BRITISH AMERICAN TOBACCO
ZIMBABWE

Delivering today, Investing in tomorrow

Annual Report 2018

British American Tobacco
Zimbabwe

Contents

The Financial Statements Are Expressed In United States Dollars (US$).

DANGER: SMOKING IS HARMFUL TO HEALTH

Our Brands

NOT FOR SALE TO PERSONS UNDER THE AGE OF 18

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

Our Guiding Principles provide clarity about what we stand for. They form the core of our culture and guide how we deliver our strategy.

Enterprising spirit	Freedom through responsibility	Open minded	Strength from diversity
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.	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.	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.	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

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
Mr Nomore Mapanzure

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 P 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
P.O. Box 60
Harare

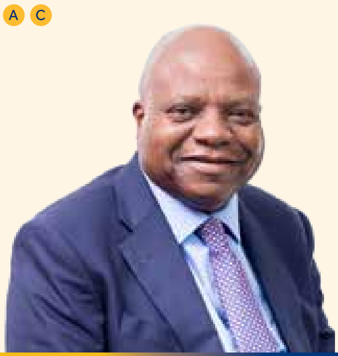
Legal Practitioners

Chihambakwe, Mutizwa and Partners
7 Lawson Avenue
Milton Park
Harare

Directorate

Ⓐ Audit Risk and CSR Committee
Ⓒ Compensation Committee
◯ Committee Chairperson

A C



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 and 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 Chairman.

A C

Hope C Sadza
Non-Executive Director

Professor Hope Cynthia Sadza co-founded the Women's University in Africa (WUA) with Dr Fay Chung in 2002. She is the Vice Chancellor of WUA. She served as a Public Service Commissioner for ten years, a Parastatal's Services Commissioner and a Public Service Review Commissioner. She sits on several professional organisations and also sits on Boards of Delta Corporation, Securico Security Services (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 co-chairperson for the All Stakeholders Conference responsible for writing the new constitution of Zimbabwe.

A C

Edwin Manikai
Non-Executive Director

Mr Edwin Manikai is a Senior Partner of Dube, Manikai and Hwacha law firm since 1998. He holds a BL (Hons), LLB (UZ) and was admitted as a legal practitioner in 1986. He has 33 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 and 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.

A C

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 Life Insurance Company Limited and Zimnat Life Assurance Company Limited. She also served as Finance Director and Chief Executive Officer of Ariston Holdings Limited, a ZSE listed, agriculture and agro-processing business.

A C

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 BAT Southern African Markets (SAM), reporting to the BAT Southern African Area Director. SAM includes Angola, Namibia, Botswana, Zambia, Zimbabwe, Mozambique, Malawi, Lesotho and Swaziland. Alejandro has held various senior roles in BAT since 1997, which include General Manager BAT Iberia from 2013 to 2016.

Nomore Mapanzure
Non-Executive Director

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

Clara Mlambo
Managing Director

Mrs Clara Mlambo holds a Bachelor of Business Studies (Honours) and Masters in Business Administration (MBA) from the University of Zimbabwe. 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 appointed 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 14 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

Pauline Kadembo holds a Bachelor of Laws (Honours) Degree (LLBS) from the University of Zimbabwe. She was appointed Company Secretary with effect from December 2017. She is a registered legal practitioner, conveyancer and a member of the Law Society of Zimbabwe. She has 11 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.

Leadership Team

Catherine Gijima-Dhliwayo
Head of Trade

Catherine Gijima-Dhliwayo is an Accredited Marketing Practitioner with the Marketers Association of Zimbabwe. She holds a Master's in Business Administration (MBA) from the University of Zimbabwe and a Bachelor in Commerce Marketing Management from Midlands State University. Catherine's marketing career spans over a period of 14 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.

Kudakwashe Chimwanda
Marketing Deployment Manager

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

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 as an Electrical Team Leader, a position he held until 2005 when he was promoted to Plant Engineer. Moses holds a City and Guilds Advanced Technician Diploma in Electrical and Electronics Engineering and a Master of Business Administration Degree from University of Gloucerstershire (UK). In 2006, his scope was expanded to Secondary Manufacturing Department, Engineering and EHS. He was then promoted to the Head of Manufacturing Department in 2007 and 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 with a double major in Economics and Statistics from the University of Swaziland. He has vast cross industry experience having worked in the retail sector, financial 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, Corporate Security and Corporate Affairs to name but a few. Within the Group, Mduduzi has worked in Botswana, Lesotho, Malawi, Namibia, South Africa, Swaziland, Zambia and Zimbabwe.

Kudzai Chamba
Human Resources Business Partner

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

***Clara Mlambo and Leslie Malunga are also part of the Leadership Team, their profiles can be found on page 07.**

BRITISH AMERICAN TOBACCO
ZIMBABWE

Lovemore T Manatsa
Chairman

Chairman's Statement

"The Company's total sales volumes and revenues both increased by 16% for the year under review as compared to the 2017 financial year..."

Introduction

Annual inflation for the year closed at 42%, which was a significant upsurge from the prior year inflation which closed at 0.9%. During the second half of the year, retail prices of basic commodities increased significantly resulting in pressure on consumer purchasing power. Excise tax on cigarettes increased from US$20 per thousand sticks to US$25 per thousand sticks with effect from 27 November 2018. Furthermore, Government introduced a requirement to pay duty in foreign currency on imported cigarettes.

Notwithstanding the challenging economic environment, British American Tobacco Zimbabwe (Holdings) Limited ("the Company") recorded a remarkable financial performance for the year ended 31 December 2018.

Reporting Currency

The final accounts presented herein are aligned to the previous reporting and functional currency of the Company which is the United States of America dollar (US$). The fiscal and monetary policy pronouncements made in October 2018 led to a reassessment of the functional currency under International Accounting Standard 21 ("IAS 21") – "The Effects of Changes in Foreign Exchange Rates" and there was a change in functional currency of the Company.

However, this change could not be effected on the financial statements as there was no local currency in Zimbabwe until Statutory Instrument 33 of 2019 ("SI 33") came into effect. SI 33 requires that assets and liabilities which prior to 22 February 2019 were recorded in US$ should be presented on the basis of 1:1 between the US$ and RTGS$. The financial statements have, therefore, been reported on the basis of 1:1.

The inconsistency between the legal requirements and the International Financial Reporting Standards ("IFRS") resulted in the auditors expressing an adverse opinion on the financial statements, which is a market wide phenomenon.

Volumes

The Company's total sales volumes for the year under review increased by 16% compared to the 2017 financial year. The Company's Low Value for Money Brand, Ascot, grew by 171% driven by robust trade activations, with the Value for Money Segment (Madison and Everest) recording a 10% growth driven by Everest which grew by 35%. The Company's Aspirational Premium Segment, Newbury, recorded a 6% growth whilst the Global Drive Brand, Dunhill, recorded an increase of 16% compared to 2017 due to strengthened trade partnerships.

Financial Results

For the year under review, revenue increased by 16% or US$5.9 million when compared to 2017, driven by a strong sales performance and an improvement in the sales mix. Gross profit consequently increased by US$4.7 million (18%) compared to 2017, abetted by continued increased efficiencies in the Company's manufacturing activities.

Selling and marketing costs increased by US$0.1 million (3%) compared to 2017 in line with continued support of our main brand activities to drive the Company's volumes upwards.

Chairman's Statement continued

Administrative expenses were US$0.4 million (5%) lower than the previous year, driven by savings initiatives coupled with the benefits of restructuring activities implemented in previous years which offset the impact of an increase in inflation in the last quarter of the year.

Other income increased by US$0.5 million (19%) compared to 2017 due to foreign exchange gains on liabilities.

As a result of the above, operating profit grew by US$6.0 million (36%) versus the same period last year, to close at US$22.6 million. Net profit attributable to shareholders for the period under review was US$14.8 million compared to US$10.6 million in the previous year representing a 40% growth which translated into an increase in earnings per share to US$0.72 up from US$0.51 in 2017.

Cash generated from operations was US$17.1 million representing a US$3.1 million (22%) increase from the US$14 million generated in 2017. This was due to an increase in profit offset by higher inventories and debtors.

Dividend

The Company declared an interim dividend of US$0.30 per share during 2018. The Directors have not recommended a final dividend with respect to the full year ended 31 December 2018. The Directors believe that it is in the best interest of the Company that the profits are reinvested in the operations of the Company.

Contribution to the Government Treasury

The Company contributes to the Government treasury through various taxes, including Excise duty, Corporate Tax, Value Added Tax, Pay As You Earn and Withholding Tax. The Company's contribution to the Zimbabwe Revenue Authority in taxes increased by 21% from US$35.2 million in 2017 to US$42.5 million in 2018. The key drivers of the increase in the tax contribution were Excise Duty, spurred by the increase in sales, and Corporate Tax driven by the increase in profitability.

The recently promulgated Customs and Excise (Designation of Foreign Currency Dutiable Goods) Notice 2018 Regulations ("the Regulations"), has been interpreted to mean that both excise duty and import duty on imported cigarettes should be paid for in foreign currency. The Regulations affect the Company's premium and innovative brand Dunhill which is imported from South Africa and sold on the local market in RTGS$. Excise duty being a consumption tax, charged on the consumer and collected on behalf of Government by the Company, should ideally be paid for in the medium of exchange used with respect to the Company's own sales in relation to its products. Further, excise duty being an internal tax should be applied in the same and equal manner on all products sold on the market. The levying of excise duty on imported cigarettes in foreign currency will affect the Company's ability to continue servicing the premium segment, translating to revenue loss for both Government and the Company. Accordingly, the Company is engaging Government on this matter.

Corporate Governance

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

Mr Nomore Mapanzure was co-opted to the Board in terms of Article 88 of the Company's Articles of Association in April 2019. His appointment will be confirmed in the next Annual General Meeting.

Outlook

Trading conditions are expected to remain challenging in 2019 as the country continues to strive for economic stability. We are confident that our strategies remain appropriate and that our brand portfolio is consumer relevant. Further, the quality of our people and processes will help us to deliver a sustainable competitive advantage required for the future success of the Company in delivering consistent value to our shareholders.

Lovemore T. Manatsa
Chairman

24 April 2019

Clara Mlambo
Managing Director

Managing Director's Review

"We remain committed to satisfying consumer moments through a relevant and differentiated brand portfolio whilst continuing to deliver shareholder value..."

Introduction

I am once again pleased to report on the results of British American Tobacco Zimbabwe (Holdings) Limited ("the Company") for the year ended 31 December 2018.

The period under review was characterised by challenges in the economy. A new intermediated money transfer tax of 2% per transaction above US$10 was introduced in October 2018 and this saw various price increases in local goods and services. Additionally, excise tax levied on cigarettes increased from US$20 per mille to US$25 per mille in December 2018. This was the first increase of excise tax on cigarettes since 2014, as such, this necessitated price increases on our Brands.

Net profit attributable to shareholders in the period under review increased to US$14.8 million, which is a 40% growth compared to the same period in the prior year. The Directors have not recommended a final dividend for year ended 31 December 2018. This means that the aggregate dividend for 2018 is US$0.30 per share which was declared during half year. The Company has recommended that the profits be reinvested in its operations to ensure it continues to deliver shareholder value.

Company Performance

Despite the continued economic distress in the country, the Company recorded an overall volume growth of 16% compared to the same period last year, driven by growth in local brands.

The Low Value for Money segment recorded the highest growth, at 171% above same period in the prior year. The growth can be attributed to the loyalty programme, Ascot Yakanyanya Promotion, which doubled trader participation from prior year subscription.

The Value for Money segment grew by 10% spurred by a 35% growth of Everest, and the Premium segment also recorded growth of 0.4%. On the other hand, the Global Drive Brand, Dunhill, recorded an increase of 16% from 2017 due to strengthened trade partnerships.

The Company's annual flagship promotion, the Madison Usadherere/Ungadeleli, came later in the year to support and reinforce changes made on the brand. Pursuant to the Madison stick upgrade in March 2018, a refreshed thematic campaign was launched together with a pack upgrade in November 2018. The changes were in response to consumer trends observed in the market.

Productivity

The Company remained focused on health and safety matters and another year of ZERO accidents passed giving the business six accident-free years in the factory. The Company received two national awards from National Social Security Authority ("NSSA") for best environment, health and safety practices.

There were notable improvements in the Company's plant performance in 2018 with the overall equipment effectiveness increasing by 40%. The Madison stick was upgraded to pre-printed skirted tipping to replace the old die print thereby giving a fresh look whilst preserving the same authentic taste. Notwithstanding the foreign currency challenges the country was facing in the period under review, the Company managed to run its operations continuously throughout the year without disruptions, through the team's proactiveness and robust stakeholder management.

Managing Director's Review continued

Sustainability

In the year under review, the British American Tobacco Zimbabwe Tobacco Empowerment Trust ("BATZ TET") completed civil works at the Magamba Vocational Training Centre which included the construction of student's hostels, two one-hectare rocket barns and a grading shed. The BATZ TET also commenced an internet connectivity project for students at the same institution and successfully enrolled a total of 41 Diploma students and 23 Certificate students in 2018.

At Chaminuka Vocational Training Centre, the BATZ TET constructed a 400 000m^3 water reservoir, a girl's hostel with capacity of 80 students and enrolled a total of 289 students in the Diploma and Certificate programme.

Additionally, the BATZ TET also launched the second phase of the Farmers' Development Programme at two centres, namely Mashayomombe Vocational Training Centre and Chaminuka Vocational Training Centre. For the period under review a record total intake of 222 practicing farmers took part in the programme.

Winning Organisation

The Company successfully introduced a new Human Resources platform based on SAP which amongst other benefits improved the employee experience through providing greater consistency in approach and leverages on economies of scale through the establishment of a shared service centre. The platform avails world class human resources related tools and technology to our people, encompassing all areas such as recruitment and learning and development.

Achievements

To mention but a few, in 2018, the Company received accolades in recognition of its market leadership, excellence, best practice and financial performance from independent authorities such as the following:

- **NSSA Zimbabwe:**
  Occupational Safety and Health Council - Provincial Award
  Occupational Safety & Health Silver Award
- **NSSA Zimbabwe:**
  Occupational Safety and Health Council - Sectoral Award
  Occupational Safety & Health Gold Award
- **Top Employer's Institute:** Top Employer 2019
- **Retailers and Wholesalers National Awards:**
  Top 100 Suppliers of the Year 2018
- **Buy Zimbabwe:** Manufacturer of the year award - FMCG Second Runner Up
- **Zimbabwe Independent Quoted Companies 2018:** Winner - Highest Return on Assets; Runner Up - Highest Return on Equity; Runner Up - Highest Basic Earnings per share; and Second Runner Up - Highest Market Capitalisation

Acknowledgements

We remain committed to satisfying consumer moments through a relevant and differentiated brand portfolio whilst continuing to deliver shareholder value. On behalf of the Company, we thank our employees for their loyalty, resilience and hard work towards delivering another year of notable results. The accolades in 2018 are evidence that our external stakeholders continue to acknowledge the Company's commitment to the highest standards of business conduct, all of which are due to our outstanding team.

We would also like to extend our gratitude to our committed and professional Board of Directors for their guidance during 2018.

Finally, we are grateful to our loyal customers for their continued support.

Clara Mlambo
Managing Director

24 April 2019

Leslie Malunga
Finance Director

Director's Report

"Net profit before taxation totalled US$22.6 million whilst profit attributable to ordinary shareholders totalled US$14.8 million..."

Introduction
The Directors have pleasure in presenting their fifty-ninth Annual Report, together with audited financial statements for the year ended 31 December 2018.

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 totalled US$22.9 million whilst profit attributable to ordinary shareholders totalled US$15.2 million (US$0.74 per share).

Dividends (Historic Cost)
An interim dividend of US$0.30 per share was declared in July 2018. A final dividend was not declared in February 2019. In 2017, the Company declared a total dividend of US$0.51

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

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

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

Mr Nomore Mapanzure was coopted to the board as an additional director in terms of article 88 of the Company's Articles of Association in April 2019. This appointment will be confirmed at the next Annual General Meeting.

Directors' Interest
As at 31 December 2018, the Directors held, directly and indirectly, an interest of 0.005% (31 December 2017: 0.005%) in the issued share capital of the Company. No change in the interest of Directors has taken place between the financial year end and the date of this report.

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

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 2018, 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

24 April 2019

Pauline Kadembo
Company Secretary

Corporate Governance Report

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

Introduction

British American Tobacco Zimbabwe (Holdings) Limited is committed to promoting the highest standards of corporate governance and ensuring that all its business practices are conducted within the Company's values. These values are embodied in our Standards of Business Conduct which are regularly updated to ensure that they continue to reflect best practice.

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.

Board Composition

The Board is composed of eight Directors, six Non-Executive Directors and two Executive Directors. The Board is chaired by a Non-Executive Director.

Detailed profiles of the Directors including qualifications, skills and experience are set out on pages 6 to 7 of the Annual Report.

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

The Board meets at least four times a year. Additional meetings may be convened to consider specific business issues which may arise between scheduled meetings. 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.

The newly appointed Directors undergo a formal Director induction process which includes 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, Mrs Rachel Kupara and Mr Edwin Manikai will retire at the next Annual General Meeting and, being eligible, offer themselves for re-election in terms of the Company's Articles of Association.

Mr Nomore Mapanzure was co-opted to the board as an additional director in terms of article 88 of the Company's Articles of Association in April 2019. This appointment will be confirmed at the next Annual General Meeting.

Leadership and Effectiveness

The Board is collectively responsible to shareholders of the Company for its performance and for the Company's strategic direction, its values and its governance. It provides leadership necessary for the Company to meet its performance objectives within a robust framework of internal controls. Specifically, the Board's responsibility includes the following:

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

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

2018 Board Attendance

Name of Director	20 February	25 July	10 October	05 December
Mr. Lovemore T Manatsa	√	√	√	√
Prof. Hope C Sadza	√	N/A	√	N/A
Mrs. Clara Mlambo	√	√	√	√
Mr. Leslie Malunga	√	√	√	√
Mrs. Rachel P Kupara	N/A	√	√	√
Mr. Edwin I Manikai	√	√	√	√
Mr. Alejandro Riomayor	√	√	√	√

*Mr Nomore Mapanzure was coopted to the Board as an additional Director in terms of Article 88 of the Company's Articles of Association in April 2019. This appointment will be confirmed at the next Annual General Meeting.

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 2018, the Company had two Executive Directors, namely Mrs Clara Mlambo, the Managing Director, and Mr Leslie Malunga, the Finance Director.

Conflict of Interest

The Board has formal procedures for managing conflicts of interest 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 2018.

A Balanced Board

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

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

Board Committees

Audit, Risk and Corporate Social Responsibility Committee

The Audit, Risk and Corporate Social Responsibility Committee comprises of four Non-Executive Directors. The committee is chaired by Mrs Rachel 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 2018, 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

24 April 2019

Financial Highlights

For The Year Ended 31 December 2018

Group summary (US$000's)

	Year Ended 31 December	
	2018 US$000's	2017 US$000's
Revenue	42 704	36 760
Operating profit	22 638	16 646
Profit before income tax	22 638	16 646
Profit attributable to shareholders	14 808	10 570
Total assets	51 437	37 912
Basic earnings per share (US$)	0.72	0.51
Diluted earnings per share (US$)	0.72	0.51

Financial Statements

Independent Auditor's Report

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

KPMG
Mutual Gardens, 100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe
Tel: +263 (242) 303700, 302600
Fax: +263 (242) 303699

Adverse 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 57 which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the consolidated and separate financial statements do not present fairly, the consolidated and separate financial position of British American Tobacco Zimbabwe (Holdings) Limited as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03) of Zimbabwe.

Basis for Adverse Opinion

As described in note 2.6, during the year ended 31 December 2018, the Group and Company transacted using a combination of the United States dollar (US$), bond notes and bond coins. Acute shortage of US$ cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services such as settlement through the Real Time Gross Settlement (RTGS) system overseen by the Reserve Bank of Zimbabwe (RBZ), point of sale and mobile money platforms. The note further explains that during the year there was a significant divergence in market perception of the relative values between the US$, and the bond note, bond coin, mobile money platforms and RTGS, collectively referred to therein as "local currency". Although bond notes and bond coins, RTGS and mobile money platforms were not legally recognised as currency during the year ended 31 December 2018, the substance of the economic phenomenon suggested that it was currency. Due to these factors, the Directors performed an assessment of the functional currency of the Group and Company in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates (IAS 21)* and acknowledge that the functional currency of the Group and Company has changed from US$ to RTGS.

In February 2019, an electronic currency called the RTGS dollar was issued through Statutory Instrument 33 of 2019 (SI 33) with an effective date of 22 February 2019 and the currency commenced trading at a rate of 2.5 to the US$. In addition, SI 33 fixed the exchange rate between the RTGS dollar and the US$ at a rate of 1:1 for periods before the effective date. The rate of 1:1 is consistent with the rate mandated by the Reserve Bank of Zimbabwe (RBZ) at the time it issued the bond notes as currency.

Although the Directors acknowledge that there was a functional currency change and that market exchange rate between the US$ and local currency was not 1:1, they have maintained their functional currency as the US$ and have presented the Group and Company financial statements in US$ using an exchange rate of 1:1, in compliance with SI 33. This constitutes a departure from the requirements of IAS 21.

The Directors have performed a sensitivity analysis of how different exchange rates would impact the consolidated and separate statements of financial position in note 35 to the financial statements. The amounts presented in that sensitivity analysis may not necessarily reflect the opening balances in RTGS dollars going forward. This sensitivity analysis confirms that had the local currency been translated to US$ in accordance with IAS 21, many elements in the statements of financial position would have been materially affected and, therefore, the departure from the requirements of IAS 21 is considered to be pervasive. The effects of this departure on the Group's and the Company's financial statements have not been determined.

Independent Auditor's Report continued

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period and which are not materially impacted by the matter described in the *Basis for Adverse Opinion* section. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our adverse opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the *Basis for Adverse Opinion* section, we have determined there are no other key audit matters to be communicate in our report.

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's Statement, the Managing Director's Review, the Directors' Report, and the Financial Highlights, but does not include the consolidated and separate financial statements and our auditors' 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, the Group and Company should have translated its local currency transactions and balances to US$ using a rate determined in accordance with IAS 21. We have, therefore, concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Chairman's Statement, the Managing Directors' Report, the Directors' Report, and the Financial Highlights affected by the failure to translate the local currency transactions and balances using a rate which complies with the requirements of IAS 21.

Responsibilities of the Directors for the 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 the manner required by the Companies Act (Chapter 24:03) of Zimbabwe, 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 the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

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.

Independent Auditor's Report continued

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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 year 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

24 April 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2018

	Note	2018 US$000's	2017 US$000's
		Year Ended 31 December	
Revenue	21	**42 704**	**36 760**
Cost of sales		(11 273)	(10 065)
Gross profit		**31 431**	**26 695**
Selling and marketing costs		(4 990)	(4 856)
Administrative expenses		(6 949)	(7 325)
Impairment gain/(loss) on trade receivables		104	(326)
Re-measurement of share-based payment liability	17	13	(123)
Other income	22	2 941	2 466
Other gains	24	88	115
Operating profit		**22 638**	**16 646**
Profit before income tax		**22 638**	**16 646**
Income tax expense	25	(7 830)	(6 076)
Total comprehensive income for the year		**14 808**	**10 570**
Attributable to:			
Owners of the parent		14 808	10 570
Basic earnings per share (US$)	27	0.72	0.51
Diluted earnings per share (US$)	27	0.72	0.51

Separate Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2018

	Note	Year Ended 31 December 2018 US$000's	2017 US$000's
Revenue	21	**42 704**	**36 760**
Cost of sales		(11 273)	(10 065)
Gross profit		**31 431**	**26 695**
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Attributable to:			
Owners of the parent		14 808	10 570
Basic earnings per share (US$)	27	0.72	0.51
Diluted earnings per share (US$)	27	0.72	0.51

Consolidated Statement of Financial Position

As At 31 December 2018

Assets	Note	As At 31 December 2018 US$000's	2017 US$000's
Non-current assets			
Property, plant and equipment	3	6 941	7 725
Intangible assets	4	18	23
Investment property	5	164	115
Financial assets at fair value through profit or loss	10	221	133
		7 344	**7 996**
Current assets			
Inventories	8	5 805	4 769
Trade and other receivables	9	4 727	3 677
Cash and cash equivalents	11	33 561	21 470
		44 093	**29 916**
Total assets		**51 437**	**37 912**
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		12 492	8 035
Total equity		**18 043**	**13 586**
Non-current liabilities			
Deferred tax liability	18	613	847
Current liabilities			
Trade and other payables	14	30 505	21 419
Provisions for other liabilities and charges	15	-	422
Staff benefits liability	16	1 511	1 129
Share-based payment liability	17	222	247
Current income tax liability	26	543	262
		32 781	**23 479**
Total equity and liabilities		**51 437**	**37 912**

The notes on pages 30 to 57 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the Board of Directors on 24 April 2019 and signed on its behalf by:

Clara Mlambo
Managing Director

Leslie Malunga
Finance Director

Separate Statement of Financial Position

As At 31 December 2018

Assets	Note	2018 US$000's	2017 US$000's
		As At 31 December	
Non-current assets			
Property, plant and equipment	3	6 941	7 725
Intangible assets	4	18	23
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Share-based payment liability	17	222	247
Current income tax liability	26	543	262
		32 781	**23 479**
Total equity and liabilities		**51 437**	**37 912**

The notes on pages 30 to 57 are an integral part of these consolidated and separate financial statements. These financial statements were authorised for use by the Board of Directors on 24 April 2019 and signed on its behalf by:

Clara Mlambo
Managing Director

Leslie Malunga
Finance Director

Consolidated Statement of Changes In Equity

For The Year Ended 31 December 2018

	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 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**
Balance as at 1 January 2018	**5 214**	**337**	**8 035**	**13 586**
Total comprehensive income for the year	-	-	14 808	14 808
Dividends	-	-	(10 351)	(10 351)
Balance as at 31 December 2018	**5 214**	**337**	**12 492**	**18 043**

[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 2019, the date of the changeover.

Separate Statement of Changes In Equity

For The Year Ended 31 December 2018

	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 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**
Balance as at 1 January 2018	**5 214**	**337**	**8 035**	**13 586**
Total comprehensive income for the year	-	-	14 808	14 808
Dividends	-	-	(10 351)	(10 351)
Balance as at 31 December 2018	**5 214**	**337**	**12 492**	**18 043**

[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 2019, the date of the changeover.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2018

	Note	2018 US$000's	2017 US$000's
		Year Ended 31 December	
Cash flows from operating activities			
Cash generated from operations	19	24 844	19 869
Income tax paid	26	(7 783)	(5 912)
Net cash generated from operating activities		**17 061**	**13 957**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(278)	(535)
Proceeds from sale of property, plant and equipment		20	146
Net cash used in investing activities		**(258)**	**(389)**
Cash flows from financing activities			
Dividends paid to owners of the parent	28	(4 712)	(4 460)
Net cash used in financing activities		**(4 712)**	**(4 460)**
Effect of movements in exchange rates on cash held		**-**	**1**
Net increase in cash and cash equivalents		**12 091**	**9 109**
Cash and cash equivalents at the beginning of the year		21 470	12 361
Cash and cash equivalents at the end of the year	11	**33 561**	**21 470**

Separate Statement of Cash Flows

For The Year Ended 31 December 2018

	Note	Year Ended 31 December 2018 US$000's	2017 US$000's
Cash flows from operating activities			
Cash generated from operations	19	24 844	19 869
Income tax paid	26	(7 783)	(5 912)
Net cash generated from operating activities		**17 061**	**13 957**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(278)	(535)
Proceeds from sale of property, plant and equipment		20	146
Net cash used in investing activities		**(258)**	**(389)**
Cash flows from financing activities			
Dividends paid to owners of the parent	28	(4 712)	(4 460)
Net cash used in financing activities		**(4 712)**	**(4 460)**
Effect of movements in exchange rates on cash held		**-**	**1**
Net increase in cash and cash equivalents		**12 091**	**9 109**
Cash and cash equivalents at the beginning of the year		21 470	12 361
Cash and cash equivalents at the end of the year	11	**33 561**	**21 470**

Notes To The Financial Statements

For The Year Ended 31 December 2018

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 as prescribed under Statutory Instrument 33 of 2019 (SI 33), notwithstanding requirements of IFRS. Please refer note 2.6 (a) and note 35 which detail the considerations made in determining the Group'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). The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or 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.

Statement of compliance

The Group has in previous financial periods adopted the United States dollar as both its presentation currency and functional currency. In order to comply and meet the prescribed requirements of Statutory Instrument 33 of 2019 (SI 33), the Group has adopted the US dollar as its presentation currency for the 2018 financial statements. Based on the requirements of SI 33, the Group was not able to apply the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

The Group financial statements have been prepared on the going concern basis which the Directors believe to be appropriate, refer to note 36.

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 16	Leases - Annual periods beginning on or after 1 January 2019.
IFRIC 23	Uncertainty over Income Tax Treatments - Annual periods on or after 1January 2019.
IFRS 9 amendments	Prepayment Features with Negative Compensation - Annual periods beginning on or after 1 January 2019.
IAS 28 amendment	Long-term Interests in Associates and Joint Ventures - Annual periods beginning on or after 1 January 2019.
IAS 19 amendment	Plan Amendment, Curtailment or Settlement - Annual periods beginning on or after 1 January 2019.
Various Standards	Annual Improvements to IFRS Standards 2015 - 2017 - Annual periods beginning on or after 1 January 2019.
IFRS 17	Insurance Contracts - Annual periods beginning on or after 1 January 2019.

Amendments to References to Conceptual Framework in IFRS Standards.

Estimated impact of IFRS 16

The Group is required to adopt IFRS 16 *Leases* from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The estimated impact of the adoption of these standards is based on assessments undertaken to date. The actual impacts of adopting the standard on 1 January 2019 may change because:

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

Notes To The Financial Statements

For The Year Ended 31 December 2018

2. Summary Of Significant Accounting Policies continued

2.1.1 New and amended standards and interpretations not yet adopted continued

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

Leases in which the Group is a lessee

The Group will not recognise new assets and liabilities for its operating leases of forklift hire services and a residential stand. The nature of expenses related to those leases will not change as the Group will not be recognising a depreciation charge for right-of-use assets and interest expense on lease liabilities. Management inspected its contracts to assess the impact of IFRS 16 and the following was noted:

- The contract with BAK Logistics for forklift services is for a low value asset and the contract is for twelve months.
- The lease agreement with Gabriel Real Estate (Private) Limited has a period of less than twelve months remaining for the contract to end, with no intention of extension of the contract.

Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No impact is expected for the Group's finance leases, as the Group does not have any finance leases in place.

Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor. The Group, therefore, considers there will be no significant impact expected for other leases in which the Group is a lessor.

Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2.2 Change in significant accounting policies

The Group has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018, but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standard.

The effect of initially applying these standards is mainly attributed to the following:

- Recognition of customer related marketing expenditure under revenue compared to treatment as marketing expenses in preceding periods.
- A reduction of impairment losses recognised in financial assets in 2018.

A. IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time - requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

IFRS 15 did not have a significant impact on the Group's accounting policies with respect to revenue streams. There is no impact on opening retained earnings as a result of the adoption of IFRS 15. 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.

For additional information about the Group's accounting policies relating to revenue recognition, refer to note 2.21.

2. Summary Of Significant Accounting Policies continued

2.2 Change in significant accounting policies continued

B. IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Consequently, the Group reclassified impairment losses amounting to US$326 000, recognised under IAS 39, from "administrative expenses" to "impairment loss on trade receivables and contract assets" in the statement of profit or loss and OCI for the year ended 31 December 2017.

There is no impact on opening retained earnings as a result of the adoption of IFRS 9 *Financial Instruments*.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial assets and financial liabilities. For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, refer to note 2.11.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39, refer to note 2.14.

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.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Group will apply IFRIC 22 *Foreign Currency Transactions and Advance Consideration* prospectively to all assets, expenses and income in the scope of the Interpretation initially recognised on or after the beginning of the reporting period in which the entity first applies the Interpretation. The Group, however, did not have any transactions that include receipt or payment of advance consideration in foreign currency.

2.3 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.

2. Summary Of Significant Accounting Policies continued

2.3 Consolidation continued

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 IFRS 3 in profit or loss. 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.

2.4 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.

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in United States dollars (US$), which the Group has adopted as the presentation currency, as prescribed under Statutory Instrument 33 of 2019 (SI 33).

The market was characterised by the following observations and developments which all pointed towards disparity between the US$ and the local RTGS value:

- The shortage of foreign currency continued in the current year resulting in significant backlogs of foreign remittances.
- Proliferation of a parallel market where a multi-tier exchange rate system continued with margins widening significantly.
- Reluctance by traders to accept local electronic transfers preferring hard currency US dollars or off-shore transfers.
- There was increased pressure from suppliers to increase prices in line with inflation. In November 2018, year on year inflation further increased to 31% and then to 42.1% in December 2018 (2017: 3.46%), which is above the inflation levels that would be typical of a US$ based economic environment.

In the October 2018 Monetary Policy Statement, the Reserve Bank of Zimbabwe (RBZ) instructed all local banks to ring fence actual foreign currency deposits from RTGS transfer deposits in customer accounts. This led to the creation of Nostro FCA accounts and RTGS FCA accounts.

2. Summary Of Significant Accounting Policies continued

2.6 Foreign currency translation continued

(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".

2.7 Property, plant and equipment

Recognition and measurement

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

The cost includes expenditures that are directly attributable to the acquisition of the asset. 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	5 - 50 years
Plant and machinery	5 - 25 years
Motor vehicles	5 - 8 years
Computer equipment	5 - 10 years
Furniture, fittings and equipment	5 - 10 years

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

Derecognition

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

2.8 Intangible assets

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

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

Accounting system software	8 years

The residual values and useful lives are reassessed annually.

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

2. Summary Of Significant Accounting Policies continued

2.9 Investment property

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

2.10 Impairment of non-financial assets

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

2.11 Financial assets

2.11.1 Classification

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income - debt investment; fair value through other comprehensive income - equity investment; or fair value through profit or loss.

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

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

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

(b) Amortised cost

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

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

Financial assets – Policy applicable before 1 January 2018

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

2.11.2 Recognition and measurement

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

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

2. Summary Of Significant Accounting Policies continued

2.11 Financial assets continued

2.11.3 Offset

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

2.12 Inventories

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

2.13 Trade payables

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

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

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

2.14 Impairment of financial assets

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from initial recognition of the receivables. Using historical trends and economic analyses, the Group has determined that application of a 0.05% of invoice value to all external debtors which are still assumed to be recoverable at each balance sheet date as adequate. The loss allowance provision as at 31 December 2018 is determined per the provision matrix below incorporating credit risk and probability of recoverability:

Items outstanding but not overdue	0.05 % of invoice value
Items within 30 days overdue	0.06 % of invoice value
Items over 30 days but within 3 months overdue	0.07 % of invoice value
Items over 3 months but within 6 months overdue	0.08 % of invoice value
Items over 6 months but within 12 months overdue	0.09 % of invoice value
Items over 12 months overdue	0.10 % of invoice value

The provision matrix is not a general provision against trade receivables, rather it is a provision against specific balances which are overdue, as a way of estimating the lifetime expected loss in relation to all the trade receivables. The effect is to apply a standard rate of provision on initial recognition of trade receivables and increase such depending on ageing, regardless of the final recovery.

Any items considered to be irrecoverable are provided at 100%, and if a balance is considered to be partially recoverable, then the part that is irrecoverable is provided against.

2.15 Borrowings

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

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

2.16 Trade receivables

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

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

Provision for impairment of trade receivables is based on IFRS 9 requirements, as stated on note 2.14 above. When a trade receivable is uncollectible, it is written off against the trade receivables impairment provision in profit or loss. 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

2.17 Cash and cash equivalents

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

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

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

2.18 Share capital

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

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

2.19 Current and deferred tax

The tax expense for the period comprises current tax, withholding tax and deferred tax, as per the Group policy. Tax is recognised in the 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 nor loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or liability is settled.

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

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

2.20 Provisions

Provisions are 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. Summary Of Significant Accounting Policies continued

2.21 Revenue recognition

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

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)	Revenue recognition under IAS 18 (applicable before 1 January 2018)
Cigarettes	Customers obtain control of the cigarettes when the goods are dispatched from the delivery vans. Invoices are generated and revenue is generated at that point in time.	Revenue is recognised when cigarettes are delivered to the customer.	Revenue was recognised when the goods were delivered to the customers which was taken to be the point in time at which the customer accepted the goods and the related risk and rewards of ownership transferred. Revenue was recognised at the point provided that the revenue costs could be measured reliably, the recovery of the consideration was probable and there was no managerial involvement with the goods.

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.

For the year ended 31 December	Cigarettes	
	2018 US$000's	2017 US$000's
Timing of revenue recognition		
Products transferred at a point in time as reported in note 32	77 800	66 717

2.22 Other income

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

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.

2.23 Dividend distribution

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

2.24 Leases: accounting by lessor

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

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

2. Summary Of Significant Accounting Policies continued

2.25 Employee benefits

(a) Pension obligations

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

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.

2.26 Share-based payment

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

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

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

The cash consideration for the share units is indicative of a cash settled share-based payment transaction. Under IFRS 2 Share-based Payment, the share-based payment is required to be recognised as an expense in profit or loss. As it is cash settled, the standard requires the recognition of a liability (see note 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 and equipment US$000's	Total US$000's
Year ended 31 December 2018					
Opening net book amount	774	2 962	3 230	759	7 725
Additions	-	94	31	153	278
Disposals	-	-	(17)	-	(17)
Depreciation charge	-	(98)	(778)	(116)	(992)
Transfers to investment property	-	(53)	-	-	(53)
Closing net book amount	**774**	**2 905**	**2 466**	**796**	**6 941**
At 31 December 2018					
Cost	774	3 844	10 910	1 732	17 260
Accumulated depreciation and impairment	-	(939)	(8 444)	(936)	(10 319)
Net book amount	**774**	**2 905**	**2 466**	**796**	**6 941**

Depreciation expense amounting to US$305 270 (2017: US$308 986) has been charged in cost of sales, US$304 049 (2017: US$312 763) in selling and marketing costs and US$388 390 (2017: US$237 581) in administrative expenses.

	Freehold land US$000's	Buildings US$000's	Vehicles, machinery and equipment US$000's	Furniture 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**

4. Intangible assets

Consolidated and Company	Computer software US$000's	Total US$000's
Year ended 31 December 2018		
Opening net book amount	23	23
Amortisation charge	(5)	(5)
Closing net book amount	**18**	**18**
At 31 December 2018		
Cost	710	710
Accumulated amortisation charge	(692)	(692)
Net book amount	**18**	**18**
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**

5. Investment property

Consolidated and Company	Land and buildings US$000's	Total US$000's
Year ended 31 December 2018		
Opening net book amount	115	115
Depreciation charge	(4)	(4)
Transfer in	53	53
Closing net book amount	**164**	**164**
At 31 December 2018		
Cost	246	246
Accumulated depreciation	(82)	(82)
Net book amount	**164**	**164**
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)	(51)
Net book amount	**115**	**115**

The costs incurred in relation to direct operating expenses in respect of the properties in 2018 amounted to US$nil (2017: US$5 589).

	Fair value measurements (Level 2) 2018 US$000's	2017 US$000's
Investment property	540	185

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 2017 and 2018.

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

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

Level 2 fair values of investment property have been derived using the market approach by property valuation experts engaged by management. The valuer has determined these inputs based on the size of the property, location of the land and the state of the local economy. As the market approach was used, there were no significant unobservable inputs used.

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

	Fair value at 31 December 2018 US$000's	Fair value at 31 December 2017 US$000's	Valuation technique	Observable inputs	Relationship of observable inputs to fair value
Investment property	540	185	Market approach	Market price per square metre	The higher the price per square metre, the higher the fair value

6. Investment in subsidiaries

	2018 US$000's	2017 US$000's
Company		
Investment in subsidiaries	-	-

Set out below are the Company's subsidiaries at 31 December 2018. The subsidiaries, as listed below, have share capital consisting solely of ordinary shares, which are held directly by the Company. All of the subsidiaries are dormant and have nil values with insignificant assets and liabilities.

Subsidiaries	% of ownership interest held by the Company	Country of incorporation
House of Raleigh Limited	100%	Zimbabwe

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

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

The impact on the financial statements from the activities of the ESOT is described in notes 2.25 (Share-based payment) and 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	Assets at amortised cost US$000's	Assets at fair value through profit or loss US$000's	Total US$000's
31 December 2018			
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)	2 223	-	2 223
Financial assets at fair value through profit or loss	-	221	221
Cash and cash equivalents	33 561	-	33 561
Total	**35 784**	**221**	**36 005**

	Other financial liabilities US$000's	Total US$000's
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	27 380	27 380
Total	**27 380**	**27 380**

Notes To The Financial Statements

For The Year Ended 31 December 2018

7. Financial instruments by category continued

Consolidated and Company	Assets at amortised cost US$000's	Assets at fair value through profit or loss US$000's	Total US$000's
31 December 2017			
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	**24 907**	**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**

8. Inventories

Consolidated and Company	2018 US$000's	2017 US$000's
Raw materials	2 267	3 078
Finished goods	3 196	1 472
Consumables	342	219
	5 805	**4 769**

The cost of inventories recognised as an expense and included in "cost of sales" amounted to US$7 750 077 (2017: US$7 242 533).

During the year, write downs amounting to US$140 905 (2017: US$209 520) were recognised as an expense during the year.

9. Trade and other receivables

Consolidated and Company		
Trade receivables	2 452	2 554
Less: Provision for impairment of trade receivables	(828)	(932)
Trade receivables - net	1 624	1 622
Other receivables	-	83
Prepayments	2 504	240
Receivables from related parties (note 29)	599	1 732
	4 727	**3 677**

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

As at 31 December 2018, trade receivables amounting to US$2 222 777 (2017: US$3 437 000) were fully performing. There is no concentration of credit risk in respect of Group customers as they are all currently subject to similar environmental factors. Collateral is in place in respect of trade receivables valued at US$471 000 (2017: US$579 000).

Consolidated and Company

As at 31 December 2018, trade receivables amounting to US$700 200 (2017: US$nil) were past due but not impaired.

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

9. Trade and other receivables continued

Consolidated and Company continued

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

31 December 2018	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
Wholesalers	620	620	-	-
Retailers	514	514	-	-
Stockists	490	452	38	-
Other receivables	-	-	-	-
Prepayments	2 504	2 504	-	-
Receivables from related parties	599	-	-	599
Total	**4 727**	**4 090**	**38**	**599**
31 December 2017				
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**

As at 31 December 2018, trade receivables amounting to US$1 538 322 (2017: US$1 580 261) were overdue. The amount of the provision recognised on total trade receivables amounted to US$828 121 as of 31 December 2018 (2017: US$931 957). The individually impaired receivables mainly relate to distributors, wholesalers and retailers, which are in a difficult economic situation.

	2018 US$000's	2017 US$000's
The ageing of these receivables is as follows:		
3 to 6 months	79	192
Over 6 months	749	740
	828	**932**

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

US dollar	4 727	3 677
Total	**4 727**	**3 677**

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

At 1 January	**932**	**606**
Provision for receivables impairment	-	326
Unused amounts reversed	(104)	-
At 31 December	**828**	**932**

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.

9. Trade and other receivables continued

Consolidated and Company continued

As at 31 December 2018, the exposure to credit risk in respect of trade and other receivables by type of counterparty was as follows:

	2018 US$000's	2017 US$000's
Wholesalers	620	422
Retailers	514	903
Stockists	490	290
Other receivables	-	90
Prepayments	2 504	240
Related parties	599	1 732
	4 727	**3 677**

10. Financial assets at fair value through profit or loss

	2018 US$000's	2017 US$000's
Consolidated and Company		
Listed securities held for trading		
Equity securities - Nampak Holdings Limited	221	133

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 2018.

Financial assets	Level 1 US$ 000	Level 2 US$ 000	Level 3 US$ 000	Total US$ 000
2018				
Quoted securities at market value	221	-	-	221
2017				
Quoted securities at market value	133	-	-	133

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

	2018 US$000's	2017 US$000's
Consolidated and Company		
Cash at bank and on hand	33 561	21 470
Cash and cash equivalents	**33 561**	**21 470**

11. Cash and cash equivalents continued

Consolidated and Company continued

Included in cash and cash equivalents are balances with local banks. These balances are used for transacting on a daily basis. In October 2018, the Reserve Bank of Zimbabwe introduced a separation of bank balances between local RTGS FCA accounts and Nostro FCA accounts. The balances above are split as follows:

	2018 US$000's
RTGS FCA accounts	33 120
Nostro FCA accounts	441
	33 561

The RTGS FCA account balances subsequently changed their currency denomination to RTGS$ from the initial denomination of US$ in February 2019 through Statutory Instrument 33 (SI33) of 2019. The impact of SI 33 of 2019 has been assessed and disclosed separately in note 35.

Included in cash and cash equivalents is cash on hand amounting to US$nil (2017: US$nil). 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

	31 December 2018		31 December 2017	
Consolidated and Company	**Number of ordinary shares**	**Ordinary shares US$000's**	**Number of ordinary shares**	**Ordinary shares US$ US$000's**
Authorised				
Ordinary shares at US$0.30 each	21 252 000	6 376	21 252 000	6 376

Issued and fully paid

Consolidated	**Number of ordinary shares**	**Ordinary shares US$ US$000's**
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**
At 1 January 2018	**20 633 517**	**6 190**
Less treasury shares	(3 252 000)	(976)
At 31 December 2018	**17 381 517**	**5 214**

Issued and fully paid
Company

At 31 December 2017	**20 633 517**	**6 190**
At 31 December 2018	**20 633 517**	**6 190**
Treasury shares		
At 31 December 2017	**3 252 000**	**976**
At 31 December 2018	**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 2018, the Directors held, directly or indirectly, the following number of shares in the Company:

	2018 US$000's	2017 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

	2018	2017
Trade payables	2 585	1 199
Amounts due to related parties (note 29)	20 407	15 467
Social security and other taxes	3 069	1 889
Accrued expenses	1 657	423
External dividends	2 710	1 700
Other	77	741
	30 505	**21 419**

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:

	2018	2017
ZAR	1 875	1 561
GBP	1 847	2 764
EUR	-	69
US dollar	26 783	17 025
	30 505	**21 419**

15. Provisions for other liabilities and charges

Consolidated and Company

	Statutory claims US$000's	Total US$000's
At 1 January 2018	422	422
Utilised during the year	(422)	(422)
Charged to the statement of comprehensive income	-	-
At 31 December 2018	**-**	**-**

Analysis of total provisions:

	2018 US$000's
Non-current	-
Current	-
	-

	Statutory 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

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

16. Staff benefits liability

Consolidated and Company continued

	Provision for restructuring costs US$000's	Annual leave US$000's	Incentive bonus provision US$000's	Long service award provision US$000's	Total US$000's
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 1 January 2018	**-**	**249**	**880**	**-**	**1 129**
Utilised during the year	-	-	-	-	-
Charged to the statement of comprehensive income	240	404	780	87	1 511
At 31 December 2018	**240**	**404**	**780**	**87**	**1 511**

(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 2017 was fully utilised during the first half of 2018.

(c) Provisions for long service award

This is a provision for awards to employees who have been employed for at least 10 years by the Company. It is paid for at 5 yearly intervals from year 10 of employment. The calculation was based on management inputs and no actuarial valuation was carried out for 2018.

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"), refer to note 2.26. The liability is recognised in both the consolidated and Company financial statements. The liability is recognised in the Company financial statements on the basis that the ESOT has a constructive liability to settle the share units but remains reliant on dividend income from the Company in order to fund any cash settlements. As such, the Company recognises the value of this obligation.

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

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

	2018 US$000's	2017 US$000's
At 1 January 2018	**247**	**61**
Transfer from leave liability	-	114
Re-measurement of share-based payment liability	(13)	123
Amounts paid during the year	(12)	(51)
At 31 December 2018	**222**	**247**

18. Deferred tax liability

Consolidated and Company

The deferred tax liability is made up of:

	2018 US$000's	2017 US$000's
Property, plant and equipment - accelerated depreciation	1 483	1 532
Provisions	(782)	(402)
Allowance for credit losses	(119)	(146)
Marketable securities - fair value	4	6
Prepayments	-	62
Inventory write-down	(122)	(92)
Unrealised exchange differences	134	(113)
Prior year adjustment	15	-
Deferred tax liability - net	**613**	**847**

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

	2018 US$000's	2017 US$000's
At 1 January 2018	**847**	**690**
Credit/charge to the statement of comprehensive income	(234)	157
At 31 December 2018	**613**	**847**

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 2018	**847**	**847**
Credit to the statement of comprehensive income	(234)	(234)
At 31 December 2018	**613**	**613**
At 1 January 2017	**690**	**690**
Charge to the statement of comprehensive income	157	157
At 31 December 2017	**847**	**847**

19. Cash generated from operations

Consolidated and Company

	2018 US$000's	2017 US$000's
Profit before income tax	22 638	16 646
Adjustment for:		
- Depreciation of property, plant and equipment	996	863
- Amortisation of intangible assets	5	5
- Profit on sale of property, plant and equipment	(4)	(113)
- Fair value gains on financial assets at fair value through profit or loss (note 24)	(88)	(115)
- Unrealised exchange gains	-	(1)
Changes in working capital:		
- (Increase)/decrease in inventories	(1 036)	2 704
- Increase in trade and other receivables	(1 050)	(52)
- Increase in trade and other payables	3 447	595
- Decrease in provisions for other liabilities and charges	(39)	(849)
- (Decrease)/increase in share-based payment liability	(25)	186
Cash generated from operations	**24 844**	**19 869**

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For The Year Ended 31 December 2018

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	Group US$ 000	Total US$ 000
2018			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	195	419	614
NSSA	36	36	72
	231	**455**	**686**
2017			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	168	362	530
NSSA	37	134	171
	205	**496**	**701**

21. Revenue

	2018 US$000's	2017 US$000's
Consolidated and Company		
Revenue from sales of goods	42 704	36 760

22. Other income

Consolidated and Company

	2018 US$000's	2017 US$000's
Profit on Group recharges	1 776	636
Royalties	-	704
Rental income	37	62
IT services charge to third parties	-	266
Profit on sale of property, plant and equipment	4	113
Sundry income	581	685
Exchange gains	543	-
	2 941	**2 466**

Profit on Group recharges are expenses recharged to BAT Global Leaf Pool incurred by British American Tobacco Zimbabwe (Holdings) Limited for their employees based in Zimbabwe.

23. Operating profit

Consolidated and Company

	2018 US$000's	2017 US$000's
23.1 Operating profit before taxation includes the following:		
Auditors' remuneration - current year	79	95
Depreciation of property, plant and equipment	996	863
Directors' fees	29	31
Management fees	1 065	1 273

Notes To The Financial Statements

For The Year Ended 31 December 2018

23. Operating profit continued

Consolidated and Company continued

23.2 Staff costs	**2018 US$000's**	**2017 US$000's**
Salaries and wages	6 209	6 620
Pension contributions	497	610
	6 706	**7 230**

23.3 The number of employees as at 31 December 2018 was 130 (2017: 133)

24. Other gains

Consolidated and Company		
Financial assets at fair value through profit or loss (note 10) - Fair value gains	**88**	**115**

25. Income tax expense

Consolidated and Company		
Current income tax on profit for the year	6 971	5 774
Withholding tax	1 093	145
Deferred taxation (expense)/income (note 18)	(234)	157
	7 830	**6 076**

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:

	2018 %	**2017 %**
Tax effect on: current income tax rate	25.75	25.75
Prior year adjustments	5.78	6.06
Disallowable expenditure:		
Depreciation of property, plant and equipment	0.51	-
Excess pension contributions	0.17	0.20
Excess management fees	1.16	2.22
Fines	0.43	-
Other	0.76	1.40
Withholding tax	0.47	0.87
Gain on fair value of shares	(0.08)	-
Effective tax rate	**34.95**	**36.50**

26. Income tax paid

Consolidated and Company	**2018 US$000's**	**2017 US$000's**
Opening balance	262	255
Charge per the statement of comprehensive income	8 064	5 919
Closing balance per statement of financial position	(543)	(262)
	7 783	**5 912**

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.

	2018 US$000's	**2017 US$000's**
Profit attributable to equity holders of the Company (US$000)	14 808	10 570
Weighted average number of ordinary shares in issue (thousands)	20 634	20 634
Basic and diluted earnings per share	0.72	0.51

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 2018 amounted to US$4 711 491 (2017: US$4 460 382), including an interim dividend of US$0.30 per share.

Dividends declared for the year amounted to US$10 351 106 (2017: US$9 434 318).

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	2018 US$000's	2017 US$000's
(a) Other sales:		
British American Tobacco Angola Lda	-	766
(b) Purchase of goods and services:		
British American Tobacco South Africa (Pty) Limited	2 824	2 515
British American Tobacco (Holdings) Limited	15	135
British American Tobacco Shared Services GSD UK	-	1 293
British American Tobacco (GLP) Limited	432	110
	3 271	**4 053**

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. Management fees amounted to US$1 065 403 (2017: US$1 273 000).

None of the outstanding 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.

	2018 US$000's	2017 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	575	1 182
British American Tobacco Malawi	1	1
British American Tobacco South Africa (Pty) Limited	18	-
British American Tobacco (GLP) Limited	-	549
British American Tobacco Mozambique Limitada	5	-
	599	**1 732**
(d) Payable to related parties (note 14):		
British American Tobacco (Holdings) Limited	15 169	10 184
British American Tobacco Shared Services GSD UK	2 049	2 128
British American Tobacco South Africa (Pty) Limited	2 724	2 495
British American Tobacco Mozambique	402	312
British American Tobacco (GLP) Limited	63	348
	20 407	**15 467**

(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:

	2018 US$000's	2017 US$000's
Short term employee benefits	1 062	1 332
Termination benefits	-	-
	1 062	**1 332**

30. Capital commitments

There were no capital commitments at year end (2017: 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.

31. Financial risk management continued

Consolidated and Company continued

31.1 Financial risk factors continued

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 2018, 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$336 200 lower/higher (2017: US$439 400), mainly as a result of foreign exchange gains or losses on the translation of foreign trade payables.

(ii) Price risk

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

(b) Credit risk

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

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

	2018 US$000's	2017 US$000's
Trade receivables and other receivables, excluding prepayments		
- Trade receivables from customers	2 223	3 437
- Cash and cash equivalents	33 561	21 470
	35 784	**24 907**

The fair value of trade and other receivables at 31 December 2018 approximates their carrying amount due to their short tenure.

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

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

Financial institution	2018 US$000's	2017 US$000's
Standard Chartered Bank of Zimbabwe Limited	29 406	20 506
Stanbic Bank Zimbabwe Limited	550	-
Barclays Bank of Zimbabwe Limited	227	73
Central Africa Building Society (CABS)	3 378	891
	33 561	**21 470**

(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.

31. Financial risk management continued

Consolidated and Company continued

31.1 Financial risk factors continued

(c) Liquidity risk continued

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

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.

The Company has instituted the following measure 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.

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 2018 is as follows:

	Up to 1 month 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	33 561	-	-	33 561
Trade and other receivables (excluding prepayments)	1 586	38	-	1 624
Receivables from related parties	-	-	599	599
Financial assets at fair value through profit or loss	-	-	221	221
Total assets	**35 147**	**38**	**820**	**36 005**
Liabilities				
Trade and other payables (excluding statutory liabilities)	27 436	-	-	27 436
Liquidity gap	**7 711**	**38**	**820**	**8 569**

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

Maturity analysis as at 31 December 2017 is as follows:

	Up to 1 month 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**

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 2018, the Group neither had borrowings payable to related parties, nor other financial institutions.

31. Financial risk management continued

Consolidated and Company 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$42 703 829 (2017: US$36 760 111) is from external customers who are domiciled in Zimbabwe and is from the sale of cigarettes.

	2018		2017	
	Cigarettes US$000's	Total US$000's	Cigarettes US$000's	Total US$000's
External revenue	77 800	77 800	66 717	66 717
Tobacco duties	(35 096)	(35 096)	(29 957)	(29 957)
Net revenue	**42 704**	**42 704**	**36 760**	**36 760**
Profit before interest, taxation, depreciation and amortisation	**23 635**	**23 635**	**17 514**	**17 514**
Depreciation	(992)	(992)	(863)	(863)
Amortisation	(5)	(5)	(5)	(5)
Profit before income tax	**22 638**	**22 638**	**16 646**	**16 646**
Total assets	**51 437**	**51 437**	**37 912**	**37 912**
Total liabilities	**33 394**	**33 394**	**24 326**	**24 326**

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.

	2018 US$000's	2017 US$000's
Lease income receivable		
No later than 1 year	69 583	27 120
Later than 1 year and no later than 5 years	347 917	135 600
Later than 5 years	-	-
	417 500	**162 720**

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.

34. Critical accounting estimates and judgments continued

Consolidated and Company continued

Critical accounting estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be equal to 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 33 of 2019 which prescribed RTGS$ as currency was promulgated.

As a result of these and other factors, the Directors had to make an assessment of whether the use of the United States dollar as the Company's functional currency was still appropriate, as detailed in note 2.6 (a) and note 35.

35. Events after reporting date

In the 20 February 2019 Monetary Policy Statement, the Reserve Bank of Zimbabwe Governor announced significant currency reforms which included the following:

- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars. RTGS dollars were added to the basket of currencies in the multi-currency system.
- RTGS dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- Established an inter-bank foreign exchange market to formalise the trading of RTGS balances and bond notes with US$ and other currencies on a willing-buyer willing-seller basis through banks and bureaux de change. The official starting exchange rate for the RTGS dollar against the US$ was 2.5:1 as of 22 February 2019.

In addition to the Monetary Policy Statement, Statutory Instrument 33 (SI 33) of 2019 was issued on 22 February 2019. The Statutory Instrument gave effect to the introduction of the RTGS dollar as legal tender and prescribed that for accounting and other purposes certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the US$ and would become opening RTGS dollar values from the effective date.

In the Directors' assessment of the above subsequent events, they have considered the events as adjusting events based on their interpretation in terms of International Accounting Standard 10 (IAS 10) *"Events after the Reporting Period"* as it was considered as reflective of underlying conditions as at the reporting date of 31 December 2018. However, given the prescribed accounting requirements, as per SI 33, these subsequent events have not been adjusted for.

The Directors have assessed the impact on the 31 December 2018 consolidated and Company statement of financial position of applying different exchange rates, as shown in the next table, which illustrates the sensitivities based on RTGS$ exchange rates to the US$ of 1:1, 1:2.5, 1:3.5 and 1:4.

35. Events after reporting date continued

	Components of reported amounts					Sensitivity analysis		
	Monetary Assets/ Liabilities Nostro FCA US$	Monetary Assets/ Liabilities RTGS$	Non-Monetary Assets/ Liabilities US$	Non-Monetary Assets/ Liabilities RTGS$	Total US$ @1:1	Total RTGS$ @1:2.5	Total RTGS$ @1:3.5	Total RTGS$ @1:4
Non-current assets								
Property, plant and equipment	-	-	6 941	-	6 941	17 352	24 293	27 764
Intangible assets	-	-	18	-	18	45	63	72
Investment property	-	-	164	-	164	410	574	656
Financial assets at fair value through profit or loss	-	221	-	-	221	221	221	221
	-	**221**	**7 123**	**-**	**7 344**	**18 028**	**25 151**	**28 713**
Current assets								
Inventories	-	-	1 480	4 325	5 805	8 025	9 505	10 245
Trade and other receivables	599	1 624	-	2 504	4 727	5 626	6 225	6 524
Cash and cash equivalents	441	33 120	-	-	33 561	34 222	34 664	34 884
	1 040	**34 744**	**1 480**	**6 829**	**44 093**	**47 873**	**50 394**	**51 653**
Total assets	**1 040**	**34 965**	**8 603**	**6 829**	**51 437**	**65 901**	**75 545**	**80 366**
Equity								
Share capital	-	-	-	5 214	5 214	5 214	5 214	5 214
Non-distributable reserve	-	-	-	337	337	337	337	337
Retained earnings	-	-	-	12 492	12 492	12 492	12 492	12 492
Translation reserve	-	-	-	-	-	3 688	6 149	7 378
Total equity	**-**	**-**	**-**	**18 043**	**18 043**	**21 731**	**24 192**	**25 421**
Non-current liabilities								
Deferred tax	1 510	(897)	-	-	613	2 879	4 389	5 145
Current liabilities								
Trade and other payables	5 673	7 296	-	-	12 969	21 479	27 152	29 988
Dividend payable	15 195	2 341	-	-	17 536	17 536	17 536	17 536
Staff benefits and liabilities	-	1 511	-	-	1 511	1 511	1 511	1 511
Share-based payment liability	-	222	-	-	222	222	222	222
Current income tax liability	-	543	-	-	543	543	543	543
Total liabilities	**22 378**	**11 016**	**-**	**-**	**33 394**	**44 170**	**51 353**	**54 945**
Total equity and liabilities	**22 378**	**11 016**	**-**	**18 043**	**51 437**	**65 901**	**75 545**	**80 366**

Assumptions

Inventories have been split between the costs arising from local components (i.e. manufacturing overheads and leaf) and imported components, which include wrapping material. The split in respect of manufactured finished goods was based on December 2018 production costs.

US$ dividends payable were converted at 1:1 based on the premise that the legacy debt from dividends payable will be settled at 1:1 through the RBZ. The entity has registered its foreign legacy debt in line with the Exchange Control Directive RU 28 of 2019 requirement.

36. Going concern

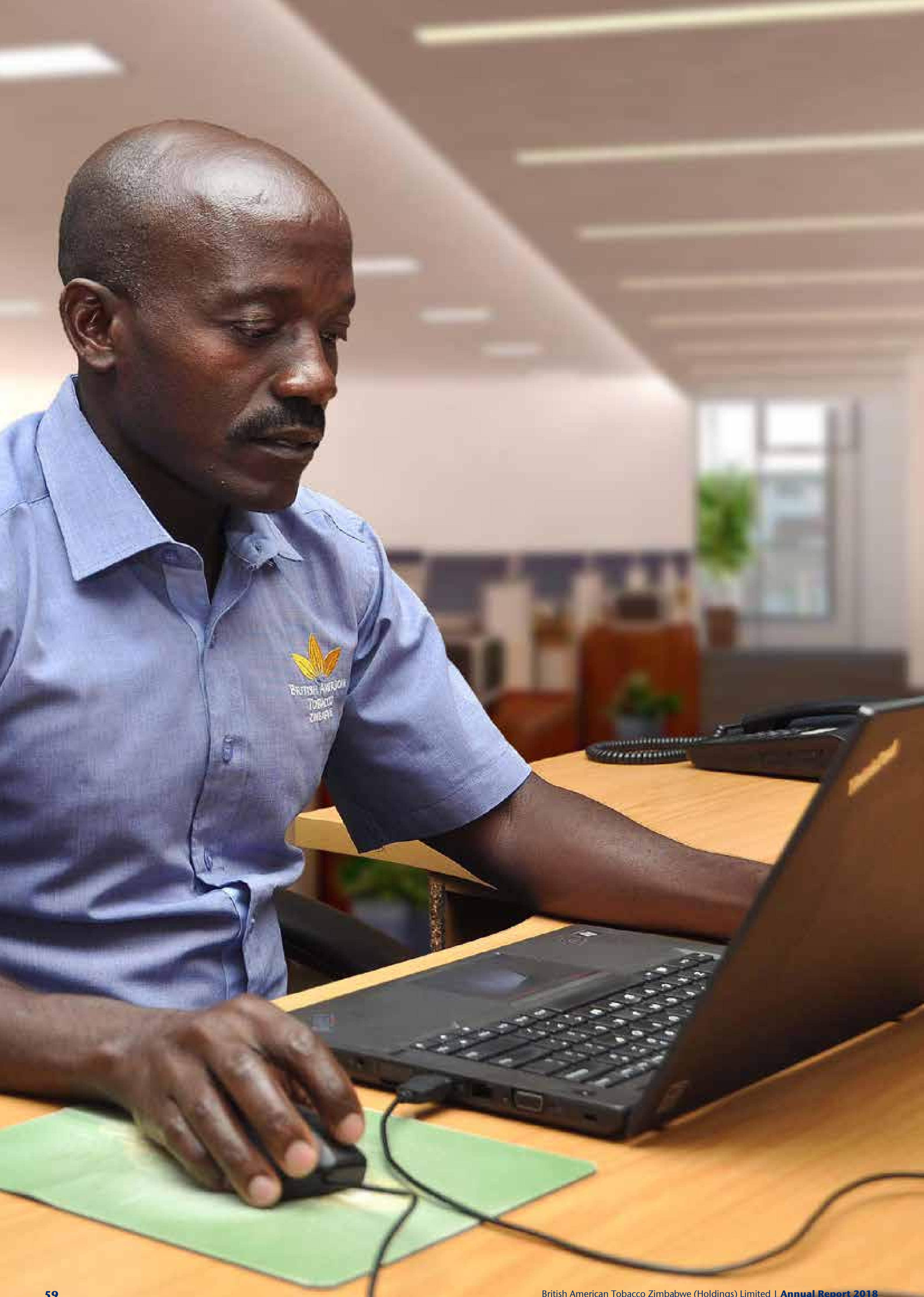
The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

Shareholder Analysis

Top Twenty Shareholders

Consolidated Top 20 As At 31 December 2018

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	2 707 240	13.12
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	Standard Chartered Nominees (Private) Limited,	892 907	4.33
6	Stanbic Nominees (Private) Limited	813 000	3.94
7	Old Mutual Zimbabwe Limited	596 651	2.89
8	National Social Security Authority	236 413	1.15
9	Anglo American Associated Companies Pension Fund	133 772	0.65
10	Local Authorities Pension Fund	101 977	0.49
11	National Foods P/ F - Imara	71 409	0.35
12	Delta Beverages Pension Fund	68 412	0.33
13	Zimbabwe Electricity Ind Pension Fund	68 089	0.33
14	FBC Holdings PF - Imara	58 089	0.28
15	Mimosa Mining Pension Fund,	56 048	0.27
16	Amzim Pension Fund	50 198	0.24
17	Hit Pension Fund - Imara	49 988	0.24
18	Die Rupert Kunsstigting,	41 500	0.20
19	Minerva Inc W/Drwl Fund	38 328	0.19
20	TFS Nominees (Pvt) Ltd	35 322	0.17
	Total	**19 170 291**	**92.91**
	Other Shareholders	**1 463 226**	**7.09**
	Total Number Of Shares	**20 633 517**	**100.00**


British American
Tobacco
Zimbabwe

Notice To Shareholders

NOTICE IS HEREBY GIVEN that the Fifty-Ninth 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, 28 June 2019 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-Eighth Annual General Meeting.

2. Financial Statement and Reports
To receive and adopt the audited financial statements for the year ended 31 December 2018, together with the reports of the Directors and auditors thereon.

3. Dividend
To confirm the interim dividend of US$0.30 per share paid during the past year.

4. Directorate
4.1 To approve the remuneration of Directors for the year ended 31 December 2018.

4.2 To confirm the appointment of Mr Nomore Mapanzure as a Director of the Company.

Mr Nomore Mapanzure was co-opted to the Board in terms of Article 88 of the Company's Articles Association prior to the Annual General Meeting.

4.3 To re-elect Mr Edwin I. Manikai and Mrs Rachel P. Kupara who retire by rotation in terms of Article 96 of the Company's Articles of Association.

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

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

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

By Order of the Board

Pauline Kadembo
Company Secretary

24 April 2019

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 Road
Eastlea
P.O. Box 11
Email: zmazhandu@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.

Form of Proxy

Fifty-Ninth 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-Ninth Annual General Meeting of the Company to be held at British American Tobacco Zimbabwe Offices, 1 Manchester Road, Southerton, Harare on Friday, 28 June 2019 at 10:00 am.

Signed this……………………………day of ……………………………2019

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-Ninth 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-Ninth Annual General Meeting of the Company to be held at British American Tobacco Zimbabwe Offices, 1 Manchester Road, Southerton, Harare on Friday, 28 June 2019 at 10:00 am.

Signed this……………………………day of ……………………………2019

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-Ninth 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-Ninth Annual General Meeting of the Company to be held at British American Tobacco Zimbabwe Offices, 1 Manchester Road, Southerton, Harare on Friday, 28 June 2019 at 10:00 am.

Signed this……………………………day of ……………………………2019

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.

BRITISH AMERICAN TOBACCO
ZIMBABWE

Affix
stamp
here

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

BRITISH AMERICAN TOBACCO
ZIMBABWE

Affix
stamp
here

The Company Secretary
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Harare

Notes

Notes

BRITISH AMERICAN TOBACCO

ZIMBABWE

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Harare, Zimbabwe

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