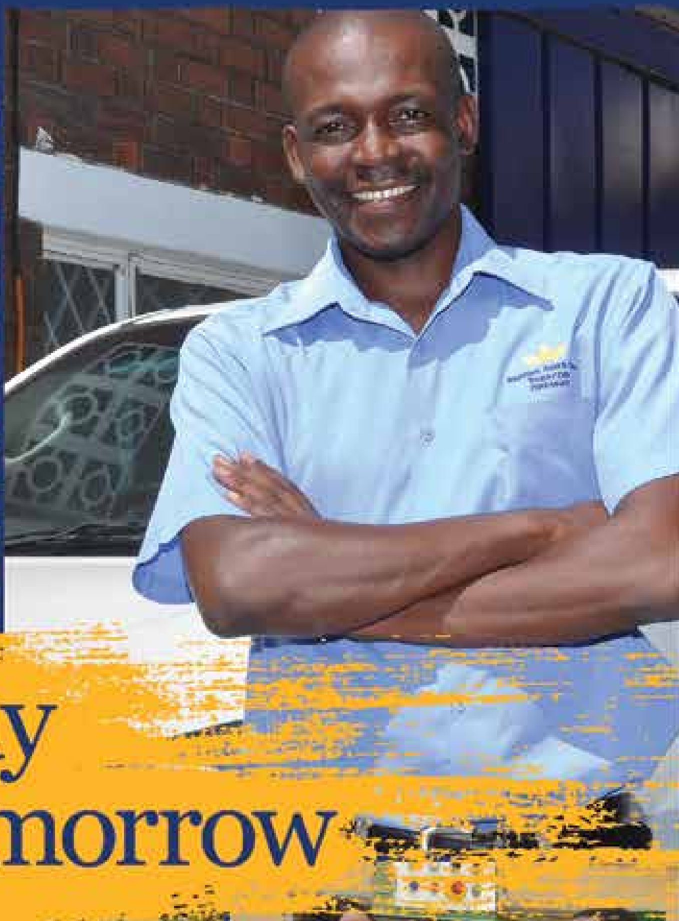
BRITISH AMERICAN TOBACCO
ZIMBABWE



Delivering today Investing in tomorrow

Annual Report 2017

Contents

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

Our Brands

DANGER: SMOKING IS HARMFUL TO HEALTH

Our Strategy

Our strategy enables our business to deliver growth today, while continuing to invest in our future. Tobacco remains at the core of our business and will continue to provide us with opportunities for growth.

• Our Vision

World's best at satisfying consumer moments in tobacco and beyond.

Satisfying consumer moments

We believe that by being the world's best at satisfying consumer moments, we will become the leader in our industry. Consumers are at the core of everything we do and our success depends on addressing their evolving concerns, needs and behaviours.

Tobacco and beyond

The second part of our vision – tobacco and beyond – recognises the strength of our traditional tobacco business and the opportunities we see in Next Generation Products. There is a great potential business opportunity because consumers are looking for choices and product categories in which we are uniquely placed to succeed.

• Our Mission

Champion informed consumer choice

We need to continue to ensure that our adult consumers are fully aware of the choices they are making when they purchase our products. We recognise that we have a responsibility to offer a range of products across the risk continuum, but we will also defend people's right to make an informed choice.

Deliver our commitments to society

As society changes and priorities and needs shift, we must be ready to meet new challenges and take advantage of new opportunities. We are a major international business and with this status comes responsibilities such as developing and marketing less risky products, being open about the risks of all our products, supporting agricultural communities worldwide and minimising our impact on the environment.

• 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

Our International Marketing Principles (IMP) set down detailed guidance on all aspects of tobacco marketing, from print, billboards and electronic media to promotional events, packaging and sponsorship. Central to the IMP is our long held commitment to ensuring that no marketing activity is directed at, or particularly appeals to youth.

The IMP are globally applicable. Adherence by British American Tobacco Zimbabwe (Holdings) Limited forms part of our regular internal audit process, supported by annual self-certification by management and Audit Committee review. We publicly report any instances of incomplete adherence each year.

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

Non-Executive Chairman
Mr Lovemore T Manatsa

Non-Executive Directors
Professor Hope C Sadza
Mrs Rachel P Kupara
Mr Edwin I Manikai
Mr Alejandro Riomayor

Executive Directors
Mrs Clara Mlambo
Mr Leslie Malunga

Committees

Board Audit Risk and CSR Committee
Mrs Rachel P Kupara (Chairperson)
Mr Lovemore T Manatsa
Professor Hope C Sadza
Mr Edwin I Manikai

Board Compensation Committee
Mr Edwin I Manikai (Chairperson)
Mrs Rachel C Kupara
Mr Lovemore T Manatsa
Professor Hope C Sadza

Auditors

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

Administration

Company Secretary
Pauline Kadembo
Registered Office
1 Manchester Road
P.O. Box ST98
Southerton
Harare

Transfer Secretaries
First Transfer Secretaries
1 Armagh Avenue
Off Enterprise Road
Eastlea
Harare

Bankers

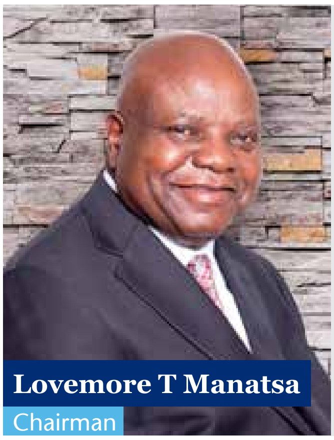
Standard Chartered Bank Zimbabwe Limited
Africa Unity Square Branch
68 Nelson Mandela Avenue
Africa Unity Square Building
Harare
P.O. Box 60
Harare

Legal Practitioners

Chihambakwe, Mutizwa and Partners
7 Lawson Avenue
Milton Park
Harare

Directorate, Committees & Administration

Directorate

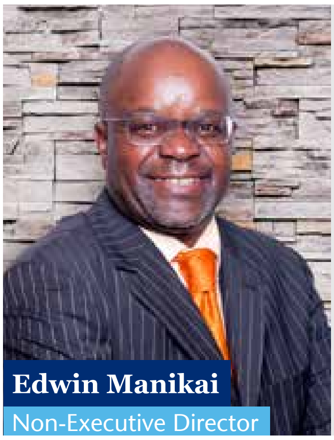


Lovemore T Manatsa
Chairman

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

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 Limited, Securico Security Services (Private) Limited 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. She was also co-chairperson for the All Stakeholders Conference responsible for writing the new constitution of Zimbabwe.



Edwin Manikai
Non-Executive Director

Mr Edwin Manikai is a Senior Partner at Dube Manikai and Hwacha law firm since 1998. He holds a BL (Hons), LLB (UZ) and was admitted as a legal practitioner in 1986. He has 32 years' experience as a lawyer focusing on commercial legal practice. He commenced practice as an attorney with Gill, Godlonton & Gerrans, one of the established Harare law firms in 1985. He was a partner at this firm until May 1998 when he co-founded the commercial law firm, Dube Manikai & Hwacha Legal Practitioners in June 1998. He has advised on significant mining, energy and telecommunications transactions at world class levels. He is the leading figure in restructurings through schemes of arrangements and reconstructions in Zimbabwe.

Rachel P. Kupara
Non-Executive Director

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

Directorate, Committees & Administration

Directorate

Alejandro Riomayor
Non-Executive Director

Mr Alejandro Riomayor is a Certified Accountant (Universidad Católica Argentina) and also holds a Master in Business Administration (IDEA). He is the General Manager of BAT Southern African Markets (SAM), reporting to the BAT Southern African Area Director. SAM is made up of the following BAT markets in Southern Africa namely, Angola, Botswana, Malawi, Mozambique, Namibia, Lesotho, Swaziland, Zambia and Zimbabwe. Alejandro has held various senior roles in BAT since 1997, which include General Manager of BAT Iberia from 2013 to 2016.

Clara Mlambo
Managing Director

Mrs Clara Mlambo holds a Bachelor of Business Studies (Honours) and Masters in Business Administration (MBA) from the University of Zimabwe. She 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 African 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.

Leslie Malunga
Finance Director

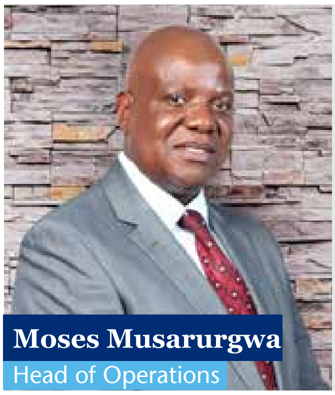
Mr Leslie Malunga holds a BSC (Hons) in Applied Accounting from Oxford Brookes University and is an ACCA affiliate. He is a seasoned finance professional with 13 years' experience in FMCG and service industries. He joined BAT Zimbabwe in December 2005 and has held various senior finance positions within the British American Tobacco Southern African Markets. In May 2014, he was appointed Head of Finance for British American Tobacco Malawi, a position he held for two years before returning to BAT Zimbabwe, to hold the position of Commercial Finance Manager.

Pauline Kadembo
Company Secretary

Miss Pauline Kadembo was appointed Company Secretary with effect from 7 December 2017. She is a registered legal practitioner, conveyancer and a member of the Law Society of Zimbabwe. She has 10 years' experience in commercial law consultancy and litigation having worked at law firms which specialise in commercial law practice in Zimbabwe. She has extensive experience in commercial transactions in Zimbabwe and also has experience in human rights law, having worked at a public interest litigation organisation in South Africa.

Directorate, Committees & Administration

Leadership Team



Moses Musarurgwa
Head of Operations

Moses Musarurgwa 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 British American Tobacco Zimbabwe (Holdings) Limited (BAT Zimbabwe) as an Electrical Team Leader, a position he held until 2005 when he was promoted to Plant Engineer. Moses Musarurgwa holds a City and Guilds Advanced Technician Diploma in Electrical and Electronics Engineering and Master of Business Administration degree from University of Gloucestershire, UK. In 2006, his scope was expanded to Secondary Manufacturing Department, Engineering and EHS. He was promoted to Head of Manufacturing in 2007. Moses then became Head of Operations in 2017.

Mduduzi Lokotfwako
Legal & External Affairs Manager

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

Kudzai Chamba
Human Resources Business Partner

Kudzai Chamba has been with BAT Zimbabwe since September 2012, as a HR Manager bringing with him 8 years of progressive experience gained from the Packaging and Retail industry. Kudzai was elevated in 2016 to the role of HR Business Partner for Zimbabwe, Zambia and Malawi. He holds a Degree in Politics and Administration from the University of Zimbabwe.

Catherine Gijima-Dhliwayo
Head of Trade

Catherine Gijima-Dhliwayo is an Accredited Marketing Practitioner with the Marketing Association of Zimbabwe. She holds a Master's in Business Administration (MBA) from the University of Zimbabwe and a Bachelor in Commerce Marketing Management from Midlands State University. Catherine's marketing career spans over a period of 13 years and she has a wealth of experience in Trade Marketing & Distribution, Retail and Key Accounts Management. She has implemented various route to market models, brand launches and marketing management particularly in the Fast Moving Consumer Goods (FMCG) sector. Catherine joined BAT Zimbabwe in January 2014 as Senior Area Manager. She was promoted to Marketing Deployment Manager in July 2017. Catherine was again promoted to her current role of Head of Trade for BAT Zimbabwe in November 2017.


WOZODEI!
WOZODEI!

Chairman's Statement

"The total sales volumes for the year increased by 10% compared to 2016"

Lovemore T Manatsa
Chairman

Introduction
British American Tobacco Zimbabwe (Holdings) Limited ("the Company") achieved a solid set of results for the year ended 31 December 2017. This is despite the unrelentingly difficult and challenging economic conditions the country is going through. Notwithstanding the notable GDP growth for Zimbabwe in 2017, the domestic economy continues to experience headwinds, chief amongst these being balance of payment pressures, which continue to constrain the ability of companies to make payments for critical foreign supplies. The cash liquidity challenges, in addition to resurgent inflation at the back end of the year, have put pressure on the consumers.

Volumes
The total sales volumes for the year increased by 10% compared to 2016. This strong performance was driven by increased volumes in all categories with the Company's Low Value for Money segment recording a 460% growth. Our Global Drive Brand, Dunhill, achieved a growth of 1%.

Financial Results
Revenue increased by US$2.7 million (8%) versus 2016, mainly driven by the strong sales performance. Consequently, gross profit increased by US$2.0 million (8%) compared to same period in 2016, in line with the volume increase combined with effective cost management measures taken by the Company.

Selling and marketing costs increased by US$0.8 million (19%) compared to 2016 as a result of increased investment into marketing activities supporting our Ascot brand.

Administrative expenses were US$2.7 million lower than the previous year which is 26% lower than 2016, driven by a reversal of tax related provisions, once off restructuring costs and savings initiatives implemented during the year under review.

Other income increased by US$0.8 million (47%) compared to the same period in the prior year, as a result of increased income from royalties.

Operating profit grew by US$4.7 million (39%) compared to 2016, to close at US$16.6 million. Net profit attributable to shareholders for the period was US$10.6 million compared to US$8.5 million in the previous year or a 25% growth which represents an increase in earnings per share to US$0.51, up from US$0.41 per share in 2016.

Cash generated from operations was US$19.9 million, representing a US$2.3 million (13%) increase from US$17.6 million generated in 2016. The increase was as a result of the higher profit coupled with increased payments for liabilities accrued in 2016.

Dividend
The Company 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, the Board proposes the declaration of a final dividend of US$0.29 per share. This, together with the interim dividend of US$0.22 per share declared during the previous year, will bring the total dividend for 2017 to US$0.51 per share.

Contribution to the Government Treasury
The Company's contribution to the Zimbabwe Revenue Authority in taxes that is to say, Excise, Corporate Tax, VAT, PAYE and Withholding Tax, increased from US$32.5 million in 2016 to US$35.2 million in 2017, representing an increase of 8.3%. The main drivers for the increase were Excise, linked to higher sales, and Corporate Tax, driven by the increase in profitability.

Corporate Governance
Mrs Angela Mashanyare and Mr Lucas Francisco resigned as Directors in July 2017 and December 2017, respectively. The Board extends its gratitude to Mrs Mashanyare and Mr Francisco for their contribution during their terms of office.

In terms of Article 88 of the Company's Articles of Association, the Board appointed Mrs Rachel Pfungwa Kupara, Mr Alejandro Riomayor and Mr Edwin Isaac Manikai as Non-Executive Directors in July 2017. Mr Leslie Malunga was appointed as Finance Director effective 16 February 2018.

These appointments will be confirmed at the next Annual General Meeting of the Company.

Outlook
Although trading conditions are expected to remain challenging in 2018, we are confident that through our effective business strategies, the equity of our brands and the quality of our people, the Company will continue to deliver growth and value for its shareholders.

Lovemore T Manatsa
Chairman

20 February 2018

Managing Director's Review

"We support Government's decision to hold excise, as this will provide the industry a foothold to recover volumes..."

Clara Mlambo
Managing Director

Introduction

In 2017, British American Tobacco Zimbabwe (Holdings) Limited ("the Company") continued to grow shareholder value regardless of the macro-economic challenges which were faced by the Company, driven by balance of payment pressures, which continue to constrain the industry's ability to make payments for critical supplies.

In the year under review, Government maintained the current excise on cigarettes at US$20 per thousand sticks. We support Government's decision to hold excise, as this will provide the industry a foothold to recover volumes lost over years to the illicit market as a result of affordability challenges.

For the year ended 31 December 2017, the Company contributed approximately US$20.13 million in excise, up 3% compared to US$19.5 million contributed in prior year.

Net profit attributable to shareholders increased to US$10.6 million, which is a growth of 25% compared to the same period in prior year. The directors have recommended a final dividend of U$0.29 per share which, together with the interim dividend of US$0.22 per share declared in 2017, brings the aggregate dividend for 2017 to US$0.51 per share.

Company Performance

Despite the continued economic challenges in the country, the Company recorded an overall volume growth of 10% compared to the same period in prior year driven by growth across the portfolio.

An aggressive investment drive in the Low Value for Money segment resulted in a 460% growth in that segment.

The Value for Money and Premium segments also recorded growth of 7% and 1%, respectively, showing the strong equity in our brands.

Our annual flagship promotion, the 'Madison Usadherere/ Ungadeleli, coincided with the 40th Anniversary celebrations of the iconic brand. A Madison 40 Limited Edition Pack was launched into the market to celebrate this occasion.

An exciting development in the year was the launch of our market driven pack upgrade for our hallmark Everest Menthol in response to changing Everest consumer trends. The Everest Pack Upgrade was combined with the introduction of Everest Spearmint as a line extension to the Everest brand.

Productivity

BAT Zimbabwe celebrated another accident free year leading to the achievement of 5 years of ZERO accidents in the factory.

In pursuit of our quest to meeting consumer expectations, a number of product quality improvement initiatives were carried out to continue being the best at satisfying consumer moments as well as improving the look and feel of our product. The Company successfully attained re-certification to ISO9001:2015 Quality Management System, a testament to our commitment to quality output and continuous improvement.

Sustainability

The Company is proud of its continued success in its empowerment initiatives. The BAT Zimbabwe Tobacco Empowerment Trust "TET" continues to be on track with regards to its objective of empowering indigenous tobacco farmers in Zimbabwe.

The year under review saw the successful launch of the Farmers' Development Programme at Mashayamombe where a total of 105 practising tobacco farmers enrolled in a 12 day training programme. This training programme is in partnership with the Tobacco Research Board and the Tobacco Industry Marketing Board.

The TET also successfully launched phase 2 of its projects at Magamba Vocational Training Centre "VTC". This marked the commencement of renovations of the institution's hostel residences, lecture blocks, computer laboratory and library centre. The TET's centre of excellence in tobacco production at Chaminuka VTC continues to thrive as it saw the TET's first beneficiaries of 44 student graduates in 2017. The TET's support to Chaminuka VTC has also seen the institution improve its crop yield in the year under review.

In 2017, there was a total of 345 beneficiaries of the TET, including 105 practising tobacco farmers. 240 were students enrolled at Chaminuka VTC who were beneficiaries of the 50% scholarships funded by the TET for students who specialise in tobacco production, of which 126 were diploma students and 114 were certificate students.

Winning Organisation

The Company continued to focus on creating an energised organisation that supports our business in the delivery of its strategic objectives.

Managing Director's Review (continued)

Achievements

In 2017, the Company received accolades in recognition of its market leadership, tax contribution and financial performance from independent and regulatory authorities, such as the following to mention but a few:

- **ZIMRA Taxpayers Appreciation Awards:** Winner in the category of Highest Dollar Value (Manufacturing Sector).
- **ZIMRA Taxpayers Appreciation Awards:** Runner Up in Customs & Excise (Region 2) category.
- **Buy Zimbabwe Awards:** Winner in the category of Manufacturer of the Year (FMCG).
- **Buy Zimbabwe Awards:** 2nd Runner Up in the category of Local Procurement.
- **Zimbabwe Independent Quoted Companies Survey:** Best Consumer Discretionary Award.

Acknowledgements

We acknowledge our trade partners for their support which irrefutably contributed to the good financial performance of our business.

On behalf of the Board and Management, we thank our employees who continue to live by our guiding principles. We appreciate their commitment to the highest standards of business conduct and their team spirit which has been instrumental in the Company delivering another year of sterling results.

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

Going forward, the business remains committed to satisfy consumer moments through our differentiated product portfolio.

Clara Mlambo
Managing Director

20 February 2018

Director's Review

“Net profit before taxation amounted to US$16.6 million...”

Leslie Malunga
Finance Director

Introduction
The Directors have pleasure in presenting the audited financial statements for the year ended 31 December 2017.

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

Net profit before taxation amounted to US$16.6 million whilst profit attributable to ordinary shareholders amounted to US$10.6 million (US$0.51 per share).

Dividends (Historic Cost)
An interim dividend of US$0.22 per share was declared in July 2017. A final dividend of US$0.29 per share has been declared in February 2018, bringing the total dividend declared for the year ended 31 December 2017 to US$0.51 per share. This compares with a total dividend of US$0.51 per share declared for the year ended December 2016.

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

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

Directorate
Mrs Angela Mashanyare and Mr Lucas Francisco resigned as Directors in July 2017 and December 2017, respectively. The Board extends its gratitude to Mrs Mashanyare and Mr Francisco for their contribution during their terms of office.

In terms of Article 88 of the Company's Articles of Association, the Board appointed Mrs Rachel Pfungwa Kupara, Mr Alejandro Riomayor and Mr Edwin Isaac Manikai as Non-Executive Directors in July 2017. Mr Leslie Malunga was appointed as Finance Director effective 16 February 2018. These appointments will be confirmed at the next Annual General Meeting of the Company.

Directors' Interest
As at 31 December 2017, the Directors held, directly and indirectly, an interest of 0.005% (31 December 2016: 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.

Going Concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Managing Director's 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 2017, 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.

Leslie Malunga
Finance Director

20 February 2018

Corporate Governance Report

“Conducting our affairs with honesty, integrity and transparency is key for our continual development...”

Pauline Kadembo
Company Secretary

Introduction
Corporate governance is core to ensuring the creation, protection and enhancement of shareholder value. At British American Tobacco Zimbabwe (Holdings) Limited, it is imperative that our company affairs are managed with high standards of business integrity and in a lawful manner.

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

Standards of Business Conduct
Conducting our affairs with honesty, integrity and transparency is key for our continual development as a responsible, successful and sustainable business.

This is why we have clear principles and policies in place setting out the way we operate. Integral to this are our Standards of Business Conduct, which outline our values and high standards of business integrity.

Every year our Directors and employees are required to sign-off that they have read, understood and complied with the Standards of Business Conduct and to declare any conflicts of interest.

Board Composition
The Board is composed of seven Directors, five Non-Executive Directors and two Executive Directors.

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

Our Non-Executive Directors come from broad industry and professional backgrounds with varied experience and expertise aligned to the needs of the business.

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

Board Appointments
The Board, constituting itself as nomination committee, considers vacancies or additional membership on the Board in a transparent process.

Mrs Rachel Kupara, Mr Edwin Manikai and Mr Alejandro Riomayor were appointed as Directors during the course of the year in terms of Article 88 of the Company’s Articles of Association and will retire at the Annual General Meeting. Mr Leslie Malunga was appointed as Finance Director effective 16 February 2018. Being eligible, they offer themselves for election at the Annual General Meeting.

The newly appointed Directors underwent a formal Director induction process which included meetings with the head of functions and a tour of the Company’s operations in Zimbabwe.

In terms of Article 96 of the Company’s Articles of Association, at least one third of the Directors must retire by rotation in each year. In this regard, Professor Hope Sadza and Mr Lovemore T 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.

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 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 plan and budget;
- Board succession plans;
- Risk management and internal controls;
- Periodic financial reporting; and
- Dividend policy.

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

Company Secretary
In terms of Article 125, the Company Secretary is appointed by the Directors. The Company Secretary ensures that the Board complies with constitutional documents, regulations and corporate governance requirements. The Company Secretary provides advice to Directors with respect to their fiduciary responsibilities. The Company Secretary advises the Board on any legislative updates and changes in the law which affect the business.

The Board appointed Miss Pauline Kadembo as Company Secretary pursuant to the resignation of Mr Stephen Nyabadza in October 2017. The Board is of the view that it is able to look to the Company Secretary for advice with respect to their responsibilities and duties in terms of the law.

2017 Board Attendance

Name of Director	21 February	25 July	12 October	7 December
Mr Lovemore T Manatsa	√	√	√	√
Prof Hope C Sadza	√	N/A	N/A	√
Mrs Clara Mlambo	√	√	√	√
Mr Lucas Francisco	√	√	√	√
Mrs Angela Mashanyare	√	√	N/A	N/A
Mrs Rachel P Kupara	N/A	N/A	√	N/A
Mr Edwin I Manikai	N/A	N/A	√	√
Mr Alejandro Riomayor	N/A	N/A	√	N/A

Notes: Mrs Kupara, Mr Manikai and Mr Riomayor were appointed in July 2017, whilst Mrs Mashanyare and Mr Francisco resigned from the Board in July and December 2017, respectively.

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
Professor Hope C Sadza	2013
Mrs Rachel P Kupara	2017
Mr Edwin I Manikai	2017

As at 31 December 2017, the Company had one Executive Director, namely Mrs Clara Mlambo (Managing Director). Mr Lucas Francisco resigned as Finance Director effective 7 December 2017 and Mr Leslie Malunga was appointed as Finance Director effective 16 February 2018.

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.

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 2017.

A Balanced Board

The Company's Non-Executive Directors have extensive business experience and specialist skills across a range of sectors aligned to the needs of the business. This enables them to provide balanced and independent advice and judgement in the decision-making process.

The Board appreciates the benefit of diversity in all its forms, within its own membership and at all levels of the Company. The Board promotes diversity and is encouraging initiatives to improve gender diversity in senior management roles.

Board Committees

Audit, Risk and Corporate Social Responsibility Committee

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

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

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

Board Compensation Committee

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

ZSE Listing Rules Annual Compliance Certificate

I, Pauline Kadembo 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 2017, complied with every disclosure requirement for continued listing on the Zimbabwe Stock Exchange ("ZSE") imposed by the Committee of the ZSE during that period.

Pauline Kadembo
Company Secretary

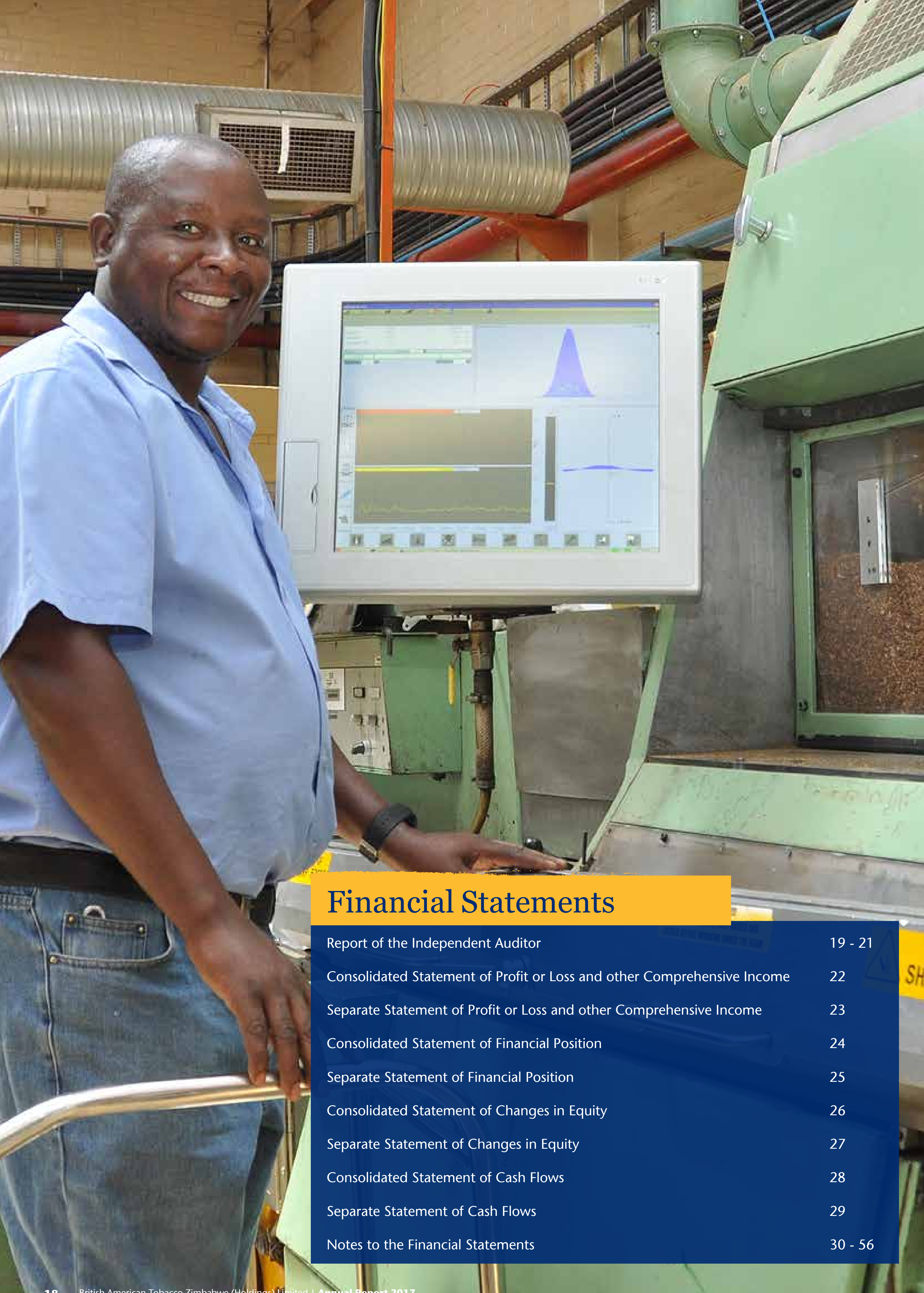
20 February 2018

Financial Highlights

For The Year Ended 31 December 2017

Group summary (US$000's)

	Year Ended 31 December	
	2017 US$000's	2016 US$000's
Revenue	36 760	34 068
Operating profit	16 646	11 952
Profit before income tax	16 646	11 952
Profit attributable to shareholders	10 570	8 477
Total assets	37 912	31 707
Basic earnings per share (US$)	0.51	0.41
Diluted earnings per share (US$)	0.51	0.41



Financial Statements

Independent Auditor's Report

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

KPMG

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

Opinion

We have audited the consolidated and separate financial statements of British American Tobacco Zimbabwe (Holdings) Limited ('the Group and Company') set out on pages 22 to 56, which comprise the consolidated and separate statements of financial position as at 31 December 2017, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of British American Tobacco Zimbabwe (Holdings) Limited as at 31 December 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. The key audit matters set out below were identified as the matters that were of the most significance in our audit of both the consolidated financial statements and separate financial statements. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventory

See note 8 to the financial statements on page 42.

The key audit matter	How we addressed the matter in our audit
As described in note 2.11 (accounting policies) and note 8 (inventories), the Group carries inventory at the lower of cost and net realisable value. As at 31 December 2017, the Group held inventories amounting to US$4.8 million (2016: US$7.5 million). We focused on this area due to the following: • During the performance of a test count at the year end inventory count, we observed that the quantity of foil paper reflected in the inventory valuation report did not agree to the physical inventory in the warehouse. Further investigation revealed that the unit price had also increased from US$59 to US$24 567. • The acute shortage of cash and foreign currency resulted in the emergence of different modes of payment for goods and services, such as settlement via Real Time Gross Settlement (RTGS), Point of Sale and mobile money. Products and services were priced differently depending on the mode of payment with the actual US$ being the cheapest alternative and RTGS the most expensive. A risk, therefore, arose as the carrying value of inventory may exceed net realisable value due to the increased cost of importing raw materials that are used to manufacture cigarettes. • There is a high risk of obsolete inventory as a result of overstocking in order to meet demand for longer periods of time due to the difficulty in importing raw materials as well as certain product lines. Due to the significance of the risks associated with the valuation and accuracy of inventory, this was considered a matter of significance to our audit of the consolidated and separate financial statements.	In respect of the valuation of inventories recorded at year end, our audit procedures included: • Testing controls in respect of the authorisation of inventory count adjustments in the accounting system. • Re-performance of pricing tests in respect of all inventory items whose value increased by more than fifty percent by applying data and analytics procedures. • Re-calculated the net realisable value in respect of all finished products by agreeing all products to the approved master price list and adding US$20 excise duty charged on a thousand sticks. We then compared this to the cost, as per the valuation report, of each product to identify any items that may have a net realisable value lower than cost. None were identified. • Comparing sales forecasts up to June 2018 with finished goods inventory on hand as at 31 December 2017 in order to assess whether finished goods will be sold before their expiry dates. • During attendance at the year end inventory count, we inspected inventory for obsolescence or physical signs of damage. Our count coverage equated to 91% of the inventory value at year end.

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's statement, the Directors' report and the financial highlights, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies Act (Chapter 24:03), and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG

Craig Adamson
Partner
Registered Auditor
Registration number 208

Signed on behalf of:
KPMG Chartered Accountants (Zimbabwe)
100 The Chase (West)
Emerald Hill
Harare, Zimbabwe

20 February 2018

Consolidated Statement of Profit or Loss and other Comprehensive Income

For The Year Ended 31 December 2017

	Note	Year Ended 31 December 2017 US$000's	2016 US$000's
Revenue	21	**36 760**	**34 068**
Cost of sales		(10 065)	(9 325)
Gross profit		**26 695**	**24 743**
Selling and marketing costs		(4 856)	(4 085)
Administrative expenses		(7 651)	(10 375)
Re-measurement of share-based payment liability	17	(123)	-
Other income	22	2 466	1 681
Other gains/(losses) - net	24	115	(12)
Operating profit	23	**16 646**	**11 952**
Profit before income tax		**16 646**	**11 952**
Income tax expense	25	(6 076)	(3 475)
Total comprehensive income for the year		**10 570**	**8 477**
Attributable to:			
Owners of the parent		10 570	8 477
Basic earnings per share (US$)	27	0.51	0.41
Diluted earnings per share (US$)	27	0.51	0.41

Separate Statement of Profit or Loss and other Comprehensive Income

For The Year Ended 31 December 2017

	Note	Year Ended 31 December 2017 US$000's	2016 US$000's
Revenue	21	**36 760**	**34 068**
Cost of sales		(10 065)	(9 325)
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Attributable to:			
Owners of the parent		10 570	8 477
Basic earnings per share (US$)	27	0.51	0.41
Diluted earnings per share (US$)	27	0.51	0.41

Consolidated Statement of Financial Position

As At 31 December 2017

Assets	Note	As At 31 December 2017 US$000's	As At 31 December 2016 US$000's
Non-current assets			
Property, plant and equipment	3	7 725	8 083
Intangible assets	4	23	28
Investment property	5	115	119
Financial assets at fair value through profit or loss	10	133	18
		7 996	**8 248**
Current assets			
Inventories	8	4 769	7 473
Trade and other receivables	9	3 677	3 625
Cash and cash equivalents	11	21 470	12 361
		29 916	**23 459**
Total assets		**37 912**	**31 707**
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		8 035	6 899
Total equity		**13 586**	**12 450**
Non-current liabilities			
Deferred tax liability	18	847	690
Current liabilities			
Trade and other payables	14	21 419	15 852
Provisions for other liabilities and charges	15	422	1 353
Staff benefits liability	16	1 129	1 046
Share-based payment liability	17	247	61
Current income tax liability	26	262	255
		23 479	**18 567**
Total equity and liabilities		**37 912**	**31 707**

The notes on pages 30 to 56 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 20 February 2018 and signed on its behalf by:

Managing Director

Finance Director

Separate Statement of Financial Position

As At 31 December 2017

Assets	Note	2017 US$000's	2016 US$000's
		As At 31 December	
Non-current assets			
Property, plant and equipment	3	7 725	8 083
Intangible assets	4	23	28
Investment property	5	115	119
Investment in subsidiaries	6	-	-
Financial assets at fair value through profit or loss	10	133	18
		7 996	**8 248**
Current assets			
Inventories	8	4 769	7 473
Trade and other receivables	9	3 677	3 625
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Current income tax liability	26	262	255
		23 479	**18 567**
Total equity and liabilities		**37 912**	**31 707**

The notes on pages 30 to 56 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the board of directors on 20 February 2018 and signed on its behalf by:

Managing Director

Finance Director

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2017

	Attributable To Owners Of The Parent			
	Share capital US$000's	Non-distributable reserve[1] US$000's	Retained earnings US$000's	Total US$000's
Balance as at 1 January 2016	**5 214**	**337**	**9 103**	**14 654**
Total comprehensive income for the year	-	-	8 477	8 477
Dividends	-	-	(10 681)	(10 681)
Balance as at 31 December 2016	**5 214**	**337**	**6 899**	**12 450**
Balance as at 1 January 2017	**5 214**	**337**	**6 899**	**12 450**
Total comprehensive income for the year	-	-	10 570	10 570
Dividends	-	-	(9 434)	(9 434)
Balance as at 31 December 2017	**5 214**	**337**	**8 035**	**13 586**

[1] **Non-distributable reserve**
This reserve arose as a result of the change in the Company's functional currency from the Zimbabwe dollar to the United States dollar. It represents the residual equity that existed as at 1 February 2009, the date of the changeover.

Separate Statement of Changes in Equity

For The Year Ended 31 December 2017

	Share capital US$000's	Non-distributable reserve[2] US$000's	Retained earnings US$000's	Total US$000's
Balance as at 1 January 2016	**5 214**	**337**	**9 103**	**14 654**
Total comprehensive income for the year	-	-	8 477	8 477
Dividends	-	-	(10 681)	(10 681)
Balance as at 31 December 2016	**5 214**	**337**	**6 899**	**12 450**
Balance as at 1 January 2017	**5 214**	**337**	**6 899**	**12 450**
Total comprehensive income for the year	-	-	10 570	10 570
Dividends	-	-	(9 434)	(9 434)
Balance as at 31 December 2017	**5 214**	**337**	**8 035**	**13 586**

[2] **Non-distributable reserve**

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

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2017

	Note	Year Ended 31 December 2017 US$000's	2016 US$000's
Cash flows from operating activities			
Cash generated from operations	19	19 869	17 582
Income tax paid	26	(5 912)	(4 175)
Net cash generated from operating activities		**13 957**	**13 407**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(535)	(580)
Proceeds from sale of property, plant and equipment		146	140
Net cash used in investing activities		**(389)**	**(440)**
Cash flows from financing activities			
Dividends paid to owners of the parent	28	(4 460)	(4 511)
Net cash used in financing activities		**(4 460)**	**(4 511)**
Effect of movements in exchange rates on cash held		**1**	**36**
Net increase in cash and cash equivalents		**9 109**	**8 492**
Cash and cash equivalents at the beginning of the year		12 361	3 869
Cash and cash equivalents at the end of the year	11	**21 470**	**12 361**

Separate Statement of Cash Flows

For The Year Ended 31 December 2017

	Note	Year Ended 31 December 2017 US$000's	2016 US$000's
Cash flows from operating activities			
Cash generated from operations	19	19 869	17 582
Income tax paid	26	(5 912)	(4 175)
Net cash generated from operating activities		**13 957**	**13 407**
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Purchase of property, plant and equipment	3	(535)	(580)
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Net cash used in investing activities		**(389)**	**(440)**
Cash flows from financing activities			
Dividends paid to owners of the parent	28	(4 460)	(4 511)
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Effect of movements in exchange rates on cash held		**1**	**36**
Net increase in cash and cash equivalents		**9 109**	**8 492**
Cash and cash equivalents at the beginning of the year		12 361	3 869
Cash and cash equivalents at the end of the year	11	**21 470**	**12 361**

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 (US$), rounded to the nearest thousand dollars, which is the Company's functional currency. Please refer to the use of estimates and judgements paragraph below which details the considerations made in determining the Company's functional currency.

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

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

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") pronouncements and the requirements of the 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, with the exception of financial assets at fair value through profit and loss, which are measured at fair value.

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 34.

2.1.1 New and amended standards and interpretations not yet adopted

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

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 2 amendment	Share-based payment: Classification and Measurement of Share-based Payment Transactions - Annual periods beginning on or after 1 January 2018.
IAS 40 amendment	Transfers of Investment Property - Annual periods beginning on or after 1 January 2018.
IFRIC 22	Foreign currency transactions and advance Consideration - Annual periods beginning on or after 1 January 2018.
IFRS 16	Leases - Annual periods beginning on or after 1 January 2019.
IFRIC 23	Uncertainty over Income tax treatments - Annual periods on or after 1 January 2019.

Estimated impact of IFRS 9 and IFRS 15

The Group is required to adopt IFRS 9 *Financial Instruments and IFRS 15 Revenue from Contracts with Customers* on 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated financial statements. The estimated impact of the adoption of these standards is based on assessments undertaken to date. The actual impacts of adopting these standards at 1 January 2018 may change due to the following:

- The Group has not finalised testing and assessment of controls; and
- The new accounting policies are subject to change until the Group presents its financial statements that include the date of initial application.

2. Summary of Significant Accounting Policies (continued)

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

IFRS 9 *Financial Instruments*
Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity loans and receivables and available for sale. The Group does not believe that the new classification requirements will have an impact on trade and other receivables and investment in equity securities that are managed on a fair value basis.

Impairment – Financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability weighted basis. The new impairment model will apply to financial assets measured at amortised cost (trade receivables).

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The lifetime ECL measure applies if the credit risk of a financial asset as at the reporting date has increased significantly since initial recognition and the 12 month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the financial asset has low credit risk at the reporting date. However, the lifetime ECL measurement always applies in respect of trade receivables without a significant financing component.

The Group believes that impairment losses are not likely to increase for financial assets in the scope of the IFRS 9 impairment model. The Group's current policy is to fully provide for customers whose payment is over seven days overdue.

Classification – Financial liabilities
IFRS 9 largely retains the requirements in IAS 39 relating to the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as FVTPL are recognised under profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in credit risk of the financial liability is presented in OCI; and
- The remaining amount of change in fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 introduces a five step model for recognising revenue which are as follows:

- Identify the contract with the customer;
- Identify performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- Recognise revenue as performance obligations are satisfied.

It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty programs. Management inspected contracts with customers to assess the impact of IFRS 15 and the following was noted:

- The only performance obligation that was identified is the sale of cigarettes. Delivery of cigarettes is not an independent performance obligation on its own as the Group does not independently offer cigarette delivery services, hence this disqualifies the service of delivering cigarettes from being a performance obligation.
- Revenue from the sale of cigarettes is recognised when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer.
- There were no consignment arrangements with customers that were identified.

2. Summary of Significant Accounting Policies (continued)

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

IFRS 15 *Revenue from Contracts with Customers (continued)*

- There are no key customers that were identified as agents.
- The sales returns due to damage or expiry during 2017 equated to 0.07 percent of total sales. Therefore, a refund liability was not recognised due to the value of the returns, amounting to US$24 372, being immaterial.
- No bill and hold arrangements were identified.
- There is a consideration that the Group pays to customers referred to as "pay for performance". This consideration relates to incentives paid to customers for meeting sales targets set by the Group's sales team. This consideration is already being deducted from the transaction price as the consideration is not for a distinct service or good and is highly dependent on the customer buying and selling the Group's cigarettes.
- Due to the nature of the product, no warranties or guarantees are given to customers.

Therefore, the Group believes there is no impact of IFRS 15 on the recognition of revenue.

IFRS 16 *Leases*

IFRS 16 was published in January 2017. 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 Group will be adopting it on 1 January 2019 when it becomes effective. 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.

Estimated impact of the IFRS 2 amendment

The Group will adopt amendments to IFRS 2 *Share-based payment* on 1 January 2018 in retrospect. The Group does not have cash settled share-based payment transactions, share-based payment transactions with net settlement features for withholding tax obligations, or any modification to the terms and conditions of a share-based payment transaction whose classification changed from cash settled to equity settled. Therefore, the Group believes that there is no impact of the IFRS 2 amendments on the financial statements.

2.2 Consolidation

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 generally 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)

2.3 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 Company'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 property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

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

Depreciation

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

Buildings	40 years
Plant and machinery	6 - 15 years
Motor vehicles	3 - 5 years
Computer equipment	5 - 10 years
Furniture, fittings and equipment	8 - 10 years

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

Derecognition

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

2. Summary of Significant Accounting Policies (continued)

2.7 Intangible assets

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

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

Accounting system software	8 years

The residual values and useful lives are reassessed annually.

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

2.8 Investment property

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

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

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

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

2.9 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

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 or 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.

2.10.2 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.

2. Summary of Significant Accounting Policies (continued)

2.10.2 Recognition and measurement(continued)

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

2.10.3 Offset

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

2.11 Inventories

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

2.12 Trade payables

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

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

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

2.13 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 an allowance for expected credit losses account under "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.

2.14 Borrowings

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

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

2.15 Trade receivables

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

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

Provision for impairment of trade receivables is 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)

2.16 Cash and cash equivalents

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

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

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

2.17 Share capital

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

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.18 Current and deferred tax

The tax expense for the period comprises current tax, withholding tax and deferred tax, as per the Group policy. 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 the tax authority.

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

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

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

2.19 Provisions

Provisions are 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 is 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.

2. Summary of Significant Accounting Policies (continued)

2.20 Revenue recognition (continued)

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.

2.21 Other income

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

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

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

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 operating leases, 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.

2.24 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 Act (Chapter 17:04) and the National Social Security Statutory Instrument 393 of 1993.

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

The contributions are recognised as employee benefit expenses in 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. Summary of Significant Accounting Policies (continued)

2.25 Share-based payment

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

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

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

The cash consideration for the share units is indicative of a cash settled share-based payment transaction. Under IFRS 2 Share-based payment, the share-based payment is required to be recognised as an expense in profit or loss. As it is cash settled, the standard requires the recognition of a liability (see note 17).

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's	Buildings US$000's	Vehicles machinery and equipment US$000's	Furniture fittings and equipment US$000's	Total US$000's
Year ended 31 December 2017					
Opening net book amount	774	2 902	3 518	889	8 083
Additions	-	10	406	119	535
Disposals	-	-	(32)	(2)	(34)
Depreciation charge	-	50	(662)	(247)	(859)
Closing net book amount	**774**	**2 962**	**3 230**	**759**	**7 725**
At 31 December 2017					
Cost	774	3 830	10 896	1 579	17 079
Accumulated depreciation and impairment	-	(868)	(7 666)	(820)	(9 354)
Net book amount	**774**	**2 962**	**3 230**	**759**	**7 725**

Depreciation expense amounting to US$308 986 (2016: US$613 447) has been charged in cost of sales, US$312 763 (2016: US$294 909) in selling and marketing costs and US$237 581 (2016: US$425 113) in administrative expenses. Impairment losses amounting to US$ nil (2016: US$ nil) have been charged in cost of sales in the statement of comprehensive income. The depreciation charge in respect of buildings in 2017 amounted to US$103 423. However, there was a reversal of US$153 338 during the year relating to depreciation incorrectly charged on land from 2010 to April 2017.

3. Property, Plant and Equipment (continued)

Consolidated and Company	Freehold land US$000's	Buildings US$000's	Vehicles machinery and equipment US$000's	Furniture fittings and equipment US$000's	Total US$000's
Year ended 31 December 2016					
Opening net book amount	774	3 062	4 235	921	8 992
Additions	-	-	497	83	580
Disposals	-	-	(156)	-	(156)
Depreciation charge	-	(160)	(1 058)	(115)	(1 333)
Closing net book amount	**774**	**2 902**	**3 518**	**889**	**8 083**
At 31 December 2016					
Cost	774	3 820	10 522	1 462	16 578
Accumulated depreciation and impairment	-	(918)	(7 004)	(573)	(8 495)
Net book amount	**774**	**2 902**	**3 518**	**889**	**8 083**

4. Intangible Assets

Consolidated and Company	Computer software US$000's	Total US$000's
Year ended 31 December 2017		
Opening net book amount	28	28
Amortisation charge	(5)	(5)
Closing net book amount	**23**	**23**
At 31 December 2017		
Cost	710	710
Accumulated amortisation charge	(687)	(687)
Net book amount	**23**	**23**
Year ended 31 December 2016		
Opening net book amount	33	33
Amortisation charge	(5)	(5)
Closing net book amount	**28**	**28**
At 31 December 2016		
Cost	710	710
Accumulated amortisation charge	(682)	(682)
Net book amount	**28**	**28**

5. Investment Property

Consolidated and Company	Land and buildings US$000's	Total US$000's
Year ended 31 December 2017		
Opening net book amount	119	119
Depreciation charge	(4)	(4)
Closing net book amount	**115**	**115**
At 31 December 2017		
Cost	166	166
Accumulated depreciation	(51)	(918)
Net book amount	**115**	**115**
Year ended 31 December 2016		
Opening net book amount	123	123
Depreciation charge	(4)	(4)
Closing net book amount	**119**	**119**
At 31 December 2016		
Cost	166	166
Accumulated depreciation	(47)	(47)
Net book amount	**119**	**119**

The costs incurred in relation to direct operating expenses in respect of the properties in 2017 amounted to US$5 589 (2016: US$6 045).

Fair value measurements (Level 2)

	2017 US$000's	2016 US$000's
Investment property	185	166

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 2016 and 2017.

The following table analyses the non-financial assets carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Level 2 fair values of investment property have been derived using the 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. As the sales approach was used, there were no significant unobservable inputs used.

In prior years, both properties that comprise investment property were valued using the discounted cash flow method (Level 3 inputs). However, in 2017 one of the properties became vacant, therefore, the Group could not continue to use the discounted cash flow method to value that property. The valuation method in respect of both properties was then changed from Level 3 inputs to Level 2 inputs for consistency.

5. Investment Property (continued)

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

	Fair value at 31 December 2017 US$000's	Fair value at 31 December 2016 US$000's	Valuation technique	Observable inputs	Relationship of observable inputs to fair value
Investment property	185	166	Sales comparison approach	Market price per square metre	The higher the price per square metre, the higher the fair value

6. Investment in subsidiaries

	2017 US$000's	2016 US$000's
Company		
Investment in subsidiaries	-	-

Set out below are the Company's subsidiaries at 31 December 2017. 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.

	% of ownership interest held by the Company	Country of incorporation
Subsidiaries		
House of Raleigh 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, that is, these are considered treasury shares from the Group perspective and the loan funding is eliminated.

The impact on the financial statements from the activities of the ESOT is described in notes 2.25 (Share-based payment) and 17 (Share-based payment liability).

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

7. Financial instruments by Category

Consolidated and Company

31 December 2017	**Loans and receivables US$000's**	**Assets at fair value through profit or loss US$000's**	**Total US$000's**
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)	3 437	-	3 437
Financial assets at fair value through profit or loss	-	133	133
Cash and cash equivalents	21 470	-	21 470
Total	**21 907**	**133**	**25 040**

	Other financial liabilities US$000's	**Total US$000's**
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	19 530	19 530
Total	**19 530**	**19 530**

31 December 2016	**Loans and receivables US$000's**	**Assets at fair value through profit or loss US$000's**	**Total US$000's**
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)	3 522	-	3 522
Financial assets at fair value through profit or loss	-	18	18
Cash and cash equivalents	12 361	-	12 361
Total	**15 883**	**18**	**15 901**

	Other financial liabilities US$000's	**Total US$000's**
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	15 082	15 082
Total	**15 082**	**15 082**

8. Inventories

Consolidated and Company	**2017 US$000's**	**2016 US$000's**
Raw materials	3 078	3 802
Finished goods	1 472	3 504
Consumables	219	167
	4 769	**7 473**

The cost of inventories recognised as an expense and included in "cost of sales" amounted to US$7 242 533 (2016: US$6 258 416).

During the year, write downs amounting to US$209 520 (2016: US$46 619) were recognised as an expense during the year.

9. Trade and Other Receivables

Consolidated and Company	2017 US$000's	2016 US$000's
Trade receivables	2 554	2 733
Less: Provision for impairment of trade receivables	(932)	(606)
Trade receivables - net	1 622	2 127
Other receivables	83	89
Prepayments	240	103
Receivables from related parties (note 29)	1 732	1 306
	3 677	**3 625**

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

As at 31 December 2017, trade and other receivables amounting to US$3 437 000 (2016: US$3 522 000) were fully performing and are not in risk of defaulting. There is no concentration of credit risk in respect of Group customers as they are all currently subject to similar environmental factors. Collateral is in place in respect of trade receivables valued at US$579 000 (2016: US$545 000).

Consolidated and Company

As at 31 December 2017, trade receivables amounting to US$ nil (2016: US$875 609) were past due but not impaired.

These relate to a number of independent customers for whom there is no recent history of default. The maturity analysis of trade and other receivables at 31 December is as follows:

31 December 2017	Total US$000's	Up to 30 days US$000's	31 to 60 days US$000's	61 days and more US$000's
Distributors	-	-	-	-
Wholesalers	422	419	-	3
Retailers	903	903	-	-
Stockists	290	290	-	-
Other receivables	90	77	13	-
Prepayments	240	240	-	-
Receivables from related parties	1 732	-	-	1 732
Total	**3 677**	**1 929**	**13**	**1 735**
31 December 2016				
Distributors	444	222	61	161
Wholesalers	711	679	32	-
Retailers	327	293	32	2
Stockists	226	219	7	-
Other receivables	508	81	423	4
Prepayments	103	103	-	-
Receivables from related parties	1 306	947	-	359
Total	**3 625**	**2 544**	**555**	**526**

As at 31 December 2017, trade receivables amounting to US$931 957 (2016: US$606 124) were impaired. The amount of the provision recognised amounted to US$931 957 as of 31 December 2017 (2016: US$606 124). The individually impaired receivables mainly relate to distributors, wholesalers and retailers, which are in a difficult economic situation.

	2017 US$000's	2016 US$000's
The ageing of these receivables is as follows:		
3 to 6 months	192	-
Over 6 months	740	606
	932	**606**

9. Trade and Other Receivables (continued)

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

	2017 US$000's	2016 US$000's
US dollar	3 677	3 625
GBP	-	-
ZAR	-	-
Total	**3 677**	**3 625**

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

	2017 US$000's	2016 US$000's
At 1 January	**606**	**738**
Provision for receivables impairment	326	48
Bad debts written off	-	(180)
At 31 December	**932**	**606**

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.

As at 31 December 2017, the exposure to credit risk in respect of trade and other receivables by type of counterparty was as follows:

	2017 US$000's	2016 US$000's
Distributors	-	444
Wholesalers	422	711
Retailers	903	327
Stockists	290	226
Other receivables	90	508
Prepayments	240	103
Related parties	1 732	1 306
	3 677	**3 625**

10. Financial Assets at Fair Value through Profit or Loss

	2017 US$000's	2016 US$000's
Consolidated and Company		
Listed securities held for trading:		
Equity securities - Nampak Holdings Limited	133	18

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. These instruments would be classified as Level 1 under the fair value hierarchy. The following table presents the Group and Company's assets that are measured at fair value at 31 December 2017.

Financial assets	Level 1 US$000's	Level 2 US$000's	Level 3 US$000's	Total US$000's
2017				
Quoted securities at market value	133	-	-	133
2016				
Quoted securities at market value	18	-	-	18

Financial instruments in Level 1

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

11. Cash and Cash Equivalents

Consolidated and Company	2017 US$000's	2016 US$000's
Cash at bank and on hand	21 470	12 361
Cash and cash equivalents	**21 470**	**12 361**

Included in cash and cash equivalents are balances with local banks. These balances are used for transacting on a daily basis. During the prior year, the Central Bank (Reserve Bank of Zimbabwe), through Exchange Control Operational Guide 8 (ECOGAD8), introduced prioritisation criteria which have to be followed when effecting foreign payments. Any foreign payments which are effected from the bank balances above are ranked based on the Central Bank prioritisation criteria and paid subject to the bank having adequate funds with its Foreign Correspondent Banks. Most of the Company's foreign payments are categorised in Priority One (High) by the directive, however, there have been delays in effecting payments as a result of unavailability of funds in bank accounts held in foreign countries by domestic banks to facilitate settlement of exchange and trade transactions. This has resulted in an increase in foreign payables balances compared to prior year.

Included in cash and cash equivalents is cash on hand amounting to US$ nil (2016: US$1 090). Cash on hand includes bond notes, which are a debt instrument that has been disclosed under cash and cash equivalents as it meets the definition of cash and cash equivalents and is pegged at 1:1 with the US$.

12. Share Capital

Consolidated and Company

	31 December 2017		31 December 2016	
	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's
Issued and fully paid		
Consolidated		
At 1 January 2016	**20 633 517**	**6 190**
Less treasury shares	(3 252 000)	(976)
At 31 December 2016	**17 381 517**	**5 214**
At 1 January 2017	**20 633 517**	**6 190**
Less treasury shares	(3 252 000)	(976)
At 31 December 2017	**17 381 517**	**5 214**
Issued and fully paid		
Company		
At 31 December 2016	**20 633 517**	**6 190**
At 31 December 2017	**20 633 517**	**6 190**
Treasury shares		
At 31 December 2016	**3 252 000**	**976**
At 31 December 2017	**3 252 000**	**976**

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 2017, the Directors held, directly or indirectly, the following number of shares in the Company:

	2017 US$000's	2016 US$000's
L T Manatsa	1 000	1 000

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

14. Trade and Other Payables

Consolidated and Company

	2017 US$000's	2016 US$000's
Trade payables	1 199	459
Amounts due to related parties (note 29)	15 467	11 536
Social security and other taxes	1 889	770
Accrued expenses	423	718
External dividends	1 700	2 041
Other	741	328
	21 419	**15 852**

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:

	2017 US$000's	2016 US$000's
ZAR	1 561	634
GBP	2 764	1 746
EUR	69	-
US dollar	17 025	13 472
	21 419	**15 852**

15. Provisions for other Liabilities and Charges

Consolidated and Company

	Satutory claims US$000's	Total US$000's
At 1 January 2017	**1 353**	**1 353**
Utilised during the year	(1 353)	(1 353)
Charged to the statement of comprehensive income	422	422
At 31 December 2017	**422**	**422**

Analysis of total provisions:	2017 US$000's
Non-current	-
Current	422
	422

	Satutory claims US$000's	Total US$000's
At 1 January 2016	-	-
Utilised during the year	-	-
Charged to the statement of comprehensive income	**1 353**	**1 353**
At 31 December 2016	**1 353**	**1 353**

Analysis of total provisions:	2016 US$000's
Non-current	-
Current	1 353
	1 353

Statutory claims

This provision relates to penalties charged to the Company by the Zimbabwe Revenue Authority during the prior year.

16. Employee Benefits Liability

	Provision for restructuring costs US$000's	Annual leave US$000's	Incentive bonus provision US$000's	Total US$000's
At 1 January 2016	**1 062**	**442**	**699**	**2 203**
Utilised during the year	(1 062)	(442)	(699)	(2 203)
Charged to the statement of comprehensive income	66	337	643	1 046
At 1 January 2017	**66**	**337**	**643**	**1 046**
Utilised during the year	(66)	(337)	(643)	(1 046)
Charged to the statement of comprehensive income	-	249	880	1 129
At 31 December 2017	**-**	**249**	**880**	**1 129**

(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 that was based on the number of employees who were involved in a redundancy exercise. The provision amounting to US$66 000 from 2016 was fully utilised during the first half of 2017.

17. 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 2.25). The liability is recognised in both the consolidated and Company financial statements. The liability is recognised in the Company financial statements on the basis that the ESOT has a constructive liability to settle the share units but remains reliant on dividend income from the Company in order to fund any cash settlements. As such, the Company recognises the value of this obligation.

The recognition of a liability is also required under IFRS 2 Share-based payment, as the cash settled nature of the scheme is indicative of a cash settled share-based payment. The share units have vested and there are no further performance conditions attached. Fair value is estimated using the prevailing British American Tobacco Zimbabwe (Holdings) Limited share price on the Zimbabwe Stock Exchange at the end of the reporting period. The liability shown as at the statement of financial position date represents the total value of awards less amounts already settled in cash during the course of the financial year.

Consolidated and Company	2017 US$000's	2016 US$000's
As at 1 January 2017	**61**	**325**
Transfer from leave liability	114	-
Re-measurement of share-based payment liability	123	-
Amounts paid during the year	(51)	(264)
At 31 December 2017	**247**	**61**

18. Deferred Tax Liability

Consolidated and Company	2016 US$000's	2016 US$000's
The deferred tax liability is made up of:		
Property, plant and equipment - accelerated depreciation	1 532	1 495
Provisions	(402)	(758)
Allowance for credit losses	(146)	(62)
Marketable securities - fair value	6	1
Prepayments	62	11
Inventory write-down	(92)	(30)
Unrealised exchange differences	(113)	33
Deferred tax liability - net	**847**	**690**
The gross movement on the deferred tax account is as follows:		
At 1 January 2017	**690**	**1 352**
Charge/(credit) to the statement of comprehensive income	157	(662)
At 31 December 2017	**847**	**690**

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation US$000's	Total US$000's
At 1 January 2017	**690**	**690**
Charge to the statement of comprehensive income	157	157
At 31 December 2017	**847**	**847**
At 1 January 2016	**1 352**	**1 352**
Credit to the statement of comprehensive income	(662)	(662)
At 31 December 2016	**690**	**690**

19. Cash Generated from Operations

Consolidated and Company	2017 US$000's	2016 US$000's
Profit before income tax	16 646	11 952
Adjustment for:		
- Depreciation of property, plant and equipment	863	1 337
- Amortisation of intangible assets	5	5
- (Profit)/loss on sale of property, plant and equipment	(113)	15
- Fair value (gains)/losses on financial assets at fair value through profit or loss (note 24)	(115)	12
- Unrealised exchange gains	(1)	(36)
- Unrealised exchange differences	-	-

19. Cash Generated from Operations (continued)

	2017 US$000's	2016 US$000's
Consolidated and Company		
Changes in working capital:		
- Decrease in inventories	2 704	1 197
- (Increase)/decrease in trade and other receivables	(52)	3 601
- Increase/(decrease) in trade and other payables	595	(1 035)
- (Decrease)/increase in provisions for other liabilities and charges	(849)	798
- Increase/(decrease) in share-based payment liability	186	(264)
Cash generated from operations	**19 869**	**17 582**

20. 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) and the National Social Security Statutory Instrument 393 of 1993.

	Employees US$000's	Group US$000's	Total US$000's
2017			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	168	362	530
NSSA	37	134	171
	205	**496**	**701**
2016			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	215	462	677
NSSA	49	128	177
	264	**590**	**854**

21. Revenue

	2017 US$000's	2016 US$000's
Consolidated and Company		
Revenue from sales of goods	**36 760**	**34 068**

22. Other Income

	2017 US$000's	2016 US$000's
Consolidated and Company		
Profit on group recharges	636	98
Royalties	704	279
Rental income	62	46
IT services charge to third parties	266	441
Profit on sale of property, plant and equipment	113	-
Sundry income	685	563
Exchange gains	-	254
	2 466	**1 681**

Included in other income are information technology support services rendered to Northern Tobacco (Private) Limited by British American Tobacco Shared Services GSD UK. British American Tobacco Shared Services GSD UK bills the Company for the services rendered to Northern Tobacco (Private) Limited, and the Company in turn invoices these amounts to Northern Tobacco (Private) Limited.

Royalty fees are received from British American Tobacco Angola Lda in respect of the sale of Kingsport cigarettes.

23. Operating Profit

	2017 US$000's	2016 US$000's
Consolidated and Company		
23.1 Operating profit before taxation includes the following:		
Auditors' remuneration - current year	95	100
Depreciation of property, plant and equipment (note 3)	859	1 333
Directors' fees	31	27
Management fees	1 273	2 651
Allowance for credit losses	334	(132)
Tax related penalties	-	1 353
23.2 Staff costs		
Salaries and wages	6 620	6 256
Pension contributions	610	501
	7 230	**6 757**

23.3 The number of employees as at 31 December 2017 was 133 (2016: 140).

24. Other Gains/(Losses) - Net

	2017 US$000's	2016 US$000's
Consolidated and Company		
Financial assets at fair value through profit or loss (note 10)		
- Fair value gains/(losses)	115	(12)

25. Income Tax Expense

	2017 US$000's	2016 US$000's
Consolidated and Company		
Current income tax on profit for the year	5 774	4 088
Withholding tax	145	49
Deferred taxation income/(expense) (note 18)	157	(622)
	6 076	**3 475**

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:

	2017 %	2016 %
Tax effect on: current income tax rate	25.75	25.75
Prior year adjustments	6.06	(0.84)
Disallowable expenditure:		
Depreciation of property, plant and equipment	-	0.33
Excess pension contributions	0.20	0.31
Excess management fees	2.22	-
Fines	-	2.92
Other	1.40	0.21
Withholding tax	0.87	0.40
Effective tax rate	**36.50**	**29.08**

26. Income Tax Paid

	2017 US$000's	2016 US$000's
Consolidated and Company		
Opening balance	255	293
Charge per the statement of comprehensive income	5 919	4 137
Closing balance per statement of financial position	(262)	(255)
	5 912	**4 175**

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.

	2017 US$000's	2016 US$000's
Profit attributable to equity holders of the Company (US$ 000)	10 570	8 477
Weighted average number of ordinary shares in issue (thousands)	20 634	20 634
Basic and diluted earnings per share	0.51	0.41

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

28. Dividends

Consolidated and Company
Dividends paid in 2017 amounted to US$4 460 382 (2016: US$4 511 460), including an interim dividend of US$0.22 per share. Dividends declared for the year amounted to US$9 434 318 (2016: US$10 681 000).

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	2017 US$000's	2016 US$000's
(a) Other sales:		
British American Tobacco Angola Lda	766	279
(b) Purchase of goods and services:		
British American Tobacco South Africa (Pty) Limited	2 515	2 896
British American Tobacco (Holdings) Limited	135	90
British American Tobacco Shared Services GSD UK	1 293	1 900
British American Tobacco (GLP) Limited	110	364
British American Tobacco Shared Services Europe (BASSE)	-	598
	4 053	**5 848**

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 South Africa (Pty) Limited. Information technology support services are received from British American Tobacco Shared Services GSD UK. Accounting support services are received from British American Tobacco Shared Services Europe. Management fees amounted to US$1 273 000 (2016: US$2 651 000).

All outstanding balances with these related parties are on an arm's length basis and are to be settled on a cash basis within 2 months of the reporting date. None of the balances is secured. No expense has been recognised in the current year or prior year for bad and doubtful debts in respect of amounts owed by related parties. No guarantees have been given or received.

29. Related Party Transactions (continued)

	2017 US$000's	2016 US$000's
(c) Year end balances arising from sales/purchases of goods and services		
Receivable from related parties (note 9):		
British American Tobacco Angola Lda	1 182	526
British American Tobacco Malawi	1	1
British American Tobacco South Africa (Pty) Limited	-	432
British American Tobacco (GLP) Limited	549	347
	1 732	**1 306**
(d) Payable to related parties (note 14):		
British American Tobacco (Holdings) Limited	10 184	5 427
British American Tobacco Shared Services GSD UK	2 128	1 444
British American Tobacco South Africa (Pty) Limited	2 495	2 998
British American Tobacco SS (Europe) SRL	-	809
British American Tobacco Mozambique	312	204
British American Tobacco (GLP) Limited	348	635
British American Tobacco Angola Lda	-	19
	15 467	**11 536**

(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:

	2017 US$000's	2016 US$000's
Short-term employee benefits	1 332	1 287
Termination benefits	-	1 161
	1 332	**2 448**

30. Capital Commitments

There were no capital commitments at year end (2016: US$ nil).

31. Financial Risk Management

Consolidated and Company

31.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is governed by the Audit and Risk Committee ("Treasury") under policies approved by the board of directors. The Audit and Risk Committee identifies and evaluates financial risks, where applicable. The Board and Executive Committee provide written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound, the South African Rand and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, investments in the local market and transactions with foreign sister companies.

Management has set up a policy that guides the Group to manage foreign exchange risk against the functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has no investments in foreign operations, hence is not exposed to foreign currency translation risk. As at 31 December 2017, if the currency had weakened/strengthened by 10% against the UK Pound, South African Rand and the Euro, with all other variables held constant, post-tax profit for the year and equity would have been US$439 400 lower/higher (2016: US$220 638), mainly as a result of foreign exchange gains or losses on the translation of foreign trade payables.

31. Financial Risk Mangement (continued)

31.1 Financial risk factors (continued)

(ii) Price risk

The Group is exposed to equity securities price risk due to investments held by the Group and classified in the consolidated statement of financial position at fair value through profit or loss. All of the Group's share investments are listed on the Zimbabwe Stock Exchange (ZSE). The Group is not exposed to commodity price risk.

(b) Credit risk

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

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

	2017 US$000's	2016 US$000's
Trade receivables and other receivables, excluding prepayments		
- Trade receivables from customers	3 437	3 522
- Cash and cash equivalents	21 470	12 361
	24 907	**15 883**

The fair value of trade and other receivables at 31 December 2017 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 instituion	2017 US$000's	2016 US$000's
Standard Chartered Bank of Zimbabwe Limited	20 506	10 447
Peoples Own Savings Bank (POSB)	-	11
Barclays Bank of Zimbabwe Limited	73	810
Central Africa Building Society (CABS)	891	1 093
	21 470	**12 361**

(c) Liquidity risk

Management monitors rolling forecasts of the Group's liquidity requirements (comprising cash and cash equivalents on the basis of expected cash flow). This is generally carried out in accordance with best practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows and liquid assets necessary to meet these as well as monitoring the statement of financial position liquidity ratios against internal requirements.

Liquidity risk is the risk that the Group may fail to meet its payment obligations when they fall due. The Group identifies liquidity risk through liquidity gap analysis and the maturity profile of assets and liabilities. Where major gaps appear, action is taken in advance to close or minimise the gaps. Cash flow forecasting is performed by management.

The liquidity risk in respect of foreign creditors and lenders has increased significantly due to the delay in affecting foreign payments. The delay arises from a combination of unavailability of funds in bank accounts held in foreign countries by domestic banks to facilitate settlement of exchange and trade transactions, and delays due to the exchange control priority backlog. Refer to additional disclosures under the cash and cash equivalents in note 11.

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

- Increase in sourcing of production consumables and equipment from affiliated companies as opposed to unrelated companies.
- Engagement with local financial institutions for prioritisation of foreign payments on the back of US$ denominated cash deposits.

31. Financial Risk Mangement (continued)

31.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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 2017 is as follows:

	Up to 1 months US$000's	1 to 2 months US$000's	Later than 3 months US$000's	Total US$000's
Assets				
Cash and cash equivalents	21 470	-	-	21 470
Trade and other receivables (excluding prepayments)	1 705	-	-	1 705
Receivables from related parties	1 732	-	-	1 732
Financial assets at fair value through profit or loss	-	-	133	133
Total assets	**24 907**	**-**	**133**	**25 040**
Liabilities				
Trade and other payables (excluding statutory liabilities)	19 530	-	-	19 530
Liquidity gap	**5 377**	**-**	**133**	**5 510**

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

Maturity analysis as at 31 December 2016 is as follows:

	Up to 1 months US$000's	1 to 2 months US$000's	Later than 3 months US$000's	Total US$000's
Assets				
Cash and cash equivalents	12 361	-	-	12 361
Trade and other receivables (excluding prepayments)	1 789	266	166	2 216
Receivables from related parties	947	-	359	1 306
Financial assets at fair value through profit or loss	-	-	18	18
Total assets	**15 097**	**266**	**538**	**15 901**
Liabilities				
Trade and other payables (excluding statutory liabilities)	15 082	-	-	15 082
Liquidity gap	**15**	**266**	**538**	**819**

31.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as disclosed in the statement of financial position, plus net debt. As at 31 December 2017, the Group neither had borrowings payable to related parties, nor other financial institutions.

31. Financial Risk Mangement (continued)

31.3 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).

32. 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$36 760 111 (2016: US$34 068 251) is from external customers who are domiciled in Zimbabwe and is from the sale of cigarettes.

	2017		2016	
	Cigarettes	Total	Cigarettes	Total
	US$000's	US$000's	US$000's	US$000's
External revenue	66 717	66 717	61 445	61 445
Tobacco duties	(29 957)	(29 957)	(27 377)	(27 377)
Net revenue	**36 760**	**36 760**	**34 068**	**34 068**
Profit before interest, taxation, depreciation and amortisation	**17 514**	**17 514**	**13 294**	**13 294**
Depreciation	(863)	(863)	(1 337)	(1 337)
Amortisation	(5)	(5)	(5)	(5)
Profit before income tax	**16 646**	**16 646**	**11 952**	**11 952**
Total assets	**37 912**	**37 912**	**31 707**	**31 707**
Total liabilities	**24 326**	**24 326**	**19 257**	**19 257**

33. Operating Leases

Consolidated and Company

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

33. Operating Leases (continued)

Lease income receivable	2017 US$000's	2016 US$000's
No later than 1 year	27 120	29 640
Later than 1 year and no later than 5 years	135 600	148 200
Later than 5 years	-	-
	162 720	**177 840**

34. 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 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) Cash and cash equivalents
The acute shortage of cash and foreign currency in the country saw the emergence of different modes of payment for goods and services, such as settlement via Real Time Gross Settlement (RTGS), Point of Sale (POS) and mobile money. In addition:

- Products and services were priced differently depending on the mode of payment with the actual US$ (cash) being the cheapest alternative and RTGS the most expensive;
- The significant unavailability of the US$ in cash and in Nostro accounts made processing of payments to foreign suppliers and creditors extremely difficult for businesses; and
- New legislation in the form of Statutory Instruments 133 of 2016 and 122a of 2017 which prescribed bond notes and coins as currency was promulgated.

As a result of these and other factors, management had to make an assessment of whether the use of the United States dollar as the Company's functional currency was still appropriate. In doing this, management considered the following factors:

- The currency that mainly influences sales prices for goods and services;
- The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;
- The currency that mainly influences labour, material and other costs of providing goods or services;
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

The United States dollar remained the primary driver for most of the factors above. Therefore, management concluded that it is still the Company's functional currency.

35. 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.

Shareholder Analysis

Top Twenty Shareholders

Consolidated Top 20 As At 31 December 2017

Rank	Account Name	Number of Shares	% Of Total
1	B.A.T International Holdings (UK) Limited	8 867 272	42.98
2	Old Mutual Life Assurance Company of Zimbabwe Limited	2 576 595	12.49
3	The British American Tobacco Zimbabwe Tobacco Empowerment Trust	2 220 324	10.76
4	The British American Tobacco Zimbabwe Employee Share Ownership Trust	2 063 352	10.00
5	Stanbic Nominees (Private) Limited	931 861	4.52
6	Standard Chartered Nominees (Private) Limited	902 619	4.37
7	Old Mutual Zimbabwe Limited	484 719	2.35
8	Standard Chartered Nominees (Private) Limited - NR (SCB Nominees)	198 016	0.96
9	National Social Security Authority	197 683	0.96
10	Anglo American Associated Companies Pension Fund	113 392	0.55
11	Local Authorities Pension Fund	101 977	0.49
12	National Foods Pension Fund - Imara	71 409	0.35
13	Zimbabwe Electricity IND Pension Fund	64 232	0.31
14	Delta Beverages Pension Fund	58 472	0.28
15	FBC Holdings Pension Fund - Imara	54 887	0.27
16	Mimosa Mining Pension Fund	53 866	0.26
17	Amzim Pension Fund	49 418	0.24
18	Minerva INC W/DRWL Fund	43 484	0.21
19	Die Rupert Kunsstigting	41 500	0.20
20	ZWM Nominees (Private) Limited	35 575	0.17
	Total	**19 130 653**	**92.72**
	Other Shareholders	**1 502 864**	**7.28**
	Total Number Of Shares	**20 633 517**	**100.00**

Notice To Shareholders

NOTICE IS HEREBY GIVEN that the Fifty-Eighth Annual General Meeting of the shareholders of British American Tobacco Zimbabwe (Holdings) Limited will be held at the British American Tobacco Zimbabwe Offices, 1 Manchester Road, Southerton, Harare on Friday 18 May 2018 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-Seventh Annual General Meeting.

2. Financial Statement and Reports
To receive and adopt the audited financial statements for the year ended 31 December 2017, together with the reports of the Directors and auditors thereon.

3. Dividend
To confirm the payment of an interim dividend of US$0.22 per share and approve the declaration of a final dividend of US$0.29 per share for the year ended 31 December 2017, bringing the total dividend for 2017 to US$0.51 per share.

4. Directorate
4.1 To approve the remuneration of Directors for the year ended 31 December 2017 in the amount US$30 813.00.

4.2 To note the resignation of Mrs Angela Mashanyare and Mr Lucas Francisco as Directors of the Company.

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

4.4 To elect Mr Alejandro Riomayor, Mr Edwin Manikai, Mr Leslie Malunga and Mrs Rachel Kupara who were appointed as Directors prior to the Annual General Meeting in terms of Article 88 of the Company's Articles of Association.

The profiles of the Directors to be re-elected and 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

Pauline Kadembo
Company Secretary
20 February 2018

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

Transfer Secretaries:
First Transfer Secretaries
No 1 Armagh Avenue, off Enterprise Road
Eastlea
Harare
Tel: +263 4 782869/72 +263 772 146157
Email: rchidembo2@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 office of the transfer secretaries at least 48 hours before the commencement of the meeting.

Notes

Notes

Form of Proxy

FIFTY-EIGHTH 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-Eighth Annual General Meeting of the Company to be held at British American Tobacco Zimbabwe Offices, 1 Manchester Road, Southerton, Harare on Friday 18 May 2018, at 10:00 am.

Signed this…………………………day of ……………………………2018

Signature of member /members……………………………………………………

NOTE:

1. In terms of Section 129 of the Companies Act [Chapter 24:03] members are entitled to appoint one or more proxies to act in the alternative to attend or vote and speak in their place at the meeting. A proxy need not be a member of the Company.

2. Any alteration or correction made to this form of proxy (including the deletion of alternatives) must be initialed by the signatory signatories.

3. Instruments of proxy must be lodged at the registered office of the Company at least 48 hours before the time appointed for the holding of the meeting.

Form of Proxy

FIFTY-EIGHTH 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-Eighth Annual General Meeting of the Company to be held at British American Tobacco Zimbabwe Offices, 1 Manchester Road, Southerton, Harare on Friday 18 May 2018, at 10:00 am.

Signed this…………………………day of ……………………………2018

Signature of member /members……………………………………………………

NOTE:

1. In terms of Section 129 of the Companies Act [Chapter 24:03] members are entitled to appoint one or more proxies to act in the alternative to attend or vote and speak in their place at the meeting. A proxy need not be a member of the Company.

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3. Instruments of proxy must be lodged at the registered office of the Company at least 48 hours before the time appointed for the holding of the meeting.

Form of Proxy

FIFTY-EIGHTH 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-Eighth Annual General Meeting of the Company to be held at British American Tobacco Zimbabwe Offices, 1 Manchester Road, Southerton, Harare on Friday 18 May 2018, at 10:00 am.

Signed this…………………………day of ……………………………2018

Signature of member /members……………………………………………………

NOTE:

1. In terms of Section 129 of the Companies Act [Chapter 24:03] members are entitled to appoint one or more proxies to act in the alternative to attend or vote and speak in their place at the meeting. A proxy need not be a member of the Company.

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3. Instruments of proxy must be lodged at the registered office of the Company at least 48 hours before the time appointed for the holding of the meeting.

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

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ZIMBABWE

Affix
stamp
here

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

BRITISH AMERICAN TOBACCO
ZIMBABWE

BRITISH AMERICAN TOBACCO ZIMBABWE (HOLDINGS) LIMITED

1 Manchester Road, PO Box ST98, Southerton,
Harare, Zimbabwe

Tel: +263 4 754730-41/+263 4 772131883-8
website: www.bat.com