conduct, any whistleblowing received and investigations into potential breaches.

Conflicts 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 or Board Chair, and these are considered at the next Board meeting. No material conflicts were reported by Directors in the year 2023.

The Board also requires all Directors to disclose on appointment and annually any circumstance which may give rise to an actual or potential conflict of interest with their roles as Director.

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 2023, 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
28 March 2024

STATEMENT OF DIRECTORS RESPONSIBILITY

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, generally accepted accounting practices 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 the IFRS Accounting Standards.

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 financial 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 and Risk 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 and Risk Committee and the Board.

The financial statements for the year ended 31 December 2023, which appear on pages 44 to 95 have been approved by the Board of Directors and are signed on its behalf by:



Lovemore Manatsa
Chairman
Harare



Kenneth Gitonga
Managing Director
Harare

These consolidated financial statements have been prepared under the supervision of Lucy Irungu.



Lucy Irungu
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

28 March 2024

V'USE

CHARGE BEYOND

18+



NEW V'USE GO DISPOSABLES FULLY CHARGED FLAVOURS



*Based on laboratory testing of newly manufactured product and may vary depending on individuals usage behaviour. **Based on Vype/Vuse estimated value share from RRP in measured retail for vapour (i.e. total vapour category value in retail sales) in key vapour markets: USA, Canada, France, UK, Germany as of May 2022.

This product contains nicotine which is a highly addictive substance.

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FOR THE YEAR ENDED 31 DECEMBER 2023

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FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2023

Group and Company summary (ZW\$ Mn)

	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
	2023 ZW\$ Mn	2022 ZW\$ Mn
Revenue	288 338	116 670
Operating profit	77 744	39 349
Profit before income tax	86 737	43 243
Profit attributable to shareholders	55 399	24 008
Total assets	153 681	107 977
Basic earnings per share (ZW\$)	2 684.85	1 163.51
Diluted earnings per share (ZW\$)	2 684.85	1 163.51



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Independent Auditors' Report

To the shareholders of British American Tobacco Zimbabwe (Holdings) Limited

Qualified opinion

We have audited the inflation adjusted consolidated and separate financial statements of British American Tobacco Zimbabwe (Holdings) Limited (the Group and Company) comprise the inflation adjusted consolidated and separate statement of financial position as at 31 December 2023, and the inflation adjusted consolidated and separate statement of profit or loss and other comprehensive income, inflation adjusted consolidated and separate changes in equity and inflation adjusted consolidated and separate cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, except for the possible effect of the matter 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 2023, 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the manner required by the Companies and Other Business Entities Act [Chapter 24:31].

Basis for qualified opinion

Blocked Funds

As described in note 33 to the consolidated and separate inflation adjusted financial statements, the Group and the Company have continued to account for foreign liabilities amounting to US\$16.3 million, approved as blocked funds, at an exchange rate of US\$1:ZW\$1, as included in Trade and other payables. No legally binding instrument has been issued by the Government of Zimbabwe to confirm the contractual terms supporting settlement of the approved blocked funds.

The accounting of these foreign liabilities at a rate of US\$1:ZW\$1 is not in line with the requirement of IAS 21 - The Effects of Changes in Foreign Exchange Rates, which requires foreign currency denominated liabilities to be translated at the closing spot rates at the respective period ends. In addition, the non-compliance over the blocked funds will impact, IAS 29 - Financial Reporting in Hyperinflation Economies (IAS 29).

In the current year, as a result of the non-compliance with IAS 21 and IAS 29, trade and other payables balance is understated by ZW\$99.8 billion (2022: ZW\$53.7 billion), and the income statement impact is split between the current year, with other losses being understated by ZW\$88.6 billion (2022: ZW\$45.2 billion) and the monetary loss being overstated by ZW\$42.4 billion (ZW\$20.6 billion), and the prior year with the opening retained earnings balance as at 1 January 2023 is overstated by ZW\$53.6 billion (2022: ZW\$29.1 billion).

These departures from IAS 21 and non-compliance with IAS 29 has resulted in a qualified audit opinion being issued on the inflation adjusted consolidated and separate financial statements for the year ended 31 December 2023 and comparative period.

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. Except for the matter described in the Basis for qualified opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "British American Tobacco (Holdings) Limited consolidated and separate financial statements 31 December 2023" 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 and Company have continued to account for foreign liabilities amounting to US\$16.3 million, approved as blocked funds, at an exchange rate of US\$1:ZW\$1, which is not in compliance with IAS 21. This also results in non-compliance with IAS 29. 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, Managing Director's report, Finance Director's report, Report of the Audit Committee 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the manner required by the Companies and Other Business Entities Act [Chapter 24:31], and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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



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

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

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

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

28 March 2024

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
		2023 ZW\$ Mn	2022 ZW\$ Mn
Revenue	19	288 338	116 670
Cost of sales	21.1	(44 364)	(28 921)
Gross profit		243 974	87 749
Selling and marketing costs	21.2	(22 361)	(10 725)
Administrative expenses		(21 522)	(14 779)
Impairment (loss)/reversal on trade receivables		(619)	163
Re-measurement of share-based liability	15	(1)	74
Other income	20	1 080	500
Other losses	22	(27 910)	(10 974)
Monetary loss on hyperinflation adjustment		(94 897)	(12 659)
Operating Profit	21	77 744	39 349
Finance income		8 993	3 894
Profit before income tax		86 737	43 243
Income tax expense	23	(31 338)	(19 235)
Total comprehensive income (loss) for the year		59 399	24 008
Attributable to:			
Owners of the parent		55 399	24 008
Basic earnings per share (ZW\$)	25	2 684.85	1 163.51
Diluted earnings per share (ZW\$)	25	2 684.85	1 163.51
Headline earnings per share (ZW\$)	25	2 684.85	1 163.51

The notes on pages 57 to 95 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 28 March 2024 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 2023

	Note	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
		2023 ZW\$ Mn	2022 ZW\$ Mn
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Managing Director



Finance Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
		2023 ZW\$ Mn	2022 ZW\$ Mn
ASSETS			
Non-current assets			
Property, plant and equipment	3	21 534	19 436
Investment property	4	148	148
Financial assets at fair value through profit or loss	9	218	32
Deferred tax asset	16	1 625	-
		23 525	19 616
Current assets			
Inventories	7	26 439	20 396
Trade and other receivables	8	50 650	47 690
Cash and cash equivalents	10	49 596	20 274
Current income tax asset	24	3 471	-
		130 156	88 360
Total assets		153 681	107 976
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital	11	5 348	5 348
Non-distributable reserve		345	345
Retained earnings		102 650	47 251
Total equity		108 343	52 944
Non-current liabilities			
Deferred tax liability	16	-	4 125
Current liabilities			
Trade and other payables	13	39 278	45 435
Staff benefits liability	14	6 055	4 519
Share-based payment liability	15	5	24
Current income tax liability	24	-	929
		45 338	50 907
Total liabilities		45 338	55 032
Total equity and liabilities		153 681	107 976

The notes on pages 57 to 95 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 28 March 2024 and signed on its behalf by:



Managing Director



Finance Director

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

INFLATION ADJUSTED YEAR ENDED 31 DECEMBER

	Note	2023 ZW\$ Mn	2022 ZW\$ Mn
ASSETS			
Non-current assets			
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The notes on pages 57 to 95 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 28 March 2024 and signed on its behalf by:



Managing Director



Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

INFLATION ADJUSTED ATTRIBUTABLE TO OWNERS OF THE PARENT

	Share capital ZW\$ Mn	¹ Non- distributable reserves ZW\$ Mn	Retained earnings ZW\$ Mn	Total ZW\$ Mn
Balance as at 1 January 2022	5 348	345	32 003	37 696
Total comprehensive income for the year	-	-	24,008	24 008
Dividends			(8 760)	(8 760)
Balance as at 31 December 2022	5 348	345	47 251	52 944
Balance as at 1 January 2023	5 348	345	47 251	52 944
Total comprehensive income for the year	-	-	55 399	55 399
Balance as at 31 December 2023	5 348	345	102 650	108 343

The notes on pages 57 to 95 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 28 March 2024 and signed on its behalf by:



Managing Director



Finance Director

¹ Non-distributable reserves

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

INFLATION ADJUSTED ATTRIBUTABLE TO OWNERS OF THE PARENT

	Share capital ZW\$ Mn	² Non- distributable reserves ZW\$ Mn	Retained earnings ZW\$ Mn	Total ZW\$ Mn
Balance as at 1 January 2022	5 348	345	32 003	37 696
Total comprehensive income for the year	-	-	24,008	24 008
Dividends			(8 760)	(8 760)
Balance as at 31 December 2022	5 348	345	47 251	52 944
Balance as at 1 January 2023	5 348	345	47 251	52 944
Total comprehensive income for the year	-	-	55 399	55 399
Balance as at 31 December 2023	5 348	345	102 650	108 343

The notes on pages 57 to 95 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 28 March 2024 and signed on its behalf by:



Managing Director



Finance Director

²Non-distributable reserves

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	INFLATION ADJUSTED	
		2023	2022
		ZW\$ Mn	ZW\$ Mn
Cash flows from operating activities			
Cash generated from operations	17	160 157	34 916
Income tax paid	24	(40 753)	(16 996)
Net cash generated from operating activities		119 404	17 920
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(2 800)	(13 747)
Proceeds from sale of scrap		643	5
Interest received		277	1 109
Dividends received from investments		2	-
Net cash used in investing activities		(1 878)	(12 633)
Cash flows from financing activities			
Dividends paid to owners of the parent		(1 363)	-
Net cash used in financing activities		(1 363)	-
Effect of inflation on cash and cash equivalents		(95 630)	(12 309)
Effects of movement in exchange rates on cash held		8 789	2 433
Net increase/(decrease) in cash and cash equivalents		29 322	(4 589)
Cash and cash equivalents at the beginning of the year		20 274	24 863
Cash and cash equivalents at the end of the year	10	49 596	20 274

The notes on pages 57 to 95 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 28 March 2024 and signed on its behalf by:



Managing Director



Finance Director

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

INFLATION ADJUSTED YEAR ENDED 31 DECEMBER 2023 2022

	Note	ZW\$ Mn	ZW\$ Mn
Cash flows from operating activities			
Cash generated from operations	17	160 157	34 916
Income tax paid	24	(40 753)	(16 996)
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Net increase/(decrease) in cash and cash equivalents		29 322	(4 589)
Cash and cash equivalents at the beginning of the year		20 274	24 863
Cash and cash equivalents at the end of the year	10	49 596	20 274

The notes on pages 57 to 95 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 31st March 2024 and signed on its behalf by:



Managing Director



Finance Director

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

British American Tobacco Zimbabwe (Holdings) Limited (“the Company”) and its subsidiaries (together, “the Group”) manufactures, distributes and sells cigarettes through a network of independent retailers, wholesalers and distributors. The Group and Company 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 million dollars (“Mn”).

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

2. SUMMARY OF MATERIAL 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 IFRS Accounting Standards (“IFRS Accounting Standards as issued by the International Accounting Standards Board”) and IFRS Interpretations Committee (“IFRIC”) pronouncements and the requirements of the Companies and Other Business Entities Act (Chapter 24:31). The financial statements have been prepared under the historical cost convention except for financial assets and financial liabilities at fair value through profit and loss which are measured at fair value. Financial liabilities measured at fair value are the Share-Based Payments liabilities as explained in Note 2.24 and Note 15.

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 and Company’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 31.

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 and Company.

The Directors adopted the following accounting treatments and exchange rates:

- October 2018 to February 2019: exchange rate of US\$: ZW\$1 (as prescribed by SI 33)
- 1 January to 23 June 2020: interbank exchange provided by the Reserve Bank of Zimbabwe (RBZ)
- 24 June 2020 to 11 December 2023: auction exchange rates provided by RBZ
- 12 December to 31 December 2023: interbank exchange provided by RBZ

The amounts in the 2022 financial statements are the basis for the comparative financial information presented in 2023.

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 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. In the absence of a reliable index an entity may determine or estimate an index that it deems reasonable in determining the upliftment factors to enable comparability.

The Group and Company therefore carried out the restatement by means of conversion factors derived from the Zimbabwe Consumer Price Index (CPI) issued by the Zimbabwe Central Statistical Agency (ZIMSTAT), as below;

- Periods up to January 2023: conversion factors were derived from ZW\$ CPI issued by ZIMSTAT

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation

- February 2023 to December 2023: adjusted the January 2023 published ZW\$ CPI by the monthly movement of the Total Consumption Poverty Line (TCPL)^{1,2}

¹The TCPL is published by ZIMSTAT monthly and measures the amount required to purchase both non-food and food items

²In March 2023 the Minister of Finance and Economic Development through SI27 of 2023 gave a notice re-defining the "rate of inflation" and introduced a new weighted average inflation rate based on the ZW\$ and US\$. Subsequently, only blended CPI figures were officially published and ZW\$ inflation rates were no longer available.

The indices and conversion factors used to restate the accompanying financial statements at 31 December 2023 are as follows:

Dates	Indices	Conversion Factor
CPI as at 31 December 2023	65 703.43	1.00
CPI as at 31 December 2022	13 672.91	4.81
Average CPI 2023	35 114.22	
Average CPI 2022	9 189.69	

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

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

The Group and Company and Company financial statements have been prepared on the going concern basis which the Directors believe to be appropriate (refer to note 33).

2.1.1 New and amended standards and interpretations for 2023 and forthcoming requirements.

The following standards and interpretations were in issue and effective:

IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1 and 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

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

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IAS 16	Lease Liability in a sale and Leaseback – Amendments to IFRS 16 Leases effective 1 January 2024
IAS 16	Classification of Liabilities as Current or Non-current Liabilities with covenants – Amendments to IAS 1 Presentation of Financial Statements effective 1 January 2024
IAS 7	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements effective 1 January 2024
IAS 21	Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates effective 1 January 2025
IFRS 21	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. Effective date to be determined.

2.1.2 New And Amended Standards and Interpretations not yet Adopted

Several new standards are effective for annual periods beginning after 1 January 2024 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 de-consolidated

from the date that control ceases.

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% in its 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 from 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

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation (continued)

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. The Group participated in the foreign exchange auction and were allotted foreign currency which demonstrated exchangeability, from 23 June 2020. With effect from 23 June 2020, the Group applied auction rates to translate foreign currency transactions and balances into ZW\$ until 11th of December 2023 and from the 12th till end of the year the Group was using the interbank rate 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

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

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 Company, 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

*For the buildings, temporary structures have shorter useful life of 5 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 Investment property

Investment property consists of residential land and buildings let out to third parties or operating lease agreements. Investment property is accounted for in accordance with the cost model as set out in IAS 16 Property, Plant and Equipment - at cost less accumulated depreciation and less accumulated impairment losses.

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.

2.8 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.

2.9 Financial assets

2.9.1 Classification

The Group and Company 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.

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

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

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company 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 and Company 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 and Company's right to receive payments is established.

2.9.3 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 and Company intends to settle on a net basis, the relevant financial assets and liabilities are offset. Nonetheless, the Group and Company has no intention of offsetting any financial assets and financial liabilities and this has never been done before.

2.10 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 costs necessary to make the sale. The main types of inventories that the Group and Company carries are the Raw materials and Finished goods, and the raw materials primarily includes the leaf of different grades, wrapping materials such as cigarette papers,

cork tipping and filter tow. Finished goods, include the imported cigarettes of Dunhill as well as locally manufactured such as Lucky strike and Rothmans.

2.11 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Group and Company derecognises trade payables when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.12 Impairment of financial assets

The Group and Company 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 and Company 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 2023 is determined per the provision matrix below incorporating credit risk and probability of recoverability:

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 Impairment of financial assets (continued)

	% 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.

2.13 Borrowings

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

2.14 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 2.12 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.

2.15 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.

2.16 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 and 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. 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.

2.17 Current and deferred tax

The tax expense for the period comprises current tax and deferred tax, as per the Group and Company 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 and Company 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

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.17 Current and deferred tax (continued)

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.

2.18 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.

Restructuring provision

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

2.19 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 and Company 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 and Company's activities, as described below.

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

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

2.20 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

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (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 Dividend distribution

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

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

2.22 Leases: accounting by lessor

The Group and Company leases certain investment properties to third parties under leases. Each of these leases is determined to be an operating lease as the Group and Company 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 and Company has no finance leases.

2.23 Employee benefits

(a) Pension obligations

The Group and Company has a defined contribution plan under which the Group and Company pays fixed contributions into a separate entity. The Group and Company 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 and Company pays contributions to publicly or privately administered pension insurance

plans on a mandatory, contractual or voluntary basis. The Group and Company 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.

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.

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

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

(b) Incentive bonus plan

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

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.24 Share-based payment (continued)

2.24 Share-based payment

The Group and Company 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 15).

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 2023

3. PROPERTY, PLANT AND EQUIPMENT

Consolidated and Company

	Freehold Land	Buildings	Vehicles, Machinery And Equipment	Furniture, Fittings And Equipment	Total
INFLATION ADJUSTED	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn
Year ended 31 December 2023					
Opening net book amount	794	3 242	12 996	2 404	19 436
Additions	-	326	1 806	668	2 800
Disposals	-	-	-	(1)	(1)
Depreciation charge	-	(21)	(575)	(105)	(701)
Closing net book amount	794	3 547	14 227	2 966	21 534
At 31 December 2023					
Cost	794	4 741	23 284	4 543	33 362
Accumulated depreciation	-	(1 194)	(9 057)	(1 577)	(11 828)
Net book amount	794	3 547	14 227	2 966	21 534

Depreciation expense amounting to ZW\$343 603 016 (2022: ZW\$280 289 214) has been charged in cost of sales, ZW\$199 654 001 (2022: ZW\$44 747 904) in selling and marketing costs and ZW\$ 157 651 925 (2022: ZW\$115 227 375) in administrative expenses.

	Freehold Land	Buildings	Vehicles, machinery and equipment	Furniture, fittings and equipment	Total
INFLATION ADJUSTED	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn
Year ended 31 December 2022					
Opening net book amount	794	2 942	1 024	1 370	6 130
Additions	-	330	12 281	1 135	13 746
Depreciation charge	-	(30)	(309)	(101)	(440)
Closing net book amount	794	3 242	12 996	2 404	19 436
At 31 December 2022					
Cost	794	4 415	21 478	3 876	30 563
Accumulated depreciation	-	(1 173)	(8 482)	(1 472)	(11 127)
Net book amount	794	3 242	12 996	2 404	19 436

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

4. INVESTMENT PROPERTY

Consolidated and Company

INFLATION ADJUSTED	LAND AND BUILDINGS ZW\$ Mn	TOTAL ZW\$ Mn
Year ended 31 December 2023		
Opening net book amount	148	148
Depreciation charge	-	-
Closing net book amount	148	148
At 31 December 2023		
Cost	236	236
Accumulated depreciation	(88)	(88)
Net book amount	148	148
Year ended 31 December 2022		
Opening net book amount	148	148
Depreciation charge	-	-
Closing net book amount	148	148
At 31 December 2022		
Cost	236	236
Accumulated depreciation	(88)	(88)
Net book amount	148	148

Investment property comprises of buildings that are leased to third parties. Rental income recognised by the Group during 2023 was ZW\$305 816 915 (2022:ZW\$1 367 738) and was included in "other income", see note 20.

INFLATION ADJUSTED	Fair value measurements (Level 2)	
	2023 ZW\$ Mn	2022 ZW\$ Mn
Investment property	3 663	1 936

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

4 Investment Property (continued)

Fair values of investment property

The fair value of investment properties as at 31 December 2022 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.

As at 31 December 2023 the group was relying on the fair value figures which were determined by the external, independent property valuers as at 31 December 2022. The Directors believe that there hasn't been any significant changes in the fair value of the investment properties in USD from the last valuation which was performed in 2022.

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.

The valuations for Investment Properties were prepared in US Dollars and if there was a change in the exchange rate by 5% depreciation/appreciation, assuming all other factors held constant, the valuation of the properties will increase/decrease by ZW\$183 141 678 lower/higher (2022: 96 796 564)

INFLATION ADJUSTED

	Fair value at 31 December 2023 ZW\$ Mn	Fair value at 31 December 2022 ZW\$ Mn	Valuation technique	Observable inputs	Relationship of observable inputs to fair value
Investment property	3 663	1 936	Sales comparison approach	Market price per square metre	The higher the price per square metre, the higher the fair value

Market Price Per Square Metre					
Investment property	Building Sq Metre	Price per Sq Metre USD	Price per Sq Metre ZWL	USD Value	ZW\$ Value
Stand 465 Chiredzi Township	231.97	237	1 447 427	55 000	335 759 743
Stand 376 Chiredzi Township	475.56	578	3 530 151	275 000	1 678 798 715
Stand 1569A QueQue Township	192.96	363	2 214 607	70 000	427 330 582
Stand 191 Victoria Falls Township	295.58	677	4 130 674	200 000	1 220 944 520
Totals				600 000	3 662 833 560

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

5. INVESTMENT IN SUBSIDIARIES

	INFLATION ADJUSTED	
	2023	2022
	ZW\$ Mn	ZW\$ Mn
Company		
Investment in subsidiaries	-	-

Set out below are the Company's subsidiaries at 31 December 2023. 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	Country of incorporation
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 2.24 (Share-based payment) and 15 (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 2023

6. FINANCIAL INSTRUMENTS BY CATEGORY

Consolidated and Company

INFLATION ADJUSTED	Assets at amortised cost ZW\$ Mn	Assets at fair value through profit or loss ZW\$ Mn	Total ZW\$ Mn
31 December 2023			
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)	36 779	-	36 779
Financial assets at fair value through profit or loss	-	218	218
Cash and cash equivalents	49 596	-	49 596
Total	86 375	218	86 593
		Other financial liabilities ZW\$ Mn	Total ZW\$ Mn
Liabilities as per statement of financial position			
Trade and other payables (excluding statutory liabilities)		34 988	34 988
Total		34 988	34 988
	Assets at amortised cost ZW\$ Mn	Assets at fair value through profit or loss ZW\$ Mn	Total ZW\$ Mn
31 December 2022			
Assets as per statement of financial position			
Trade and other receivables excluding prepayments	14 818	-	14 818
Financial assets at fair value through profit and loss	-	32	32
Cash and cash equivalents	20 274	-	20 274
Total	35 092	32	35 124
		Other financial liabilities ZW\$ Mn	Total ZW\$ Mn
Liabilities as per statement of financial position			
Trade and other payables (excluding statutory liabilities)		31 088	31 088
Total		31 088	31 088

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

7. INVENTORIES

	INFLATION ADJUSTED	
	2023	2022
	ZW\$ Mn	ZW\$ Mn
Consolidated and Company		
Raw materials	22 422	11 902
Finished goods	3 298	8 127
Consumables	719	367
	26 439	20 396

During the year, write downs amounting to ZW\$11 088 280 (2022: ZW\$ 146 949 196) were recognised in cost of sales as an expense during the year

8. TRADE AND OTHER RECEIVABLES

	2023	2022
	ZW\$ Mn	ZW\$ Mn
Consolidated and Company		
Trade receivables	36 614	12 906
Less: Provision for impairment of trade receivables	(306)	(127)
Trade receivables - net	36 308	12 779
Other receivables	274	1 374
Prepayments	13 871	32 871
Receivables from related parties (note 27)	197	666
	50 650	47 690

Included in other receivables is an amount of ZW\$16 352 138.92 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.

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

8. TRADE AND OTHER RECEIVABLES (continued)

Consolidated and Company (continued)

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

	Total ZW\$ Mn	INFLATION ADJUSTED		
		Up to 30 days ZW\$ Mn	31 to 60 days ZW\$ Mn	61 days and more ZW\$ Mn
31 December 2023				
Distributors	14 432	14 273	81	78
Wholesalers	15 012	14 972	(90)	130
Retailers	156	169	(39)	26
Stockists	2 463	2 444	20	(1)
Other external debtors	4 551	4 551	-	-
Other receivables	274	1 178	456	(1 360)
Prepayments	13 871	8 424	539	4 908
Receivables from related parties	197	147	-	50
Provision for impairment	(306)	(15)	(50)	(241)
Total	50 650	46 143	917	3 590
31 December 2022				
Distributors	7 214	7 059	35	121
Wholesalers	4 219	4 218	-	-
Retailers	445	355	52	38
Stockists	479	444	25	10
Other external debtors	549	549	-	-
Other receivables	1 374	(4 307)	1 462	4 219
Prepayments	32 871	7 848	2 283	22 740
Receivables from related parties	666	663	-	3
Provision for impairment	(127)	-	-	(127)
Total	47 690	16 829	3 857	27 004

As at 31 December 2023, trade receivables excluding related parties amounting to ZW\$205 222 734 (2022: ZW\$281 027 886) were overdue.

The amount of the provision recognised on total trade receivables including related parties as of 31 December 2023 amounted to ZW\$306 054 646 (2022: ZW\$127 173 257). The individually impaired receivables mainly relate to distributors, wholesalers and retailers.

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

	INFLATION ADJUSTED	
	2023 ZW\$ Mn	2022 ZW\$ Mn
ZW\$	50 453	47 024
USD	197	666
Total	50 650	47 690

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

8. TRADE AND OTHER RECEIVABLES (continued)

Consolidated and Company (continued)

The recognition and release of provisions in respect of impaired receivables are included in "Impairment (loss)/reversal 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 2023, the gross exposure to credit risk in respect of trade and other receivables by type of counterparty was as follows:

31 December 2023	INFLATION ADJUSTED	
	2023 ZW\$ Mn	2022 ZW\$ Mn
Distributors	14 432	7 214
Wholesalers	15 012	4 219
Retailers	155	445
Stockists	2 463	479
Other external debtors	4 551	549
Other receivables	274	1 374
Prepayments	13 871	32 871
Receivables from related parties	197	666
	50 956	47 817

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Consolidated and Company	INFLATION ADJUSTED	
	2023 ZW\$ Mn	2022 ZW\$ Mn
Listed securities held for trading		
Equity securities - Nampak Holdings Limited	218	32

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 2023.

Financial assets	INFLATION ADJUSTED			
	Level 1 ZW\$ Mn	Level 2 ZW\$ Mn	Level 3 ZW\$ Mn	Total ZW\$ Mn
2023				
Quoted securities at market value	218	-	-	218
2022				
Quoted securities at market value	32	-	-	32

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Consolidated and Company (Continued)

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.

10. CASH AND CASH EQUIVALENTS

	INFLATION ADJUSTED	
	2023 ZW\$ Mn	2022 ZW\$ Mn
Consolidated and Company		
Cash at bank and on hand	49 596	15 469
Short-term bank deposits	-	4 805
Cash and cash equivalents	49 596	20 274

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

11. SHARE CAPITAL

Consolidated and Company

	INFLATION ADJUSTED			
	Number of ordinary shares	31 Dec. 2023 Ordinary shares ZW\$ Mn	Number of ordinary shares	31 Dec. 2022 Ordinary shares ZW\$ Mn
Authorised				
Ordinary shares at par value ZW\$ 0.30 each	21 252 000	6	21 252 000	6
Issued and fully paid			Number of shares	Value ZW\$ Mn
At 1 January 2023			20 633 517	6 349
Less treasury shares			(3 252 000)	(1 001)
At 31 December 2023			17 381 517	5 348
At 1 January 2022			20 633 517	6 349
Less treasury shares			(3 252 000)	(1 001)
At 31 December 2022			17 381 517	5 348

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

11. SHARE CAPITAL (continued)

Consolidated and Company (continued)

(b) Treasury shares

Consolidated and Company

	Number of Ordinary shares	Ordinary shares ZW\$ Mn
<i>Issued and fully paid</i>		
Company		
At 31 December 2023	17 381 517	6 349
At 31 December 2022	17 381 517	6 349
Treasury shares		
At 31 December 2023	3 252 000	1 001
At 31 December 2022	3 252 000	1 001

All ordinary shares rank equally with regards 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.

12. DIRECTORS' INTERESTS

Company

At 31 December 2023, the Directors held, directly or indirectly, the following number of shares in the Company:

	2023 Number of shares	2022 Number of shares
L T Manatsa	1 000	1 000

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

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

13. TRADE AND OTHER PAYABLES

	INFLATION ADJUSTED	
	2023	2022
	ZW\$ Mn	ZW\$ Mn
Consolidated and Company		
Trade payables	610	1 509
Amounts due to related parties	14 240	31 498
Social security and other taxes	4 290	5 587
Accrued expenses	7 195	1 808
External dividends	337	5 008
Other	12 606	25
	39 278	45 435

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\$16 352 138.92 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 fair value of trade and other payables approximates their carrying values due to their short tenure.

ZW Dollar	24 966	8 493
South African Rand	13 112	31 854
UK Pound	128	1 240
Euro	4	68
US Dollar	1 062	3 765
Mexican Peso	6	15
	39 278	45 435

Goods, services and machinery are mainly acquired from British American Tobacco South Africa (Pty) Limited which makes up over 90% of the foreign debt.

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

14. STAFF BENEFITS PROVISION

	INFLATION ADJUSTED					
	Provision for restructuring costs	Annual Leave	Salaries & Wages	Incentive Bonus	Long service awards	Total
	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn
At 1 January 2022	-	907	-	1 267	92	2 266
Utilized during the year	-	(907)	-	(1 267)	(92)	(2 266)
Charge to statement of comprehensive income	1 965	658	-	1 895	-	4 519
At 1 January 2023	1 965	658	-	1 895	-	4 519
Utilized during the year	(1 965)	(658)	-	(1 895)	-	(4 519)
Charge to statement of comprehensive income	-	2 668	936	2 451	-	6 055
At 31 December 2023	-	2 668	936	2 451	-	6 055

(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 2022. The provision of ZW\$1 965 061 653 (which is fully termination benefits) at 31 December 2022 was fully utilised during the first half of 2023.

(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 2023.

15. 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 2.24). 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 financial year.

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

15. SHARE-BASED PAYMENT LIABILITY (continued) Consolidated and Company (continued)

	INFLATION ADJUSTED	
	2023	2022
	ZW\$ Mn	ZW\$ Mn
At 1 January 2023	24	100
Transfer from leave liability	-	-
Re-measurement of share-based payment liability	1	(74)
Amounts paid during the year	(1)	(2)
Effects of Monetary gains	(19)	-
At 31 December 2023	5	24

16. DEFERRED INCOME TAX (ASSETS)/LIABILITIES

Consolidated and Company	2023	2022
	ZW\$ Mn	ZW\$ Mn
The deferred tax (asset)/liability is made up of:		
Property plant and equipment - accelerated depreciation	4 513	2 449
Provisions	(1 318)	(1 097)
Allowance for credit losses	(79)	16
Marketable securities - fair value	2	-
Inventory write down	(3)	(28)
Unrealised exchange differences	(7 258)	(2 695)
Inventory	1 672	1 765
Prepayments	846	3 715
Deferred tax (asset)/liability	(1 625)	4 125

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

At 1 January	4 125	127
Charge/(Credit) to the statement of comprehensive income	(5 750)	3 998
At 31 December	(1 625)	4 125

Consolidated and Company

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:

	Accelerated tax depreciation	Total
	ZW\$ Mn	ZW\$ Mn
At 1 January 2023	4 125	4 125
Charge to the statement of comprehensive income	(5 750)	(5 750)
At 31 December 2023	(1 625)	(1 625)
At 1 January 2022	127	127
Charge to the statement of comprehensive income	3 998	3 998
At 31 December 2022	4 125	4 125

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

17. CASH GENERATED FROM OPERATIONS

	INFLATION ADJUSTED	
	2023	2022
	ZW\$ Mn	ZW\$ Mn
Consolidated and Company		
Profit before income tax	86 738	43 243
Adjustment for:		
Depreciation of property, plant and equipment and investment property	701	440
Loss on sale of property, plant and equipment	(643)	(5)
Fair value (gains)/losses on financial assets at fair value through profit or loss	(186)	104
Other non-cash items	1 286	-
Finance income	(8 993)	(3 894)
Monetary loss on hyperinflation adjustment	94 897	12 659
Changes in working capital:		
Increase in inventories	(6 043)	(1 178)
Increase in trade and other receivables	(2 960)	(39 711)
(Decrease)/Increase in trade and other payables	(6 157)	22 880
Increase in provisions for other liabilities and charges	1 536	454
Decrease in share-based payment liability	(19)	(76)
Cash generated from operations	160 157	34 916

18. RETIREMENT BENEFIT OBLIGATIONS

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.

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

	INFLATION ADJUSTED		Total ZW\$ Mn
	Employees ZW\$ Mn	Group ZW\$ Mn	
2023			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	665	1 443	2 108
NSSA	113	113	226
	778	1 556	2 334
2022			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	557	1 255	1 812
NSSA	74	74	148
	631	1 329	1 960

	INFLATION ADJUSTED	
	2023 ZW\$ Mn	2022 ZW\$ Mn
19. REVENUE		
Consolidated and Company		
Revenue from sales of goods in domestic market	282 011	112 228
Revenue from cut rag exports to foreign market	6 327	4 442
	288 338	116 670
20. OTHER INCOME		
Consolidated and Company		
Group recharges	77	461
Dividends received from investments	2	-
Rental income	306	1
Profit on sale of property, plant and equipment	643	5
Sundry income	52	33
	1 080	500

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

21. OPERATING PROFIT

INFLATION ADJUSTED

2023 2022
ZW\$ Mn ZW\$ Mn

Consolidated and Company

Operating profit before taxation includes the following:

21.1 Cost of sales

Leaf consumed	7 995	8 915
Wrapping materials consumed	5 255	5 417
Manufacturing costs	31 067	14 550
Other cost of sales	47	39
	44 364	28 921

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 2023, with the upliftment factors varying between 4.75 (January 2023) and 1 (December 2023).

21.2 Selling and marketing costs

Brand specific expenses	3 164	2 171
Marketing overheads	5 667	1 225
Route to marketing overheads	13 530	7 329
	22 361	10 725

21.3 Other Disclosable Items

Auditors' remuneration - current year	1 041	367
Depreciation of property, plant and equipment	701	440
Directors' fees	760	112

21.4 Staff costs

Salaries and wages	37 291	17 987
Pension contributions	1 443	1 255
	38 734	19 242

The number of employees as at 31 December 2023 was 79 (2022: 96).

22. OTHER GAINS / (LOSSES)

Consolidated and Company

Exchange losses	(28 096)	(10 870)
Financial assets at fair value through profit or loss (note 10) - Fair value gain / (loss)	186	(104)
	(27 910)	(10 974)

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

23. INCOME TAX EXPENSE

	INFLATION ADJUSTED	
	2023	2022
	ZW\$ Mn	ZW\$ Mn
Current income tax on profit for the year	37 088	15 237
Deferred taxation (income)/expense (note 16)	(5 750)	3 998
	31 338	19 235

24. INCOME TAX PAID

Opening balance	929	2 688
Charge per statement of comprehensive income	37 088	15 237
Effects of IAS 29	(735)	-
Closing balance per statement of financial position	3 471	(929)
	40 753	16 996

25. 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	
	2023	2022
	ZW\$ Mn	ZW\$ Mn
Profit attributable to equity holders of the Company	55 399	24 008
Weighted average number of ordinary shares in issue (thousands)	20 634	20 634
Basic and diluted earnings per share (ZW\$)	2 684.85	1 163.51
Headline Earnings per share (ZW\$)	2 684.85	1 163.51

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

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

26. DIVIDENDS

Consolidated and Company

The board proposed the declaration of a final dividend of ZW\$1186.70 per share for the year ended 31 December 2023. For the year ended 31 December 2022, the Board declared the final dividend of ZW\$88.35 per share.

27. 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

	2023	2022
	ZW\$ Mn	ZW\$ Mn

The following transactions were carried out with related parties:

Consolidated and Company

(a) Other sales:

British American Tobacco Mozambique Lda	670	1 600
British American Tobacco South Africa (Pty) Limited	-	448
British American Tobacco Kenya plc	5 657	2 394
	6 327	4 442

(b) Purchase of goods and services:

British American Tobacco South Africa (Pty) Limited	14 281	20 492
British American Tobacco (Holdings) Limited	136	139
British American Tobacco Shared services GSD UK	41	106
British American Tobacco (GLP) Limited	221	-
British American Tobacco Pesci Dohanygyar KFT	1	2
Nicoventures Trading Limited	971	-
Tabacalera Hondurena S.A.	24	-
British American Tobacco Vranje AD	-	12
British American Tobacco Singapore	-	6
British American Tobacco Tutun	-	4
British American Tobacco Chile	-	2
British American Tobacco Kenya	781	355
British American Tobacco Mexico	7	-
Souza Cruz Ltda.	1	-
British American Tobacco Zambia	-	387
British American Tobacco Nigeria Limited	4	7
	16 468	21 512

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

27. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of goods and services: (Continued)

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

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

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

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

Receivable from related parties (note 8):

British American Tobacco South Africa (Pty) Limited
British American Tobacco (GLP) Limited
British American Tobacco Mozambique Limitada
British American Tobacco Kenya Plc

INFLATION ADJUSTED

2023	2022
ZW\$ Mn	ZW\$ Mn

-	25
-	-
197	-
-	641
197	666

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

27. RELATED PARTY TRANSACTIONS (continued)

	INFLATION ADJUSTED	
	2023 ZW\$ Mn	2022 ZW\$ Mn
(d) Payable to related parties (note 13):		
British American Tobacco Shared Services UK	16	36
British American Tobacco Holdings Limited	111	130
British American Tobacco Romania Investment	-	2
British American Tobacco Mozambique Ltd	-	(1)
British American Tobacco South Africa (Pty) Limited	13 113	8 615
British American Tobacco (GLP) Limited	7	(191)
Ceylon Tobacco Company PLC	-	1
British American Tobacco Vranje AD	1	3
British-American Tobacco Singapore Ltd	1	6
British American Tobacco Pecs	1	2
British American Tobacco Tutun	-	1
British American Tobacco Nigeria Limited	4	9
British American Tobacco Kenya	635	240
British American Tobacco Mexico	6	2
British American Tobacco Chile	-	1
British American Tobacco Zambia	³ (47)	204
Nicoventures Trading Limited	375	-
Tabacalera Hondurena S.A.	17	-
	14 240	9 060

³ The amount was an overpayment to BAT Zambia and expected to be net-off against future obligations

(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	
	2023 ZW\$ Mn	2022 ZW\$ Mn
Short term employee benefits	3 894	1 543
Post-employment benefits	72	33
	3 966	1 576

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

28. CAPITAL COMMITMENTS

There were no capital commitments at year end (2022: ZW\$ nil).

29. FINANCIAL RISK MANAGEMENT

Consolidated and Company

29.1 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 2023, 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\$4 713 807 690 lower/higher (2022: ZW\$3 011 353 177), mainly as a result of foreign exchange gains/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 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Consolidated and Company (continued)

29.1 Financial risk factors (continued)

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

	INFLATION ADJUSTED	
	2023	2022
	ZW\$ Mn	ZW\$ Mn
Trade receivables and other receivables, excluding prepayments		
- Trade receivables from customers	36 779	14 818
- Cash and cash equivalents	49 596	20 274
	86 375	35 092

The fair value of trade and other receivables at 31 December 2023 approximates their carrying amount due to their short tenure.

Despite the economy experiencing shortage of RTGs and consequently leading to some customers defaulting on their obligations, the Group still maintains the credit risk low. For all the customers who were unable to service their debt, they were put on stop supply. This is reflected in the ageing of Trade receivable as 99% of receivables were still current and only 1% was overdue. (Refer to Note 8)

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:

Financial institution	INFLATION ADJUSTED	
	2023	2022
	ZW\$ Mn	ZW\$ Mn
Standard Chartered Bank of Zimbabwe Limited	35 949	5 486
Stanbic Bank Zimbabwe Limited	7 099	9 495
Central Africa Building Society (CABS)	6 548	5 253
First Capital Bank Limited	-	40
	49 596	20 274

(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 2.5 (a).

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Consolidated and Company (continued)

29.1 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 2023 is as follows:

Consolidated and Company

	INFLATION ADJUSTED			Total Total ZW\$ Mn
	Up to one month ZW\$ Mn	1 to 2 months ZW\$ Mn	Later than 3 months ZW\$ Mn	
Assets				
Cash and cash equivalents	49 596	-	-	49 596
Trade and other receivables (excluding prepayments)	37 587	427	(1 126)	36 888
Receivables from related parties	147	-	50	197
Financial assets at fair value through profit or loss	218	-	-	218
Total assets	87 548	427	(1 076)	86 899
Liabilities				
Trade and other payables (excluding statutory liabilities)	(34 988)	-	-	(34 988)
Liquidity gap	52 560	427	(1 076)	51 911

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Consolidated and Company (continued)

29.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Maturity analysis as at 31 December 2022 is as follows:

Consolidated and Company	INFLATION ADJUSTED			Total Total ZW\$ Mn
	Up to one month ZW\$ Mn	1 to 2 months ZW\$ Mn	Later than 3 months ZW\$ Mn	
Assets				
Cash and cash equivalents	20 274	-	-	20 274
Trade and other receivables (excluding prepayments)	8 318	1 574	4 388	14 280
Receivables from related parties	663	-	3	666
Financial assets at fair value through profit or loss	32	-	-	32
Total assets	29 287	1 574	4 391	35 252
Liabilities				
Trade and other payables (excluding statutory liabilities)	(31 088)	-	-	(31 088)
Liquidity gap	(1 801)	1 574	4 391	4 164

29.2 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 number 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 based on 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 2023, the Group neither had borrowings payable to related parties, nor other financial institutions.

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

Consolidated and Company (continued)

29.2 Capital risk management (continued)

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

	INFLATION ADJUSTED	
	2023	2022
	ZW\$ Mn	ZW\$ Mn
Total liabilities	45 338	55 032
Less: Cash and cash equivalents	(49 596)	(20 274)
Net debt	(4 258)	34 758
Total equity	108 343	52 944
Net debt to equity ratio	(0.04)	0.66

29.3 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).

The fair value of Investment properties is based on observable inputs for the assets at the end of the reporting period (Level 2).

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

30. 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 and Company operated in the single segment of cigarettes. During 2020, the Group and Company 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\$282 010 908 084 (2022: ZW\$112 228 113 347) is from external customers who are domiciled in Zimbabwe and is from the sale of cigarettes.

Revenue amounting to ZW\$6 327 274 316 (2022: ZW\$4 442 144 264) 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
	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn
2023			
External revenue	415 779	6 327	422 106
Tobacco duties	(133 768)	-	(133 768)
Net revenue	282 011	6 327	288 338
Profit before interest, taxation, depreciation and amortisation	77 870	575	78 445
Depreciation	(701)	-	(701)
Amortisation	-	-	-
Interest	8 993	-	8 993
Profit before income tax	86 162	575	86 737
Total assets	153 484	197	153 681
Total liabilities	45 338	-	45 338

	INFLATION ADJUSTED		
	Cigarettes	Leaf and Cut rag	Total
	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn
2022			
External revenue	177 182	4 442	181 624
Tobacco duties	(64 954)	-	(64 954)
Net revenue	112 228	4 442	116 670
Profit before interest, taxation, depreciation and amortisation	39 385	404	39 789
Depreciation	(440)	-	(440)
Interest	3 894	-	3 894
Profit before income tax	42 839	404	43 243
Total assets	107 310	666	107 976
Total liabilities	55 032	-	55 032

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

31. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

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

- Note 2.5 - 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.

In the past, up until 31 January 2023 the Group has been using the ZW\$ CPI to determine the upliftment factors for adjusting historical figures and since now they are no longer available, this created a challenge in determining which index to use that will be reasonable and the one that will ensure comparability in the economy.

Considering the above, for the period from February 2023 to December 2023 the Group estimated the ZW\$ CPI by adjusting the January 2023 published ZW\$ CPI by the monthly movement of the Total Consumption Poverty Line (TCPL). The TCPL is a publicly available data, and it is published by ZIMSTAT monthly and it measures the amount required to purchase both non-food and food items.

The indices and conversion factors used to restate the accompanying financial statements at 31 December 2023 are as follows:

Dates	Indices	Conversion Factor
CPI as at 31 December 2023	65 703.43	1.00
CPI as at 31 December 2022	13 672.91	4.81
Average CPI 2023	35 114.22	
Average CPI 2022	9 189.69	

Had the Group opted to use the movement in Interbank Exchange Rates available in RBZ website to estimate the ZW\$ CPI, the indices and conversion factors to restate the financials as at 31 December 2023 would have been as follows:

Dates	Indices	Conversion Factor
CPI as at 31 December 2023	105 917.08	1.00
CPI as at 31 December 2022	13 672.91	7.75
Average CPI 2023	63 857.10	
Average CPI 2022	9 189.69	

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

The financial highlights as 31 December 2023 comparing ZW\$ CPI estimated using TCPL and interbank exchange rates are as per below:

	TCPL	Interbank Rate	Variance	% Variance
	ZW\$ Mn	ZW\$ Mn	ZW\$ Mn	
Revenue	288 338	273 458	14 880	5%
Operating profit	77 744	53 538	24 206	29%
Profit before tax	86 737	60 006	26 731	29%
Profit attributable to shareholders	55 399	29 700	25 699	43%
Total assets	153 681	163 114	(9 433)	-6%
Basic earnings per share (\$)	2 684.85	1 651.52	1 033.33	38%
Diluted earnings per share (\$)	2 684.85	1 651.52	1 033.33	38%

(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 2.12 – 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 2.17 - recognition of deferred tax assets; availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.
- Note 2.17 - 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.

32. EVENTS AFTER REPORTING DATE

Before the end of the year, the Group and Company entered into a sales agreement to dispose off three properties. As at 31st December 2023, the sale for the three properties was still not yet concluded. This transaction was concluded in the subsequent period in February 2024, and the proceeds from the disposal of the three properties amounted to ZW\$5 054 324 700.

33. GOING CONCERN

The Group and Company has recognised an inflation adjusted net profit after tax of ZW\$55 399 108 285 for the year ended 31 December 2023 against a net profit after tax of ZW\$24 007 867 327 in the previous year. The total inflation adjusted current assets exceeded current liabilities by ZW\$84 818 329 825 (2022: ZW\$37 452 904 087).

The Reserve Bank of Zimbabwe (“RBZ”) approved and registered the Group and Company’s blocked funds amounting to US\$16.3 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 and Company’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

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

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 and Company 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 and Company 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 ZW\$ 13 111 706 422 (ZAR 115 814 341) owing in respect of goods supplied and services rendered.

The Directors are confident that the Group and Company 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 and Company will be able to settle all its outstanding obligations.

Principal Shareholders and Distributors

Rank	Account Name	Shares	% of Total
1	B.A.T INTERNATIONAL HOLDINGS (UK) LIMITED	8,867,272	42.98
2	OLD MUTUAL LIFE ASSURANCE COMPANY OF ZIMBABWE LIMITED	2,698,759	13.08
3	THE BRITISH AMERICAN TOBACCO ZIMBABWE TOBACCO EMPOWERMENT TRUST,	2,220,324	10.76
4	THE BRITISH AMERICAN TOBACCO ZIMBABWE EMPLOYEE SHARE OWNERSHIP TRUST,	2,063,352	10.00
5	STANBIC NOMINEES (PRIVATE) LIMITED	902,143	4.37
6	STANDARD CHARTERED NOMINEES (PRIVATE) LIMITED,	562,088	2.72
7	NATIONAL SOCIAL SECURITY AUTHORITY	319,224	1.55
8	CIMAS MEDICAL AID SOCIETY	222,700	1.08
9	HIPPO VALLEY ESTATE PF-DATVEST	190,381	0.92
10	OLD MUTUAL ZIMBABWE LIMITED	171,496	0.83
11	PUBLIC SERVICE PENSION FUND-OMIG	109,365	0.53
12	AMZIM PENSION FUND	108,667	0.53
13	ZIMBABWE ELECTRICITY IND PENSION FUND	107,377	0.52
14	DELTA BEVERAGES PENSION FUND	102,086	0.49
15	FBC HOLDINGS PF	82,461	0.40
16	ANGLO AMERICAN ASSOCIATED COMPANIES PENSION FUND	69,811	0.34
17	NATIONAL FOODS P/ F-IMARA	69,788	0.34
18	HIT PENSION FUND - IMARA	55,900	0.27
19	NSSA STAFF PENSION FUND	46,525	0.23
20	DIE RUPERT KUNSTSTIGTING,	41,500	0.20
	TOTAL	19,011,219	92.14
	Other Shareholders	1,622,298	7.86
	Total Number of Shares	20,633,517	100.00

NOTICE TO SHAREHOLDERS

Sixty-Fourth Annual General Meeting

NOTICE IS HEREBY GIVEN that the 64th Annual General Meeting of the Shareholders of British American Tobacco Zimbabwe (Holdings) (BAT) will be held at BAT, 1 Manchester Road, Southerton, Harare on Friday, 26 April 2024 at 10:00am. Shareholders may attend the meeting either in person or virtually, per the instructions at the end of this notice.

Ordinary Business

1. Minutes of the Previous Meeting

To confirm and sign-off the Minutes from the 63rd Annual General Meeting.

2. Financial Statement and Reports

To receive, review and adopt the Audited Financial Statements for the year ended 31 December 2023, 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 2023.

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. Philemon Kipkemoi, Mr. Kenneth Gitonga, and Ms. Lucy Irungu who were 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 Ms. Supparayen-Romeo, Mr. Kimesh Naidoo, and Mr Wilson Chitsonga as Directors of the Company.

4. Audit and Risk Committee

4.1. To receive and review the report of the Audit and Risk Committee on its activities and matters of its greatest concern.

5. Corporate Governance

5.1. To receive and review the Board's report on Company compliance with its Corporate Governance guidelines and conformity to corporate governance principles as set forth in the National Code.

6. Auditors

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

6.2 To reappoint 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 9 years.

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 who is entitled to attend and vote at a meeting is also entitled to appoint a proxy to attend and vote on a poll and speak in his/her 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 to all Shareholders. Shareholders are advised to update their contact details with the following contact:

By Order of the Board



L T MANATSA

Chairman of the Board

4 April 2024

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
Telephone: +263 242 782869/72
Email: info@fts-net.co



Form of Proxy

Sixty-Fourth Annual General Meeting

I/We.....

Of.....

Being a shareholder of the British American Tobacco Zimbabwe (Holdings) BAT 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-Fourth Annual General Meeting of the Company to be held at BAT, 1 Manchester Road, Southerton, Harare, on Friday, 26th April 2024 at 10:00am.

Signed thisday of.....2024

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-Fourth Annual General Meeting

I/We.....

Of.....

Being a shareholder of the British American Tobacco Zimbabwe (Holdings) BAT 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-Fourth Annual General Meeting of the Company to be held at BAT, 1 Manchester Road, Southerton, Harare, on Friday, 26th April 2024 at 10:00am.

Signed thisday of.....2024

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-Fourth Annual General Meeting

I/We.....

Of.....

Being a shareholder of the British American Tobacco Zimbabwe (Holdings) BAT 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-Fourth Annual General Meeting of the Company to be held at BAT, 1 Manchester Road, Southerton, Harare, on Friday, 26th April 2024 at 10:00am.

Signed thisday of.....2024

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.



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

Affix
Stamp
here



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