ANNUAL REPORT 2015

BRITISH AMERICAN TOBACCO
ZIMBABWE

CONTENTS

*The financial statements are expressed in United States Dollars (US$).

Our Brands

DANGER: SMOKING IS HARMFUL TO HEALTH

Vision, Mission, Strategic Pillars and Guiding Principles

OUR VISION

World's best at satisfying consumer moments in tobacco and beyond.
We have centred our vision around the consumer. Everything we do must be about exciting the consumer and being passionate about meeting their needs ahead of anyone else. Going forward, we must understand the smoking experiences that consumers are looking for and offer them a choice of products that satisfy their needs.

OUR MISSION

To champion informed consumer choice and shape a new deal with society. Our mission is our higher purpose, it is what we believe in and it is what will help us deliver the future.

Informed consumer choice means that we will advocate and defend the rights of our consumers to choose, give them real choice to meet their needs and ensure that they are informed about the potential implications of their choices. We need to participate in the shaping of a new deal with society, one that is not based on the stark choice of quit or die but presents a third way. We believe that we can forge a 'new deal' with consumers and society alike as we aspire to lead in developing and commercialising a portfolio of reduced risk tobacco.

STRATEGY PILLARS

Growth is still the strategic imperative and we will grow by understanding and delivering enjoyable consumer moments. Productivity is the key pillar to support growth by funding future investments. Winning Organisation is simple, we want great people, great teams and to be a great place to work. Sustainability is about ensuring we have a sustainable business that meets the needs of shareholders and other stakeholders.

OUR GUIDING PRINCIPLES

Enterprising Spirit

We have the confidence to passionately pursue growth and new opportunities whilst accepting the considered entrepreneurial risk that comes with it. We are bold and strive to overcome challenges. This is the cornerstone of our success.

Freedom Through Responsibility

We always strive to do the right thing, exercising our responsibility to society and other stakeholders. We use our freedom to take decisions and act in the best interest of consumers.

Open Minded

We are forward looking and anticipate consumer needs, winning with innovative, high quality products. We listen to and genuinely consider other perspectives and changing social expectations. We are open to new ways of doing things.

Strength From Diversity

We respect and celebrate each other's differences and enjoy working together. We harness diversity – of our people, cultures, viewpoints, brands, markets and ideas – to strengthen our business. We value what makes each of us unique.

International Marketing Principles

At British American Tobacco we believe in upholding high standards of corporate behaviour. We agree that the tobacco industry should be regulated, but we also think we should be able to communicate in a responsible way with adult tobacco consumers about our products, in order to grow market share.

We believe our marketing should be responsible and honest.

Our four core principles are:

1

Our marketing will not mislead about the risks of smoking.

2

We will only market our products to adult smokers.

3

We will not seek to influence the consumer's decision about whether or not to smoke, nor how much to smoke.

4

It should always be clear to our consumers that our advertising originates from a tobacco company and that it is intended to promote the sale of our tobacco brands.

Directorate, Committees & Administration

Directorate

Chairman
Dr Kennedy Mandevhani

Non-Executive Directors
Mrs Angela Mashanyare
Professor Hope C Sadza
Mr Gary R Fagan
Mr Lovemore T Manatsa (effective 31 January 2016)
Mrs Buena Barnes (alternate to Mr Gary R Fagan)

Executive Directors
Mrs Clara Mlambo (effective 1 February 2016)
Mr Lucas A Francisco

Committees

Audit, Risk and CSR Committee
Mrs Angela Mashanyare (Chairman)
Dr Kennedy Mandevhani
Professor Hope C Sadza

Board Compensation Committee
Mr Gary R Fagan (Chairman)
Dr Kennedy Mandevhani
Mrs Angela Mashanyare
Professor Hope C Sadza

Auditors

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

Administration

Company Secretary
Mr Stephen Nyabadza

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

Transfer Secretaries
First Transfer Secretaries
No 1 Armagh Avenue,
Off Enterprise Road
Eastlea
Harare

Directorate

DR KENNEDY MANDEVHANI
CHAIRMAN

Dr Kennedy Mandevhani was appointed Chairman of British American Tobacco Zimbabwe (Holdings) Limited in 2005, having served as Managing Director of British American Tobacco Zimbabwe (Holdings) Limited since the merger of British American Tobacco and Rothmans of Pall Mall in 2000. Prior to that he was also the Managing Director of Rothmans of Pall Mall Zambia . Dr. Mandevhani chairs the Old Mutual Investment Group Company Board. He is currently the Managing Director of National Tyre Services.
Dr. Mandevhani is also a director of Tour Africa Travel.

MRS ANGELA MASHANYARE
NON-EXECUTIVE DIRECTOR

Mrs Angela Mashanyare was appointed as Non-Executive Director for British American Tobacco Zimbabwe (Holdings) Limited in 2003. She has been Chief Executive Officer for Business Equipment Co-operation for the past eleven years, a position she holds today. Mrs Mashanyare serves on a number of boards for local and international organisations and has brought to British American Tobacco Zimbabwe (Holdings) Limited her many years of experience. She is a member of the Business Council of Zimbabwe, National Chamber of Commerce and serves as Councillor of the Institute of Directors in Zimbabwe.

PROFESSOR HOPE C SADZA
NON-EXECUTIVE DIRECTOR

Professor Hope Cynthia Sadza co-founded the Women's University in Africa (WUA) with Dr Fay Chung in 2002. She is the Vice Chancellor of WUA. She served as a Public Service Commissioner for ten years, a Parastatal's Services Commissioner and a Public Service Review Commissioner. She sits on several professional organisations and also sits on Boards of Delta Corporation, Securico Security Services and the Administrative Board of the International Association of Universities. She is the Patron of the National Blood Services of Zimbabwe, Chairperson of the Commander Airforce of Zimbabwe Charity Fund and Chairperson of the Joshua Nkomo Scholarship Trust. She has received accolades locally and from Nigeria and Washington DC between 2009 and 2014. She was co-chairperson for the All Stakeholders Conference responsible for writing the new constitution of Zimbabwe.

MR GARY R FAGAN

NON-EXECUTIVE DIRECTOR

Mr Gary Russell Fagan began his career at British American Tobacco (BAT) over 30 years ago in the Marketing Division as a Consumer Relations Amplifier on the Cartier Team in South Africa. Over the years he has developed an in-depth understanding of the business, having held various senior roles within the Marketing Division, both in Brand Marketing and Trade Marketing & Distribution. Gary moved into General Management in 2000, successfully completing a two year stint in Malawi, an 18 month assignment in Zambia and a three year stay in Zimbabwe, where he held the role of General Manager for each of these respective markets.

On his return to South Africa in 2006, he joined the Regional Operations Team before spearheading the setup of the zone which is now known as the Southern Africa Markets. Following this, Gary took up the role of Managing Director of BAT's East Africa Area, based in Kenya. Before returning to South Africa to take up the role of General Manager for BAT's Southern Africa Markets, Gary headed up the Group's global TaO project for its Eastern Europe, Middle East and Africa (EEMEA) Region, based at Globe House in London.

MR LOVEMORE T MANATSA

NON-EXECUTIVE DIRECTOR

Mr Lovemore Tavaziya Manatsa joined the Company as the Advertising Manager in 1995, and has occupied various senior roles within the Company and within the BAT Southern Africa Markets Area. In mid - 2007 Lovemore was appointed Country Manager for the BAT Zambia & Malawi Cluster and was based in Lusaka. Lovemore was appointed Managing Director for British American Tobacco Zimbabwe (Holdings) Limited in September 2008. Lovemore retired from his last position as Managing Director of the Company on 31 January 2016 but remains as a Non-Executive Director. Lovemore also sits on the Board of Standard Chartered Bank Zimbabwe as a Non-Executive Director.

MRS BUENA BARNES

ALTERNATE DIRECTOR to Gary Fagan

Mrs Buena Barnes is Finance Manager – British American Tobacco Southern Africa Area. In 2001 she joined the BAT South Africa's (BATSA) Finance team as a Finance Officer in Accounts Payable. She enrolled for a B.Comm (Accounting) Honours degree in 2002 and upon successful completion started a three year Chartered Accountant Training Contract ("articles") with BATSA. During her final year of articles she was appointed as Management Accountant: Reporting. In August 2006 she was promoted to the position of Financial Accountant Tax, her role was expanded to include responsibility for the Treasury Function in 2008, from where she later assumed responsibility for Marketing Finance as Marketing Finance Manager. She was appointed Head of Finance Southern Africa Markets in 2014. She assumed her current role as Finance Manager in 2015.

Directorate

MRS CLARA MLAMBO

MANAGING DIRECTOR (with effect from 1st February 2016)

Mrs Clara Mlambo was appointed Managing Director of the Company with effect from 1 February 2016. Clara joined the Company as a Management Trainee and went further to hold the positions of Head of Brands, Head of Trade and Marketing Manager. In 2006 Clara was posted to British American Tobacco South Africa where she was initially Cluster Manager Grocery responsible for the Spar, Pick'n'Pay and Shoprite Accounts. In 2009 Clara became Area Head of Brands Sub Saharan Africa and later Area Head of Brands East and Central Africa Area based in Kenya. From September 2011 to December 2013, Clara held the position of Head of Marketing for the British American Tobacco Southern Africa Markets cluster. Prior to her recent appointment, Clara was Managing Director of British American Tobacco (Zambia) Plc which is listed on the Lusaka Stock Exchange.

MR LUCAS A FRANCISCO

FINANCE DIRECTOR

Mr Lucas Antonio Francisco was appointed as Finance Director of the Company with effect from 8 December 2015. Lucas has enjoyed over 9 years' experience in various senior finance and internal audit roles within the British American Tobacco Southern Africa Area markets. Prior to his recent appointment, Lucas was the Finance Director of British American Tobacco Mozambique Limitada.

MR STEPHEN NYABADZA

COMPANY SECRETARY

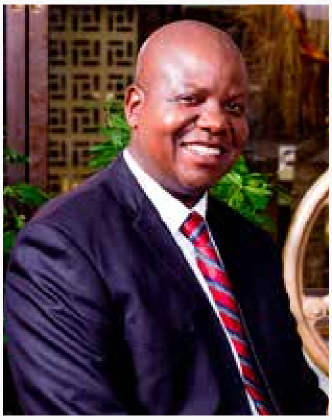
Mr Stephen Nyabadza is the Head of Legal & External Affairs and Company Secretary for British American Tobacco Zimbabwe (Holdings) Limited. Stephen has over 10 years' experience in corporate and commercial law practise in Zimbabwe and within the region. Stephen joined British American Tobacco Zimbabwe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

Leadership Team*

MS RUMBIDZAI HONDORA
HEAD OF TRADE

Miss Rumbidzai Hondora is an Accredited Marketing Practitioner with the Institute of Marketing Management South Africa as well as the Marketing Association of Zimbabwe and is working towards becoming a Chartered Marketer.

Rumbidzai has a wealth of experience in trade marketing and distribution, retail and key accounts management, various route to market models, brand launches and marketing management, particularly in the FMCG industry, having worked for several local companies over the past 10 years in various senior roles. Rumbidzai joined BAT Zimbabwe in May 2012 as Trade Marketing & Distribution Manager and was appointed Head of Trade in November 2013.



MR MOSES MUSARUGWA
HEAD OF MANUFACTURING

Mr Moses Musarugwa joined Rothmans Zimbabwe as an apprentice in 1991. In 1998 he was part of the team that set up the factory in Chimoio, Mozambique where he was responsible for the maintenance of the factory. He returned to Zimbabwe in 2000 after the merger of Rothmans and BAT as an Electrical Team Leader, a position he held until 2005 when he was promoted to Plant Engineer. In 2006 his scope was expanded to Secondary Manufacturing Division, Engineering and Environmental Health and Safety. He was then promoted to Head of Manufacturing in 2007.

MR FRANCIS MWALE
HUMAN RESOURCES BUSINESS PARTNER

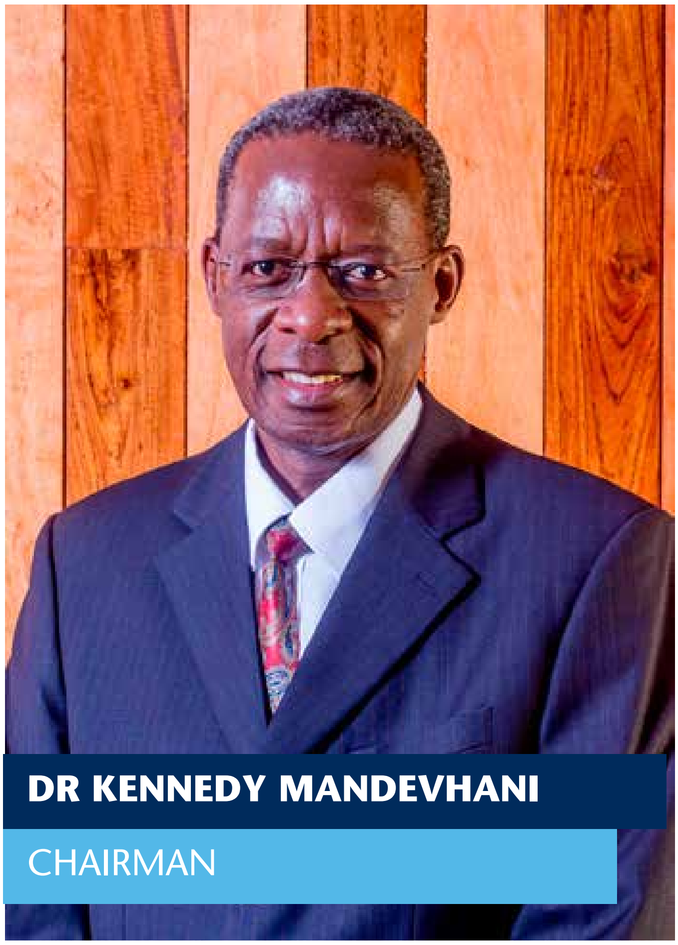
Mr Francis Mwale joined the BAT Group on 1 December 2013 as Human Resources Business Partner responsible for Malawi and Zimbabwe. Francis brings to the role both human resources and commercial experience gathered in mining, telecommunications and banking industries.

MR ZACHARIA MUPACHIKE
SUPPLY CHAIN MANAGER

Mr Zacharia Mupachike joined BAT Zimbabwe Leaf Division (then Export Leaf Tobacco) as a Leaf Trainee buyer on 1 April 2005, being a mid life career recruit. Within BAT Zimbabwe Leaf Division, he graduated to become a Senior Leaf Buyer, worked as an Operations Planning Administrator, Leaf Logistics Supervisor and held the role of Logistics Manager for 4 years (2009 - 2013) before his recent appointment as Supply Chain Manager in April 2014.

*Profiles of Mrs Clara Mlambo, Mr Lucas Francisco and Mr Stephen Nyabadza can be found on page 8

Chairman's Statement



"Independent research confirms that the company's market share continues to grow year-on-year"

Financial Highlights

Group Summary (US$ 000's)	YEAR ENDED 31 DECEMBER	
	2015	2014
Revenue	45 265	44 562
Operating profit	20 791	17 824
Profit before income tax	20 788	17 900
Profit attributable to shareholders	15 476	13 453
Total assets	28 943	27 580
Basic earnings per share (US$)	0.75	0.65
Diluted earnings per share (US$)	0.75	0.65

Introduction

British American Tobacco Zimbabwe (Holdings) Limited ("the company") successfully leveraged the strength of its brands, distribution networks, manufacturing capabilities and people to consolidate its market leadership and deliver a strong financial performance and consequently value for its stakeholders for the year ended 31 December 2015, notwithstanding the challenging economic environment.

In 2015, deflation continued against the backdrop of decreasing consumer demand and other external factors such as the depreciation of the South African Rand, which declined by 34%, and the fall in oil and food prices.

Volumes

The company's total sales volumes for 2015 reduced by 9% compared to 2014. The sales volumes for the local brands declined by 10% whilst our Global Drive Brand, Dunhill, grew by 12% albeit in the context of a lesser market share. The decline in volumes was driven by the challenging economic environment, which also led to a contraction in the total market size.

Nevertheless, independent research confirms that the company's market share continues to grow year-on-year, exiting 2015 at 82% market share, up from 81% in the previous year.

Financial Results

Revenue increased by US$0.70 million (2%) versus 2014, driven by marginal gains from pricing net of the impact of the excise increase in November 2014, inspite of sales volumes decline.

Gross profit improved by US$3.6 million (12%) to US$32.4 million mainly as a result of reduced raw materials prices, productivity initiatives and cost containment measures in our manufacturing operations.

Selling and marketing costs decreased by US$0.3 million (7%) compared to 2014 due to distribution efficiencies and cost containment initiatives. Administrative expenses were 28% higher compared to the same period in the prior year. This was largely attributable to higher service fees as a result of the implementation of a new Group wide management system which will increase efficiencies and savings opportunities. In addition, the company incurred once-off costs associated with a staff rationalisation exercise.

Other income includes proceeds from the disposal of a warehouse situated in New Ardbennie, from which the company recorded a profit of US$1.4 million.

As a result of the above, operating profit grew by US$3.0 million (17%) compared to 2014, to close at US$20.8 million. Net profit attributable to shareholders for the period was US$15.5 million which was up by US$2.0 million compared to 2014. This represents an increase in earnings per share to US$0.75, up from US$0.65 in 2014.

Cash generated from operations was US$15.3 million, representing an increase of 81% from US$8.5 million generated in 2014. The increase was mainly due to delays in obtaining exchange control approvals for payments to foreign suppliers, and the timing of payments for leaf purchases.

Dividend

The Group continues to hold in the highest regard the interests of its shareholders to achieve maximum returns, on their investments. In view of the profit for the period and considering our dividend policy, the Board proposes the declaration of a final dividend of US$0.44 per share. This, together with the interim dividend of US$0.47 per share, brings the total dividend for 2015 to US$0.91, up 14% versus 2014.

Contributions to the Government Treasury

The company's contribution to the Zimbabwe Revenue Authority in taxes, that is, Excise, Corporate Tax, VAT, PAYE and Withholding Tax, reduced from US$38.3 million in 2014 to US$37.3 million, representing a decrease of 2.6%. The main driver for the decrease is the lower Excise contribution which is related to the volume decrease during the period.

Corporate Governance

Mr Peter Doona resigned as Finance Director in December 2015 and Mr Lovemore T Manatsa resigned as Managing Director effective January 2016.

Mr Lovemore T Manatsa will stay on as a Non-Executive Director of the Board. The Board thanks Messrs Manatsa and Doona for their contribution during their terms.

In terms of Article 88 of the company's Articles of Association, the Board appointed Mr Lucas Francisco, effective December 2015 and Mrs Clara Mlambo, effective February 2016, as Finance Director and Managing Director, respectively. These appointments will be confirmed at the next Annual General Meeting of the company.

Outlook

Trading conditions are expected to remain challenging in 2016, despite the promising macro-economic indicators. We are confident that our strategies and the quality of our people will continue to deliver growth and value for our shareholders.

Kennedy Mandevhani
Chairman
16 February 2016

Managing Director's Review

"Efforts to grow our value brands especially our Global Drive Brand Dunhill paid off as we recorded a 12% growth year on year"

Introduction

It gives me great pleasure to present the Managing Director's Report for the year ended 31 December 2015.

During the last half of 2015, we noticed an increased presence of tobacco products suspiciously priced below the minimum price for the recovery of excise and valued tax, strongly suggesting that these applicable taxes had not been remitted on such products. The trade in illicit tobacco products, deprives government of revenues and devalues investments in local operations and distribution networks. Furthermore, this also harms established brands and undermines the regulatory frameworks governing legitimate tobacco industry players. BAT Zimbabwe will continue to work with the industry and Government to ensure the eradication of illegal trade in tobacco in Zimbabwe.

It is estimated that, during this period, the total legal cigarettes industry declined marginally, whilst the company's own market share increased to 82%, from 81% in the previous year.

Net profit attributable to shareholders increased by 15% to US$15.5 million compared to the same period in the prior year. This translates to an improvement of earnings per share to US$0.75 up from US$0.65 versus 2015. Against this backdrop, the directors have recommended a final dividend of US$0.44 per share which together with the interim dividend of US$0.47 declared in 2015 brings the aggregate dividend for 2015 to US$0.91 per share, up 14% compared to the same period in the prior year.

Growth

Cigarette volumes declined by 9% against prior year, driven mainly by declining consumer purchasing power which led to reduced consumption. Performance was also affected by the weakening of the South African Rand against the United States Dollar. This is evidenced by the company's 2015 Christmas season performance which showed the largest volume decline since dollarisation, attributable to reduced diaspora remittances during the period and lesser spending.

In December 2014, the company increased its prices by 13% across the entire brand portfolio as a result of an excise increase from US$15 per mille to US$20 per mille by the Government of Zimbabwe. The price increase also influenced performance as consumers adjusted their consumption patterns.

As part of our drive to support our brands and reward our loyal consumers against the backdrop of the price increase, the Madison *Usadherere/ Ungadheleli* promotion was launched in April and ran for an extended period of six months to boost sales and ensure most of our consumers participate. The foregoing resulted in a significant volume growth of 7% for our local hero, namely Madison, during the promotion period compared to the same period in prior year. Furthermore, the promotion also raised the awareness levels for Madison as consumers were able to interact with their quality brand and win.

In the third quarter, as part of our efforts to support our ever growing menthol brand Everest, we launched the Everest Consumer promotion which was run on a digital platform that allowed for live interaction with our valued consumers. This resulted in a volume growth of 9% during the promotion period compared to the same period in the prior year.

Efforts to grow our value brands, especially our Global Drive Brand, Dunhill, paid off as we recorded a 12% growth year on year. The growth, in Dunhill's performance was mainly driven by ensuring uninterrupted supply of the brand to all strategic retailers.

Productivity

Cost containment remains a key focus area for the business. In 2015, the business successfully managed to roll out a Group wide operating system, namely TaO, which will enable the company to realise significant savings and increased efficiencies in its operations going forward.

Quality remained a key priority in 2015 and in this respect the business carried out a number of quality improvement initiatives targeted at satisfying consumer expectations.

With respect to Environmental, Health and Safety, the company achieved three years of ZERO accidents which is a great achievement aligned to the business sustainability agenda.

Sustainability

The company completed its full compliance with the Indigenisation and Economic Empowerment Act (Chapter 14:33) ahead of the compliance deadline for full compliance for the manufacturing sector, as stipulated in the Manufacturing Sector Regulations.

The BAT Zimbabwe Tobacco Empowerment Trust, which is one of the indigenisation compliance vehicles, formed by the company in 2013, commenced empowerment activities in terms of its objectives in 2015. The scope of its current project is to empower indigenous small scale farmers through capacity development. Against this background, the company has partnered with Chaminuka Vocational Training Centre in Mount Darwin to provide Certificate and Diploma courses specialising in tobacco production at the Centre. The Trust will also fund certain capital and revenue requirements necessary for the Centre to properly undertake these courses.

Winning Organisation

The company continued to pursue a competitive human resource management strategy that involves performance management as an integral approach to its people practices. As the economic environment becomes more constrained, its people are called upon to develop and implement innovations faster and more efficiently across various functions through team based people interventions. This resulted in a fit for purpose distribution model by the company. In addition, in the last quarter of the year, the company implemented a variety of interventions, named the Progress Programme. These were designed to ensure the implementation of integrated talent management, wellness, people development and reward approaches to expand the career options open to our people within the Group.

Achievements

In 2015, BAT Zimbabwe received several accolades in recognition of its market leadership, tax contribution and excellence in corporate governance from independent and regulatory authorities such as the Zimbabwe Revenue Authority, Buy Zimbabwe, Institute of Directors Zimbabwe and the Institute of Chartered Secretaries and Administrators of Zimbabwe.

Acknowledgements

I acknowledge our trade partners for their support in ensuring that our business once again furnishes a robust financial performance.

On behalf of the Board and management, I thank our employees for their commitment to the highest standards of business conduct and their enterprising spirit which has been instrumental in us meeting and surpassing shareholder expectations.

Finally, I am grateful to our loyal consumers for their continued support.

Going forward, the business remains committed to satisfy consumer moments through a relevant and differentiated portfolio.

Clara Mlambo
Managing Director

16 February 2016

Directors' Report

"The total dividends declared for the year ended 31 December 2015 are US$0.91 per share"

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

Group results

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

Net profit before taxation amounted to US$20.8 million whilst profits attributable to ordinary shareholders amounted to US$15.5 million (US$0.75 per share).

Dividends (Historic Cost)

An interim dividend of US$0.47 per share was declared in July 2015. A final dividend of US$0.44 per share has been declared in February 2016, bringing the total dividends declared for the year ended 31 December 2015 to US$0.91 per share. This favourably compares with a total dividend of US$0.80 per share declared for the year ended December 2014.

Reserves

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

Investments

Particulars of subsidiaries, associate companies and other investments are disclosed in note 6 to the financial statements.

Directorate

Mr Peter Doona resigned as Finance Director in August 2015 and Mr Lovemore T Manatsa resigned as Managing Director effective January 2016.

Mr Lovemore T Manatsa will stay on as a Non-Executive Director of the Board. The Board thanks Messrs Manatsa and Doona for their contribution during their terms.

In terms of Article 88 of the company's Articles of Association, the Board appointed Mrs Clara Mlambo and Mr Lucas Francisco, as Managing Director and Finance Director, respectively. These appointments will be confirmed at the next Annual General Meeting of the company.

Directors' interest

As at 31 December 2015, the Directors held, directly and indirectly, an interest of 0.0097% (31 December 2014: 0.0097%) in the issued share capital of the company. No change in the interest of Directors has taken place between the financial year end and the date of this report.

Stock market listings

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

Share capital

As at 31 December 2015, the company had an authorised issued share capital comprising 20 633 517 ordinary shares.

Auditors

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

On behalf of the Board

Lucas Francisco
Finance Director

16 February 2016

"Our company has consistently been recognised as a leader in corporate governance"

Introduction

Corporate governance refers to the creation and enhancement of long-term sustainable value for stakeholders through ethically driven business processes. At British American Tobacco Zimbabwe (Holdings) Limited, it is imperative that our company affairs are managed in a fair and transparent manner.

We, at British American Tobacco Zimbabwe (Holdings) Limited, ensure that we evolve and follow the corporate governance guidelines and best practices.

Corporate Governance Awards

The Institute of Chartered Secretaries and Administrators has run the Annual Excellence in Corporate Governance Awards for the past three years. In each of the three years, our company has consistently been recognised as a leader in corporate governance, by winning an award in at least one of the categories recognised by the Institute of Chartered Secretaries and Administrators. In 2015, the company was awarded third prize in Board Practices. The foregoing continues to affirm the company's commitment to the highest standards of good corporate governance. The Board is grateful to the organisers of the awards for this recognition.

Leadership and Effectiveness

The Board is collectively responsible for the company's vision and strategic direction, its values and its governance. The Board is accountable to the shareholders for the performance of the business and the company's long term success. It provides leadership necessary for the company to meet its performance objectives with the frameworks of internal controls. Specifically the Board's responsibility includes the following:

- Company strategy and policies
- Major corporate activities
- Annual Report approval
- Company plan and budget
- Board succession plans
- Risk management and internal controls
- Periodic financial reporting
- Dividend policy

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

Corporate Governance Report (continued)

The Board holds a minimum of four meetings a year one which serves to review and approve the strategy and financial plan for the next financial year. Details with respect to the Directors' attendance at the Board Meetings held for the year ended 31 December 2015 are as follows:

Name of Director	18 February	22 July	21 October	8 December
Mr Kennedy Mandevhani	✓	-	✓	✓
Mr Gary Fagan	✓	✓	-	✓
Mrs Angela Mashanyare	✓	✓	✓	✓
Prof. Hope C Sadza	-	✓	-	✓
Mr Lovemore T Manatsa	✓	✓	✓	✓
Mr Peter Doona	✓	✓	-	N/A
Mr Lucas Francisco	N/A	N/A	N/A	✓

Notes: Mr Doona resigned from the Board in December 2015, whilst Mr Francisco was appointed to the Board in December 2015.

Details of the Directors, including their qualifications, skills and experience are set out in pages 6 to 8 of this Annual Report.

In terms of Article 96 of the company's Articles of Association, at least one third of the Directors must retire by rotation in each year. Professor Sadza and Mr Manatsa, retire at the next Annual General Meeting and, being eligible, offer themselves for re-election in terms of the company's Articles of Association.

Director Independence Statement

Independent Directors are Directors who have the ability to exercise their duties to the company unfettered by any business or other relationship with the company and are willing to express their opinions at Board Meetings free of concern about their position or the position of any other third party. The Board notes that it might be difficult to provide an exhaustive qualification of Director independence but has adopted the following useful guidelines for its purposes:

An independent Director is one who:

- is not a representative or nominee of a shareholder;
- was not in the employment of BAT Zimbabwe in the past three financial years;
- is not a professional advisor of BAT Zimbabwe or the Group;
- is not a material supplier or material customer of BAT Zimbabwe; and
- is free from business or other relationship with BAT Zimbabwe which is or could be material.

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

The following are the company's independent Directors:

Name	Year of Appointment
Mr Kennedy Mandevhani (Chairman)	1999
Mrs Angela Mashanyare	2003
Professor Hope C Sadza	2013

Mr Gary Fagan is employed by British American Tobacco South Africa (Proprietary) Limited as the General Manager of British American Tobacco Southern African Markets. British American Tobacco International (UK) Limited, a company related to British American Tobacco South Africa (Proprietary) Limited, is a significant shareholder of the company. Accordingly, Mr Fagan is not treated as an independent Director.

As at 31 December 2015, the company had two Executive Directors, namely Mr Lovemore T Manatsa (Managing Director) and Mr Lucas Francisco (Finance Director).

Conflict of Interest

The Board has formal procedures for managing conflicts of interests in accordance with the provisions of the Companies Act (Chapter 24:03), as read together with the company's constitutional documents and the Company's Standards of Business Conduct.

Directors are required to give advance notice of any conflict issues to the Company Secretary, and these are considered at the next Board meeting.

No material conflicts were reported by Directors in 2015.

Information and Professional Development

On joining the Board, all Directors receive a full induction. Non-Executive Directors also receive a full programme of briefings on all areas of the company's business from Senior Management. The expected time commitment from Non-Executive Directors for their induction is formalised in our standard letter of appointment and visits to the company's factory are required elements.

A Balanced Board

Our Non-Executive Directors come from broad industry and professional backgrounds with varied experience and expertise aligned to the needs of the business. Women constitute over 43% of our Board.

The Board appreciates the benefit of diversity in all its forms, within its own membership and at all levels of the company. The Board promotes diversity and encourages initaitives to improve gender diversity in senior management roles.

Board Committees

Audit, Risk and Corporate Social Responsibility Committee

The Audit, Risk and Corporate Social Responsibility Committee comprises of three independent Directors and one Non-Executive Director. The committee is chaired by Mrs Angela Mashanyare and all its members are financially literate. The committee meets at least three times a year and is responsible for assisting the Board in fulfilling its corporate governance responsibilities in relation inter alia to the following:

- the integrity of financial reporting;
- compliance with legal and regulatory obligations;
- monitoring the effectiveness of BAT Zimbabwe's enterprise wide risk management and internal controls framework; and
- oversight of the independence of external auditors.

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

Board Compensation Committee

The Board Compensation Committee comprises of three independent Non-Executive Directors and one Non-Executive Director. The committee is chaired by Mr Gary Fagan. The committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities with regards 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; and
- strategic human resources direction.

Annual Compliance Certificate

I, Stephen Nyabadza in my capacity as Company Secretary of British American Tobacco Zimbabwe (Holdings) Limited ("the company"), being duly authorised hereto, certify that the company has, during the twelve months ended 31 December 2015 complied with every disclosure requirement for continued listing on the Zimbabwe Stock Exchange (ZSE) imposed by the Committee of the ZSE during that period.

Stephen Nyabadza
Company Secretary

16 February 2016

Financial Highlights

Group Summary (US$ 000's)	YEAR ENDED 31 DECEMBER	
	2015	2014
Revenue	45 265	44 562
Operating profit	20 791	17 824
Profit before income tax	20 788	17 900
Profit attributable to shareholders	15 476	13 453
Total assets	28 943	27 580
Basic earnings per share (US$)	0.75	0.65
Diluted earnings per share (US$)	0.75	0.65

FINANCIAL STATEMENTS

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REPORT ON THE FINANCIAL STATEMENTS

We have audited the group financial statements and financial statements of British American Tobacco Zimbabwe (Holdings) Limited, which comprise the statement of financial position at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 21 to 56.

Directors' responsibility for the financial statements

The Group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03) of Zimbabwe, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of British American Tobacco Zimbabwe (Holdings) Limited at 31 December 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act (Chapter 24:03) of Zimbabwe.

KPMG

KPMG Chartered Accountants (Zimbabwe)
Harare
16 February 2016

Statement Of Profit Or Loss And Other Comprehensive Income

For The Year Ended 31 December 2015

	NOTES	2015 US$ 000	US$ 000
Revenue	20	**45 265**	**44 562**
Cost of sales		(12 892)	(15 777)
Gross profit		**32 373**	**28 785**
Selling and marketing costs		(3 734)	(3 999)
Administrative expenses		(10 658)	(8 316)
Re-measurement of share-based payment liability	16	11	174
Other income	21	2 814	1 150
Other (losses)/gains - net	24	(15)	30
Operating profit	22	**20 791**	**17 824**
Net finance (costs)/income		**(3)**	**76**
Finance costs	23	(51)	-
Finance income	23	48	76
Profit before income tax		**20 788**	**17 900**
Income tax expense	25	(5 312)	(4 447)
Profit for the year		**15 476**	**13 453**
Attributable to:			
Owners of the parent		15 476	13 453
Total comprehensive income for the year		**15 476**	**13 453**
Basic earnings per share (US$)	27	0.75	0.65
Diluted earnings per share (US$)	27	0.75	0.65

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For The Year Ended 31 December 2015

	NOTES	2015 US$ 000	2014 US$ 000
Revenue	20	**45 265**	**44 562**
Cost of sales		(12 892)	(15 777)
Gross profit		**32 373**	**28 785**
Selling and marketing costs		(3 734)	(3 999)
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Total comprehensive income for the year		**15 476**	**13 453**
Basic earnings per share (US$)	27	0.75	0.65
Diluted earnings per share (US$)	27	0.75	0.65

Statement Of Financial Position
As At 31 December 2015

ASSETS	NOTES	2015 US$ 000	2014 US$ 000
Non-current assets			
Property, plant and equipment	3	8 992	9 518
Intangible assets	4	33	38
Investment property	5	123	213
Investment in subsidiaries	6	-	-
Financial assets at fair value through profit or loss	10	30	44
		9 178	**9 813**
Current assets			
Inventories	8	8 670	7 098
Trade and other receivables	9	7 226	5 211
Cash and cash equivalents	11	3 869	5 458
		19 765	**17 767**
Total assets		**28 943**	**27 580**
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital	12	5 214	5 214
Non-distributable reserve		337	337
Retained earnings		9 103	10 487
Total equity		**14 654**	**16 038**
Non-current liabilities			
Deferred income tax liability	17	1 352	1 585
Current liabilities			
Trade and other payables	14	10 718	4 804
Provisions for other liabilities and charges	15	1 601	1 246
Share-based payment liability	16	325	3 881
Current income tax liability	26	293	26
		12 937	**9 957**
Total equity and liabilities		**28 943**	**27 580**

The notes on pages 29 to 56 are an intergral part of these consolidated financial statements. These financial statements were authorised for use by the board of directors on 16 February 2016 and signed on its behalf by:

.... Managing Director

.... Finance Director

Consolidated Statement Of Financial Position

As At 31 December 2015

ASSETS	NOTES	2015 US$ 000	2014 US$ 000
Non-current assets			
Property, plant and equipment	3	8 992	9 518
Intangible assets	4	33	38
Investment property	5	123	213
Financial assets at fair value through profit or loss	10	30	44
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Total equity and liabilities		**28 943**	**27 580**

The notes on pages 29 to 56 are an intergral part of these consolidated financial statements. These financial statements were authorised for use by the board of directors on 16 February 2016 and signed on its behalf by:

....
Managing Director

....
Finance Director

Statement Of Changes In Equity

For The Year Ended 31 December 2015

	ATTRIBUTABLE TO OWNERS OF THE PARENT				
	Share capital US$ 000	Share premium US$ 000	Other reserves US$ 000	Retained earnings US$ 000	Total US$ 000
Balance as at 1 January 2014	**5 214**	-	**337**	**5 317**	**10 868**
Total comprehensive income for the year	-	-	-	13 453	13 453
Dividends	-	-	-	(8 283)	(8 283)
Balance as at 31 December 2014	**5 214**	-	**337**	**10 487**	**16 038**
Balance as at 1 January 2015	**5 214**	-	**337**	**10 487**	**16 038**
Total comprehensive income for the year	-	-	-	15 476	15 476
Dividends	-	-	-	(16 860)	(16 860)
Balance as at 31 December 2015	**5 214**	-	**337**	**9 103**	**14 654**

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2015

	Share capital US$ 000	Share premium US$ 000	Other reserves US$ 000	Retained earnings US$ 000	Total US$ 000
Balance as at 1 January 2014	**5 214**	-	**337**	**5 317**	**10 868**
Total comprehensive income for the year	-	-	-	13 453	13 453
Dividends	-	-	-	(8 283)	(8 283)
Balance as at 31 December 2014	**5 214**	-	**337**	**10 487**	**16 038**
Balance as at 1 January 2015	**5 214**	-	**337**	**10 487**	**16 038**
Total comprehensive income for the year	-	-	-	15 476	15 476
Dividends	-	-	-	(16 860)	(16 860)
Balance as at 31 December 2015	**5 214**	-	**337**	**9 103**	**14 654**

Statement Of Cash Flows

For The Year Ended 31 December 2015

	NOTES	2015 US$ 000	2014 US$ 000
Cash flows from operating activities			
Cash generated from operations	18	20 611	13 533
Interest paid	23	(51)	-
Income tax paid	26	(5 279)	(5 071)
Net cash generated from operating activities		**15 281**	**8 462**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(901)	(2 112)
Proceeds from sale of property, plant and equipment		73	25
Interest received	23	48	76
Net cash used in investing activities		**(780)**	**(2 011)**
Cash flows from financing activities			
Repayment of borrowings		-	-
Dividends paid to owners of the parent	28	(16 090)	(8 283)
Net cash used in financing activities		**(16 090)**	**(8 283)**
Net decrease in cash and cash equivalents		**(1 589)**	**(1 832)**
Cash and cash equivalents at the beginning of the year		5 458	7 290
Cash and cash equivalents at the end of the year	11	**3 869**	**5 458**

Consolidated Statement Of Cash Flows

For The Year Ended 31 December 2015

	NOTES	2015 US$ 000	2014 US$ 000
Cash flows from operating activities			
Cash generated from operations	18	20 611	13 533
Interest paid	23	(51)	-
Income tax paid	26	(5 279)	(5 071)
Net cash generated from operating activities		**15 281**	**8 462**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(901)	(2 112)
Proceeds from sale of property, plant and equipment		73	25
Interest received	23	48	76
Net cash used in investing activities		**(780)**	**(2 011)**
Cash flows from financing activities			
Repayment of borrowings		-	-
Dividends paid to owners of the parent	28	(16 090)	(8 283)
Net cash used in financing activities		**(16 090)**	**(8 283)**
Net decrease in cash and cash equivalents		**(1 589)**	**(1 832)**
Cash and cash equivalents at the beginning of the year		5 458	7 290
Cash and cash equivalents at the end of the year	11	**3 869**	**5 458**

1. GENERAL INFORMATION

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

These financial statements are presented in United States dollars rounded to the nearest thousand dollars.

The Company is a limited liability company incorporated and domiciled in Zimbabwe. The address of its registered office is Number 1 Manchester Road, Southerton, Harare, Zimbabwe.

The Company has its primary listing on the Zimbabwe Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") pronouncements and the requirements of the Zimbabwe Companies Act (Chapter 24:03) and the relevant statutory Instruments ("SI") SI 33/99 and SI 62/96. The financial statements have been prepared under the historical cost convention, except for land and buildings which are stated at revalued amounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 35.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards and interpretations effective for the first time for 31 December 2015 year ends and adopted by the Group

IAS 19 amendment	Employee Benefits: Defined Benefit Plans: Employee Contributions.

(b) New and amended standards and interpretations not yet adopted

The following standards and interpretations were in issue but not yet effective:

IFRS 11 amendment	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations - Annual periods beginning on or after 1 January 2016.
IAS 27 amendment	Separate Financial Statements: Equity Method in Separate Financial Statements - Annual periods beginning on or after 1 January 2016.
IAS 28 amendment	Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Annual periods beginning on or after 1 January 2016.
IFRS 12 amendment	Disclosure of Interests in Other Entities: Investment Entities: Applying the Consolidation Exception - Annual periods beginning on or after 1 January 2016.
IFRS 10 amendment	Consolidated Financial Statements: Investment Entities: Applying the Consolidation Exception - Annual periods beginning on or after 1 January 2016.
IAS 16 amendment	Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation - Annual periods beginning on or after 1 January 2016.
IAS 38 amendment	Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation - Annual periods beginning on or after 1 January 2016.
IFRS 15	Revenue from Contracts with Customers - Annual periods beginning on or after 1 January 2018.
IFRS 9	Financial Instruments - Annual periods beginning on or after 1 January 2018.
IFRS 16	Leases - Annual periods beginning on or after 1 January 2019.

The above standards and interpretations, with the exception of IFRS 9, IFRS 15 and IFRS 16, are not applicable to the business of the entity and will, therefore, have no impact on future financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

2.1.1 Changes in accounting policies and disclosures (continued)

(c) New and amended standards and interpretations not yet adopted (continued)

The Directors are of the opinion that the impact of the application of the applicable standards and interpretations will be as follows:

IFRS 9** - **Financial Instruments
This standard replaces earlier versions of IFRS 9, and will most likely have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different.

IFRS 15** - **Revenue from Contracts with Customers
This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The Company is assessing the potential impact on the financial statements resulting from the application of IFRS 15 regarding a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

IFRS 16** - **Leases
IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Company is assessing the potential impact on the financial statements resulting from the application of IFRS 16.

2.2 Consolidation

(a) Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of the consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries
When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Investment in subsidiaries

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

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 financial statements are presented in United States dollars (US$) which is the Group's functional and presentation 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 statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within "administrative expenses".

2.6 Property, plant and equipment

Recognition and measurement
Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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. 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.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

Buildings	40 years
Plant and machinery	6 - 15 years
Motor vehicles	3 - 5 years
Computer equipment	5 years
Furniture, fittings and equipment	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount, in profit or loss, if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income or expenses in the statement of comprehensive income.

2.7 Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured initially at cost and are amortised on a straight line basis over their estimated useful lives. The carrying amount is reduced by any provision for impairment, where necessary.

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

Accounting system software	8 years

The residual values and useful lives, if not insignificant, are reassessed annually.

2.8 Investment property

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

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.

The cost of replacing a part of an item of investment property is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of investment property are recognised in profit or loss as incurred.

Land is not depreciated. Depreciation on buildings is calculated using the straight line method to allocate their cost less their residual values over their estimated useful lives of 40 years.

The buildings' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.9 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(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) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The Group's loans and receivables comprise "trade and other receivables" and "cash and cash and equivalents" in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables 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 (losses)/gains - net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established.

2.10.3 Offset

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

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in "administrative expenses" in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

2.12 Inventories

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

2.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivables are impaired. When a trade receivable is uncollectible, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against the trade receivables impairment provision in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less which are not subject to significant fair value risk, and bank overdrafts.

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 statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.15 Share capital

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

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

2.16 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 and subsequently measured at amortised cost using the effective interest rate method.

2.17 Borrowings

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

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

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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 tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, or if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor tenable profit or loss. Deferred income 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 income tax asset is realised or liability is settled.

Deferred income 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 income 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 income 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of economic resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns, excise duty and value added taxes. Excise duty on cigarettes is recognised based on the volume of cigarette sticks sold and the excise duty per stick as stipulated by the Zimbabwe Revenue Authority.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods - wholesale and retail
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

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

(c) Rental income
Rental income from operating leases is recognised in the accounting period in which the property is occupied by the tenant.

2.21 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.22 Dividend distribution

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

2.23 Leases: accounting by lessor

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Employee benefits

(a) Pension obligations

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

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

The Group and its employees also contribute to the National Social Security Authority ("NSSA") scheme. This is a social security scheme which was promulgated under the National Social Security 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 the statement of comprehensive income when they are due.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Incentive bonus plan

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

2.25 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(a) The party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(b) The Group and the party are subject to common control;

(c) The party is a member of key management personnel of the Group or the Company's parent, or close family member of such an individual.

2.26 Share-based payments

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Share-based payments (continued)

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

3. Property, plant and equipment

Consolidated and Company	Freehold land US$ 000	Buildings US$ 000	Vehicles, machinery and equipment US$ 000	Furniture, fittings and equipment US$ 000	Total US$ 000
Year ended 31 December 2014					
Opening net book amount	774	2 899	4 881	556	9 110
Additions	-	279	1 747	86	2 112
Disposals	-	-	(13)	(12)	(25)
Depreciation charge	-	(123)	(1 048)	(123)	(1 294)
Impairment loss	-	-	(385)	-	(385)
Closing net book amount	**774**	**3 055**	**5 182**	**507**	**9 518**
At 31 December 2014					
Cost	774	3 688	10 155	782	15 399
Accumulated depreciation and impairment	-	(633)	(4 973)	(275)	(5 881)
Net book amount	**774**	**3 055**	**5 182**	**507**	**9 518**
Year ended 31 December 2015					
Opening net book amount	774	3 055	5 182	507	9 518
Transfers	-	254	(636)	425	43
Additions	-	79	652	170	901
Disposals	-	(200)	(22)	-	(222)
Depreciation charge	-	(126)	(920)	(181)	(1 227)
Impairment loss	-	-	(21)	-	(21)
Closing net book amount	**774**	**3 062**	**4 235**	**921**	**8 992**
At 31 December 2015					
Cost	774	3 820	10 149	1 378	16 121
Accumulated depreciation and impairment	-	(758)	(5 914)	(457)	(7 129)
Net book amount	**774**	**3 062**	**4 235**	**921**	**8 992**

Depreciation expense of US$618 344 (2014: US$636 323) has been charged in cost of sales, US$196 004 (2014: US$184 608) in selling and marketing costs and US$412 763 (2014: US$473 645) in administrative expenses. Impairment losses of US$20 713 (2014: US$385 424) have been charged in cost of sales in the statement of comprehensive income.

The impairment losses relate to cigarette makers and packers which were no longer in use and were physically damaged. The recoverable amount thereof was nil.

4. INTANGIBLE ASSETS

Consolidated and Company	Computer software US$ 000	Total US$ 000
Year ended 31 December 2014		
Opening net book amount	130	130
Amortisation charge	(92)	(92)
Closing net book amount	**38**	**38**
At 31 December 2014		
Cost	670	670
Accumulated amortisation charge	(632)	(632)
Net book amount	**38**	**38**
Year ended 31 December 2015		
Opening net book amount	38	38
Transfers	40	40
Amortisation charge	(45)	(45)
Closing net book amount	**33**	**33**
At 31 December 2015		
Cost	710	710
Accumulated amortisation charge	(677)	(677)
Net book amount	**33**	**33**

5. INVESTMENT PROPERTY

Consolidated and Company	Land and buildings US$ 000	Total US$ 000
Year ended 31 December 2014		
Opening net book amount	219	219
Depreciation charge	(6)	(6)
Closing net book amount	**213**	**213**
At 31 December 2014		
Cost	250	250
Accumulated depreciation	(37)	(37)
Net book amount	**213**	**213**
Year ended 31 December 2015		
Opening net book amount	213	213
Transfers	(84)	(84)
Depreciation charge	(6)	(6)
Closing net book amount	**123**	**123**
At 31 December 2015		
Cost	166	166
Accumulated depreciation	(43)	(43)
Net book amount	**123**	**123**

5. INVESTMENT PROPERTY (continued)

Fair values of investment property
A Director's valuation of the Company's investment property was performed to determine the fair value as at 31 December 2014 and 2015.

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).

	Fair value measurements using significant unobservable inputs (Level 3)	
	2015 US$ 000	2014 US$ 000
Investment property	166	250

There were no Level 1 and 2 assets or transfers between Levels 1 and 2 during 2015 or 2014.

Level 3 fair values of investment property have been derived using the sales comparison approach by the finance team in consultation with the Managing Director. The team has determined these inputs based on the size of the property, location of the land and the state of the local economy.

Information about fair value measurements using significant unobservable inputs (Level 3):

	Fair value at 31 December 2015 US$ 000	Fair value at 31 December 2014 US$ 000	Valuation technique	Observable inputs	Relationship of observable inputs to fair value
Investment property	166	250	Sales comparison approach	Market price per square metre	The higher the price per square metre, the higher the fair value

6. INVESTMENT IN SUBSIDIARIES

	2015 US$ 000	2014 US$ 000
Company		
Investment in subsidiaries	-	-

Set out below are the Company's subsidiaries at 31 December 2015. The subsidiaries, as listed below, have share capital consisting solely of ordinary shares, which are held directly by the Company. All of the subsidiaries are dormant and have nil values with insignificant assets and liabilities.

Subsidiaries	% of ownership interest held by the Company	Country of incorporation
House of Raleigh Limited	100%	Zimbabwe
R&B Service Station (Private) Limited	100%	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 Trust's are treated as unissued from the Group perspective and the loan funding is eliminated.

The impact on the financial statements from the activities of the ESOT is described in notes 2.26 (Share-based payments) and 16 (Share-based payment liability).

6. INVESTMENT IN SUBSIDIARIES (continued)

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

7. FINANCIAL INSTRUMENTS BY CATEGORY

Consolidated and Company

31 December 2015	Loans and receivables US$ 000	Assets at fair value through profit or loss US$ 000	Total US$ 000
Assets as per statement of financial position			
Trade and other receivables excluding prepayments	7 027	-	7 027
Financial assets at fair value through profit or loss	-	30	30
Cash and cash equivalents	3 869	-	3 869
Total	**10 896**	**30**	**10 926**

	Other financial liabilities US$ 000	Total US$ 000
Liabilities as per statement of financial position		
Trade and other payables excluding statutory liabilities	7 809	7 809
Total	**7 809**	**7 809**

31 December 2014	Loans and receivables US$ 000	Assets at fair value through profit or loss US$ 000	Total US$ 000
Assets as per statement of financial position			
Trade and other receivables excluding prepayments	4 864	-	4 864
Financial assets at fair value through profit or loss	-	44	44
Cash and cash equivalents	5 458	-	5 458
Total	**10 322**	**44**	**10 366**

	Other financial liabilities US$ 000	Total US$ 000
Liabilities as per statement of financial position		
Trade and other payables excluding statutory liabilities	3 748	3 748
Total	**3 748**	**3 748**

8. INVENTORIES

Consolidated and Company	2015 US$ 000	2014 US$ 000
Raw materials	5 497	3 394
Finished goods	3 001	3 427
Consumables	172	277
	8 670	**7 098**

The cost of inventories recognised as an expense and included in "cost of sales" amounted to US$7 779 344 (2014: US$10 736 320).

During the year, following a change in estimates, US$126 000 in previously recognised write downs was reversed.

9. TRADE AND OTHER RECEIVABLES

	2015 US$ 000	2014 US$ 000
Consolidated and Company		
Trade receivables	4 535	3 706
Less: Provision for impairment of trade receivables	(738)	(96)
Trade receivables - net	3 797	3 610
Other receivables	2 132	343
Prepayments	199	347
Receivables from related parties (note 29)	1 098	911
	7 226	**5 211**

The fair value of trade and other receivables approximates their carrying values due to their short tenure.

As at 31 December 2015, trade receivables amounting to US$3 689 818 (2014: US$3 403 327) were fully performing.

Consolidated and Company

As at 31 December 2015, trade receivables amounting to US$106 891 (2014: US$207 323) were past due but not impaired. Past due but not impaired receivables relate to amounts due for more than 7 days but up to 30 days.

These relate to a number of independent customers for whom there is no recent history of default.

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

	Total US$ 000	Up to 14 days US$ 000	Up to 21 days US$ 000	Up to 28 days and more US$ 000
31 December 2015				
Distributors	-	-	-	-
Wholesalers	(73)	(74)	-	1
Retailers	148	55	-	93
Stockists	32	5	13	14
Total	**107**	**(14)**	**13**	**108**
31 December 2014				
Distributors	-	-	-	-
Wholesalers	122	76	46	-
Retailers	80	71	9	-
Stockists	5	5	-	-
Total	**207**	**152**	**55**	-

As at 31 December 2015, trade receivables amounting to US$737 791 (2014: US$96 258) were impaired. The amount of the provision recognised amounted to US$737 791 as of 31 December 2015 (2014: US$96 258). The individually impaired receivables mainly relate to distributors, wholesalers and retailers, which are in a difficult economic situation.

	2015 US$ 000	2014 US$ 000
The ageing of these receivables is as follows:		
3 to 6 months	95	5
Over 6 months	643	91
	738	**96**
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:		
US dollar	7 226	5 211
GBP	-	-
ZAR	-	-
Total	**7 226**	**5 211**

9. TRADE AND OTHER RECEIVABLES (continued)

Consolidated and Company (continued)

The maturity analysis of trade and other receivables at 31 December 2015 is as follows:

	Total US$ 000	0-30 days US$ 000	31-60 days US$ 000	61-90 days US$ 000	91 days+ US$ 000
Distributors	1 028	868	-	-	160
Wholesalers	374	373	-	(34)	35
Retailers	1 471	1 385	18	68	-
Stockists	885	869	(2)	18	-
Other external receivables	39	39	-	-	-
Other receivables	2 132	2 132	-	-	-
Prepayments	199	199	-	-	-
Other receivables - related party	1 098	1 098	-	-	-
	7 226	**6 963**	**16**	**52**	**195**
The maturity analysis of trade and other receivables at 31 December 2014 is as follows:					
Distributors	1 070	1 070	-	-	-
Wholesalers	832	832	-	-	-
Retailers	711	711	-	-	-
Stockists	997	997	-	-	-
Other receivables	343	343	-	-	-
Prepayments	347	347	-	-	-
Other receivables - related party	911	699	-	212	-
	5 211	**4 999**	-	**212**	-

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

	2015 US$ 000	2014 US$ 000
At 1 January	**96**	**100**
Provision for receivables impairment	642	7
Unused amounts reversed	-	(11)
At 31 December	**738**	**96**

The recognition and release of provisions in respect of impaired receivables are included in "other expenses" 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.

The Group does not hold any collateral as security.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 US$ 000	2014 US$ 000
Consolidated and Company		
Listed securities held for trading		
Equity securities - Hunyani Holdings Limited	30	44

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the statement of cash flows. Changes in fair value of financial assets at fair value through profit or loss are recorded in other gains/(losses) - net in the statement of comprehensive income.

The fair value of all equity securities is based on their current bid price in an active market.

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

Consolidated and Company (continued)

The following table presents the Group and Company's assets that are measured at fair value at 31 December 2015

Financial assets	Level 1 US$ 000	Level 2 US$ 000	Level 3 US$ 000	Total US$ 000
Quoted securities at market value	30	-	-	30

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 occuring market transactions at an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise, primarily, Zimbabwe Stock Exchange investments classified as trading securities or available for sale.

11. CASH AND CASH EQUIVALENTS

	2015 US$ 000	2014 US$ 000
Consolidated and Company		
Cash at bank and on hand	3 869	4 458
Short term bank deposits	-	1 000
Cash and cash equivalents	**3 869**	**5 458**

12. SHARE CAPITAL AND PREMIUM

Consolidated and Company

	31 Dec. 2015		31 Dec. 2014	
	Number of ordinary shares	Ordinary shares US$ 000's	Number of ordinary shares	Ordinary shares US$ 000's
Authorised				
Ordinary shares at US$0.30 each	21 252 000	6 376	21 252 000	6 376

	Number of ordinary shares	Ordinary shares US$ 000
Issued and fully paid		
At 1 January 2014	**20 633 517**	**6 190**
Less treasury shares	(3 252 000)	(976)
At 31 December 2014	**17 381 517**	**5 214**
At 1 January 2015	**20 633 517**	**6 190**
Less treasury shares	(3 252 000)	(976)
At 31 December 2015	**17 381 517**	**5 214**

Treasury shares	Number of ordinary shares	Ordinary shares US$ 000
At 1 January 2014	**3 252 000**	**976**
Acquired during the year	-	-
At 31 December 2014	**3 252 000**	**976**
At 1 January 2015	**3 252 000**	**976**
Acquired during the year	-	-
At 31 December 2015	**3 252 000**	**976**

12. SHARE CAPITAL AND PREMIUM (continued)

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

13. DIRECTORS' INTERESTS

Company

At 31 December 2015 the Directors held, directly or indirectly, the following number of shares in the Company:

	2015 US$ 000	2014 US$ 000
L T Manatsa	1 000	1 000
K Mandevhani	500	500
A Mashanyare	500	500
	2 000	**2 000**

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

14. TRADE AND OTHER PAYABLES

Consolidated and Company

	2015 US$ 000	2014 US$ 000
Trade payables	586	654
Amounts due to related parties (note 29)	4 826	1 464
Social security and other taxes	2 909	1 056
Accrued expenses	1 186	214
Other	1 211	1 416
	10 718	**4 804**

Other payables comprise of payroll related creditors, staff claims, creditors goods received but not invoiced and sundry creditors.

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

	2015 US$ 000	2014 US$ 000
South African Rand	366	2
UK Pound	1 240	651
Euro	-	170
US dollar	9 112	4 584
	10 718	**5 407**

15. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Consolidated and Company

	Restructuring costs US$ 000	Incentive bonus and other provisions US$ 000	Statutory claims US$ 000	Total US$ 000
At 1 January 2015	695	551	-	**1 246**
Utilised during the year	(695)	(551)	-	**(1 246)**
Charged to the statement of comprehensive income	1 062	539	-	**1 601**
At 31 December 2015	**1 062**	**539**	-	**1 601**

Analysis of total provisions:	2015 US$ 000
Non-current	-
Current	1 601
	1 601

	Restructuring costs US$ 000	Incentive bonus and other provisions US$ 000	Statutory claims US$ 000	Total US$ 000
At 1 January 2014	-	512	111	**623**
Utilised during the year	-	(512)	(111)	**(623)**
Charged to the statement of comprehensive income	695	551	-	**1 246**
At 31 December 2014	**695**	**551**	-	**1 246**

Analysis of total provisions:	2014 US$ 000
Non-current	-
Current	1 246
	1 246

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

(b) Provision for restructuring costs
This is a provision based on the number of employees who are involved in a redundancy exercise. These costs were fully provided for in 2015. The provision amounting to US$1 062 019 at 31 December 2015 is expected to be fully utilised during the first half of 2016.

16. SHARE-BASED PAYMENT LIABILITY

Consolidated and Company

This liability represents the value of unsettled share units issued for free to employees by the British American Tobacco Zimbabwe Employee Share Ownership Trust ("ESOT", see note 2.26). The liability is recognised in both the consolidated and Company financial statements. The liability is recognised in the Company financial statements on the basis that the ESOT has a constructive liability to settle the share units but remains reliant on dividend income from the Company in order to fund any cash settlements. As such, the Company recognises the value of this obligation.

The recognition of a liability is also required under IFRS 2 Share-based payments, as the cash settled nature of the scheme is indicative of a cash settled share-based payment.

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

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

	2015 US$ 000	2014 US$ 000
At 1 January 2015	**3 881**	**7 060**
Re-measurement of share-based payment liability	(11)	(174)
Amounts paid during the year	(3 545)	(3 005)
At 31 December 2015	**325**	**3 881**

17. DEFERRED INCOME TAX LIABILITIES

Consolidated and Company

	2015 US$ 000	2014 US$ 000
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax liabilities		
To be recovered after more than 12 months	1 352	1 585
To be recovered within 12 months	-	-
Deferred tax liability - net	**1 352**	**1 585**
The deferred tax liability is made up of:		
Property, plant and equipment - accelerated depreciation	1 675	1 808
Provisions	(281)	(126)
Allowance for credit losses	(52)	(25)
Marketable securities - fair value	1	2
Prepayments	19	-
Inventory write-down	(42)	(74)
Unrealised exchange differences	32	-
Deferred tax liability - net	**1 352**	**1 585**
The gross movement on the deferred tax account is as follows:		
At 1 January 2015	**1 585**	**2 026**
Credit to statement of comprehensive income	(233)	(441)
At 31 December 2015	**1 352**	**1 585**

17. DEFERRED INCOME TAX LIABILITIES (continued)

The movement in deferred income 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 US$ 000	Total US$ 000
At 1 January 2014	**2 026**	**2 026**
Credit to statement of comprehensive income	(441)	(441)
At 31 December 2014	**1 585**	**1 585**
At 1 January 2015	**1 585**	**1 585**
Credit to statement of comprehensive income	(233)	(233)
At 31 December 2015	**1 352**	**1 352**

18. CASH GENERATED FROM OPERATIONS

	2015 US$ 000	2014 US$ 000
Consolidated and Company		
Profit before income tax	20 788	17 900
Adjustment for:		
- Depreciation of property, plant and equipment	1 255	1 300
- Amortisation of intangible assets	45	92
- Impairment of property, plant and equipment	21	385
- Profit on sale of property, plant and equipment	(1 472)	-
- Unrealised exchange gains	-	(3)
- Fair value losses/(gains) on financial assets at fair value through profit or loss (note 24)	15	(30)
- Finance costs	51	-
- Finance income	(48)	(76)
Changes in working capital:		
- Inventories	(1 572)	1 987
- Trade and other receivables	(415)	(563)
- Trade and other payables	5 144	(4 903)
- Provisions for other liabilities and charges	355	623
- Share-based payment provision	(3 556)	(3 179)
Cash generated from operations	**20 611**	**13 533**

19. RETIREMENT BENEFIT OBLIGATIONS

Consolidated and Company

Defined Contribution Scheme
Pensions are provided for employees by a separate pension fund to which both the employees and the Group contribute. This pension fund is a defined contribution plan under which retirement benefits are determined by reference to the contributions to the fund.

National Social Security Authority (NSSA) Scheme
The Group and its employees contribute to the National Social Security Authority Scheme. This is a social security scheme which was promulgated under the National Social Security Act (Chapter 17:04).

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

	Employee US$ 000	Group US$ 000	Total US$ 000
2015			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	249	536	785
NSSA	44	114	158
	293	**650**	**943**
2014			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	219	471	690
NSSA	46	46	92
	265	**517**	**782**

20. REVENUE

	2015 US$ 000	2014 US$ 000
Consolidated and Company		
Revenue from sales of goods	**45 265**	**44 562**

21. OTHER INCOME

	2015 US$ 000	2014 US$ 000
Consolidated and Company		
Management fees	140	127
Royalties	216	214
Rental income	351	348
IT services charge to third parties	350	-
Scrap and other stock sales	16	9
Profit on sale of property, plant and equipment	1 472	-
Sundry income	145	200
Exchange gains	124	-
Related party payables written off (note 29)	-	252
	2 814	**1 150**

22. OPERATING PROFIT

Consolidated and Company

22.1 Operating profit before net financing costs and taxation includes the following:

	2015 US$ 000	2014 US$ 000
Auditors' remuneration - current year	63	93
Allowance for credit losses	642	(4)
Depreciation of property, plant and equipment (note 3)	1 227	1 294
Directors' fees	17	32
Impairment of property, plant and equipment	21	385
Management fees	3 327	2 148

22.2 Staff costs

	2015 US$ 000	2014 US$ 000
Salaries and wages	6 786	6 053
Pension contributions	638	441
	7 424	**6 494**

22.3 The number of employees as at 31 December 2015 was 151 (2014: 172).

23. NET FINANCE (COSTS)/INCOME

	2015 US$ 000	2014 US$ 000
Consolidated and Company		
Finance costs	(51)	-
Interest income on short term bank deposits	48	76
Net finance (costs)/income	**(3)**	**76**

24. OTHER (LOSSES)/GAINS - NET

	2015 US$ 000	2014 US$ 000
Consolidated and Company		
Financial assets at fair value through profit or loss (note 10)		
- Fair value (losses)/gains	(15)	30

25. INCOME TAX EXPENSE

	2015 US$ 000	2014 US$ 000
Consolidated and Company		
Current income tax on profit for the year	5 465	4 888
Deferred taxation credit (note 17)	(233)	(441)
Capital gains tax	80	-
	5 312	**4 447**

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

	%	%
Tax effect on: current income tax rate	25.75	25.75
Prior year adjustments	0.61	-
Disallowable expenditure	(1.14)	1.56
Non-taxable income	-	-
Effective tax rate	**25.22**	**27.31**

26. INCOME TAX PAID

	2015 US$ 000	2014 US$ 000
Consolidated and Company		
Opening balance	26	213
Reversal of prior year over provision	-	(4)
Charge per statement of comprehensive income	5 546	4 888
Closing balance per statement of financial position	(293)	(26)
	5 279	**5 071**

27. 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.

	2015 US$ 000	2014 US$ 000
Profit attributable to equity holders of the Company (US$ 000)	15 476	13 453
Weighted average number of ordinary shares in issue (thousands)	20 634	20 634
Basic and diluted earnings per share	0.75	0.65

28. DIVIDENDS

Consolidated and Company
Dividends paid in 2015 were US$16 090 382 (2014: US$8 283 362), including an interim dividend of US$0.47 per share.

29. 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.

The following transactions were carried out with related parties:

Consolidated and Company

		2015 US$ 000	2014 US$ 000
(a)	**Sales of goods (cut rag) and services:**		
	British American Tobacco South Africa (Pty) Limited	**869**	**432**
(b)	**Other sales:**		
	British American Tobacco Angola Lda	**218**	-
(c)	**Purchase of goods and services:**		
	British American Tobacco South Africa (Pty) Limited	1 622	2 206
	British American Tobacco (Holdings) Limited	561	286
	British American Tobacco Shared Services GSD UK	1 537	1 026
	British American Tobacco (GLP) Limited	418	563
	British American Tobacco Shared Services AME (BASS)	53	165
	British American Tobacco Southern Africa Markets (Pty) Limited	444	1 128
	British American Tobacco Shared Services Europe (BASSE)	229	-
		4 864	**5 374**

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

Management services are rendered by British American Tobacco Southern Africa Markets (Pty) Limited.

Royalty fees are received from British American Tobacco Angola Lda for the sale of Kingsport.

Information technology support services are received from British American Tobacco Shared Services GSD UK.

		2015 US$ 000	2014 US$ 000
(d)	**Write-back of related party payables**		
	British American Tobacco (Holdings) Limited	-	**252**

This amount relates to a debt written off by British American Tobacco (Holdings) Limited for invoices prior to 2015 which British American Tobacco Zimbabwe (Holdings) Limited was owing.

(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:

	2015 US$ 000	2014 US$ 000
Salaries and other short term employee benefits	**1 191**	**1 285**

29. RELATED PARTY TRANSACTIONS (continued)

	2015 US$ 000	2014 US$ 000
(f) Year end balances arising from sales/purchases of goods and services		
Receivable from related parties (note 9):		
British American Tobacco Angola Lda	149	35
British American Tobacco Zambia	208	95
British American Tobacco Malawi	11	2
British American Tobacco Southern Africa Markets (Pty) Limited	27	142
British American Tobacco South Africa (Pty) Limited	485	387
British American Tobacco Investments Limited	-	127
British American Tobacco (GLP) Limited	218	123
	1 098	**911**

	US$ 000	US$ 000
Payable to related parties (note 14):		
British American Tobacco (Holdings) Limited	820	536
British American Tobacco Shared Services GSD UK	977	67
British American Tobacco South Africa (Pty) Limited	2 719	404
British American Tobacco SS (Europe) SRL	244	-
British American Tobacco Southern Africa Markets (Pty) Limited	-	434
British American Tobacco Mozambique	66	-
British American Tobacco Kenya	-	12
British American Tobacco Congo	-	11
	4 826	**1 464**

The receivables from related parties arise mainly from sales transactions and are due two months after the date of sale.

The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties (2014: US$ nil).

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

30. CONTINGENCIES

The Company does not have any contingent liabilities at year end (2014: US$ nil).

31. CAPITAL COMMITMENTS

There were no capital commitments at year end (2014: US$ nil).

32. FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate 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.

32. FINANCIAL RISK MANAGEMENT (continued)

32.1 Financial risk factors (continued)]

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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 2015, if the currency had weakened/strengthened by 10% against the GBP, with all other variables held constant, post-tax profit for the year and equity would have been US$173 847 lower/higher (2014: US$101 194) lower/higher, mainly as a result of foreign exchange gains or losses on the translation of foreign trade payables.

(ii) Price risk

The Group is exposed to equity securities price risk due to investments held by the Group and classified on the consolidated statement of financial position at fair value through profit or loss. The Group is not exposed to commodity price risk.

(iii) Interest rate risk

The Group's interest rate risk arises from fixed short term investments with a maturity tenor of three months which the Group deposits with financial institutions. The Group manages its interest rate risk by entering into fixed interest rate short term deposits.

At 31 December 2015, there were no short term deposits.

(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 its financial position, past experience and other factors. The utilisations of credit limits are regularly monitored to manage risk.

The Group's maximum exposure to credit risk by class of financial asset is as follows:	2015 US$ 000	2014 US$ 000
Trade receivables and other receivables excluding prepayments		
- Trade receivables from customers	7 027	4 864
- Financial assets at fair value through profit or loss	30	44
- Cash and cash equivalents	3 869	5 458
	10 926	**10 366**

The fair value of trade and other receivables at 31 December 2015 approximates their carrying amount due to their short tenure.

There is no significant risk with respect to cash and cash equivalents as the Group holds bank accounts with large financial institutions with sound financial and capital cover.

The fair value of cash and cash equivalents at the reporting date approximates the carrying amounts. The financial institutions holding cash and cash equivalents of the Group are as follows:

Financial institution	2015 US$ 000	2014 US$ 000
Standard Chartered Bank of Zimbabwe Limited	3 136	4 051
Peoples Own Savings Bank (POSB)	717	407
Barclays Bank of Zimbabwe Limited	16	1 000
	3 869	**5 458**

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.

32. FINANCIAL RISK MANAGEMENT (continued)

32.1 Financial risk factors (continued)

c) Liquidity risk (continued)

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.

Maturity mismatches across the time buckets are managed through borrowings.

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 2015 is as follows:

	Up to 1 month US$ 000	1 to 2 months US$ 000	Later than 3 months US$ 000	Total US$ 000
Assets				
Cash and cash equivalents	3 869	-	-	**3 869**
Trade and other receivables (excluding prepayments)	5 666	68	195	**5 929**
Receivables from related parties	1 098	-	-	**1 098**
Financial assets at fair value through profit or loss	-	-	30	**30**
Total assets	**10 633**	**68**	**225**	**10 926**
Liabilities				
Trade and other payables (excluding statutory liabilities)	7 809	-	-	**7 809**
Liquidity gap	**2 824**	**68**	**225**	**3 117**

At the reporting date, the Group held sufficient assets to cover liabilities.

Maturity analysis as at 31 December 2014 is as follows:

	Up to 1 month US$ 000	1 to 2 months US$ 000	Later than 3 months US$ 000	Total US$ 000
Assets				
Cash and cash equivalents	4 458	1 000	-	**5 458**
Trade and other receivables (excluding prepayments)	3 953	-	-	**3 953**
Receivables from related parties	699	-	212	**911**
Financial assets at fair value through profit or loss	-	-	44	**44**
Total assets	**9 110**	**1 000**	**256**	**10 366**
Liabilities				
Trade and other payables (excluding statutory liabilities)	3 748	-	-	**3 748**
Liquidity gap	**5 362**	**1 000**	**256**	**6 618**

32. FINANCIAL RISK MANAGEMENT (continued)

32.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as disclosed in the statement of financial position plus net debt.

32.3 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).

33. 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.

The Group has operated in the single segment of cigarettes.

Revenue amounting to US$45 264 514 (2014: US$44 561 585) is from external customers who are domiciled in Zimbabwe and is from the sale of cigarettes.

33. SEGMENT INFORMATION (continued)

	2015		2014	
	Cigarettes US$ 000	Total US$ 000	Cigarettes US$ 000	Total US$ 000
External revenue	79 290	**79 290**	74 579	**74 579**
Tobacco duties	(34 025)	**(34 025)**	(30 017)	**(30 017)**
Net revenue	45 265	**45 265**	44 562	**44 562**
Profit before interest, taxation, depreciation and amortisation	22 084	**22 084**	19 595	**19 595**
Depreciation	(1 227)	**(1 227)**	(1 294)	**(1 294)**
Impairment	(21)	**(21)**	(385)	**(385)**
Amortisation	(45)	**(45)**	(92)	**(92)**
Net finance (costs)/income	(3)	**(3)**	76	**76**
Profit before income tax	20 788	**20 788**	17 900	**17 900**
Total assets	28 943	**28 943**	27 580	**27 580**
Total liabilities	14 289	**14 289**	11 542	**11 542**

34. OPERATING LEASES

Consolidated and Company

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

Lease income receivable	2015 US$ 000	2014 US$ 000
No later than 1 year	30 000	44 520
Later than 1 year and no later than 5 years	43 200	64 800
Later than 5 years	-	-
	73 200	**109 320**

35. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on projected lives of these assets. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Provisions for statutory claims

The Group's management determines the estimates for any statutory claims that may arise as a result of tax assessments conducted by the Zimbabwe Revenue Authority during the year ended 31 December 2015. The estimates are based on the principal amounts of

35. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Provisions for statutory claims (continued)

the expected liability for which the tax assessments relate to. The Group also relies on independent opinions of the legal advisors.

(d) Share-based payment liability

The valuation of the share-based payment liability represents a significant estimate by Group management. The basis for the determination of the value of the liability has been included in note 2.26.

36. EVENTS AFTER REPORTING DATE

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that require adjustments to be effected on reported amounts in the financial statements or disclosure in the financial statements.

Notice to Shareholders

NOTICE IS HEREBY GIVEN that the Fifty-Sixth Annual General Meeting of the shareholders of British American Tobacco Zimbabwe (Holdings) Limited ("the company") will be held at the British American Tobacco Zimbabwe Offices, 1 Manchester Road, Southerton, Harare on Tuesday 26th April 2016 at 10:00 am for the following purposes:

ORDINARY BUSINESS

1 Minutes of the Previous Meeting

To confirm and sign off the minutes of the Fifty-Fifth Annual General Meeting.

2 Financial Statement and Reports

To receive and adopt the audited financial statements for the year ended 31 December 2015, together with the reports of the directors and auditors thereon.

3 Dividend

To confirm the payment of an interim dividend of US$0.47 per share and approve the declaration of a final dividend of US$0.44 per share for the year ended 31 December 2015.

4 Directorate

4.1 To approve the remuneration of directors for the year ended 31 December 2015.

4.2 To note the resignation of Mr Peter Doona as a director of the company.

4.3 To re-elect Mr Lovemore T Manatsa and Professor Hope C Sadza who retire by rotation in terms of Article 96 of the company's Articles of Association.

4.4 To re-elect Mrs Clara Mlambo and Mr Lucas Francisco who were appointed as directors prior to the Annual General Meeting in terms of Article 88 of the company's Articles of Association and retire at this Annual General Meeting.

The profiles of directors to be re-elected are included in the Annual Report under "Directorate".

5 Auditors

5.1 To fix the remuneration of the auditors for the past year.

5.2 To reappoint Messrs. KPMG Chartered Accountants (Zimbabwe) as auditors of the company until the conclusion of the next Annual General Meeting.

By Order of the Board

Stephen Nyabadza
Company Secretary

16 February 2016

Registered Office:
1 Manchester Road
P O Box ST 98
Southerton
Harare
Zimbabwe
Email: stephen_nyabadza@bat.com

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

NOTES:

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

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

Form of Proxy

FIFTY SIXTH ANNUAL GENERAL MEETING

BRITISH AMERICAN TOBACCO
ZIMBABWE

I/We ....
Of..
Being a shareholder of the British American Tobacco Zimbabwe (Holdings) Limited hereby appoint:

....
or failing him/her

....
or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fifty-Sixth Annual General Meeting of the Company to be held at British American Tobacco Zimbabwe Offices, 1 Manchester Road, Southerton, Harare on Tuesday 26th April 2016, at 10:00am.

Signed this...........................day of.............................2016

Signature of member /members..

NOTE:

1. In terms of section 129 of the Companies Act (Chapter 24.03) shareholders are entitled to appoint one or more proxies to act in their alternative to attend and vote and speak in their place in meeting. A proxy need not be a member of the company.
2. Any alteration or correction made to this form of proxy (including the deletion of alternatives) must be initiated by the signatory/signatories.
3. Instruments of proxy must be lodged at the registered office of the company at least forty eight hours before the time appointed for holding the meeting.

Form of Proxy

FIFTY SIXTH ANNUAL GENERAL MEETING

BRITISH AMERICAN TOBACCO
ZIMBABWE

I/We ....
Of..
Being a shareholder of the British American Tobacco Zimbabwe (Holdings) Limited hereby appoint:

....
or failing him/her

....
or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fifty-Sixth Annual General Meeting of the Company to be held at British American Tobacco Zimbabwe Offices, 1 Manchester Road, Southerton, Harare on Tuesday 26th April 2016, at 10:00am.

Signed this...........................day of.............................2016

Signature of member /members..

NOTE:

1. In terms of section 129 of the Companies Act (Chapter 24.03) shareholders are entitled to appoint one or more proxies to act in their alternative to attend and vote and speak in their place in meeting. A proxy need not be a member of the company.
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Form of Proxy

FIFTY SIXTH ANNUAL GENERAL MEETING

BRITISH AMERICAN TOBACCO
ZIMBABWE

I/We ....
Of..
Being a shareholder of the British American Tobacco Zimbabwe (Holdings) Limited hereby appoint:

....
or failing him/her

....
or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fifty-Sixth Annual General Meeting of the Company to be held at British American Tobacco Zimbabwe Offices, 1 Manchester Road, Southerton, Harare on Tuesday 26th April 2016, at 10:00am.

Signed this...........................day of.............................2016

Signature of member /members..

NOTE:

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2. Any alteration or correction made to this form of proxy (including the deletion of alternatives) must be initiated by the signatory/signatories.
3. Instruments of proxy must be lodged at the registered office of the company at least forty eight hours before the time appointed for holding the meeting.

BRITISH AMERICAN TOBACCO
ZIMBABWE

Affix
stamp
here

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

BRITISH AMERICAN TOBACCO
ZIMBABWE

Affix
stamp
here

The Company Secretary
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