Annual Report 2019

BAT
ZIMBABWE

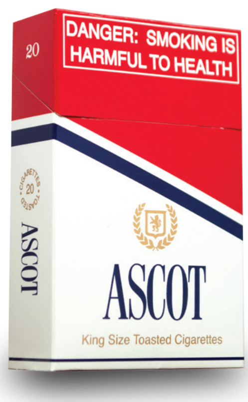
A BETTER TOMORROW™

CONTENTS

OUR BRANDS

British American Tobacco Zimbabwe (Holdings) Limited's brand portfolio includes one international brand, Dunhill and local brands Newbury, Kingsgate, Everest, Madison and Ascot.

Dunhill characterises the premium segment, whilst Newbury and Kingsgate characterise the aspirational premium segment. Madison and Everest are the Company's value for money (VFM) brands whilst Ascot caters for the low value for money (LVFM) segment.



OUR STRATEGY

Combustible tobacco remains the core of our business and we will continue to provide us with opportunities for growth.

Our strategy enables the business to deliver a better tomorrow for our consumers who will have a range of enjoyable choices for every mood and moment; for our society by supporting agricultural communities and minimising our impact on the environment; for our employees by creating a dynamic and purposeful place to work; and for our shareholders by delivering sustainable superior returns.

OUR MISSION

Stimulating the senses of new adult generations.

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

Our mission is to anticipate and satisfy this ever-evolving consumer by providing pleasure, increase choice and stimulate the senses of adult consumers worldwide.

HOW WE WIN

People And Partnerships

Our highly motivated people are being empowered through a new ethos that is responsive to constant change, embodies a learning culture and is dedicated to continuous improvement.

But we cannot succeed on our own, and our partnerships with farmers, suppliers and customers are also key for ensuring sustainable future growth.

Powerful Brands

For over a century, we have built trusted and powerful brands that satisfy our consumers and serve as a promise for quality and enjoyment.

OUR PURPOSE

By stimulating the senses of new adult generations, our purpose is to create A Better Tomorrow for all our stakeholders.

We will create A Better Tomorrow for:

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

Society
By supporting agricultural communities and reducing our environmental impact;

Employees
By creating a dynamic, inspiring and purposeful place to work; and

Shareholders
By delivering sustainable and superior returns.

ETHOS

Our Ethos are an evolution of our Guiding Principles which guides our culture and behaviours across the group. It has been developed with significant input from our employees and ensures an organisation that is future fit for sustainable growth.

We are
BOLD

Dream big - with innovative ideas

Make tough decisions quickly and proudly stand accountable for them

Resilient and fearless to compete

We are
FAST

Speed matters
Set clear direction and move fast

Keep it simple
Focus on outcomes

Learn quickly and share learnings

We are
EMPOWERED

Set the context for our teams and trust their expertise

Challenge each other
Once in agreement, we commit collectively

Collaborate and hold each other accountable to deliver

We are
DIVERSE

Value different perspectives

Build on each others' ideas, knowledge and experiences

Challenge ourselves to be open-minded recognising inconscious bias

We are
RESPONSIBLE

Take action to reduce the health impact of our business

Ensure the best quality products for consumers, the best place to work for our people and the best results for our shareholders

Act with integrity, never compromising our standards and ethics.

INTERNATIONAL MARKETING PRINCIPLES

Our International Marketing Principles guide the decisions we make. In our mission to create 'a better tomorrow', our International Marketing Principles (IMP) ensure we will all continue to market our products, responsibly and sustainably, to successfully grow our global brands.

Youth should never smoke or use products containing tobacco or nicotine.

We are committed to applying our International Marketing Principles to all our products and upholding the same high standards in every market we operate, even when they are stricter than applicable local laws. We market our cigarettes responsibly, meeting the preferences of today's adult smokers.

OUR PRINCIPLES

Our five core principles relating to all our products are that our marketing will be:

1 **Responsible**

2 **Accurate and not misleading**

3 **Targeted at adult consumers**

4 **Transparent**

5 **Compliant with all applicable laws**

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 Darryn Bassa
Mr Nomore Mapanzure
Mr Constantine F. Chikosi

Executive Directors
Mr Kimesh Naidoo
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
Mr Constantine F. Chikosi

Board Remuneration and Nominations Committee
Mr Edwin I. Manikai (Chairperson)
Mrs Rachel P. Kupara
Mr Lovemore T. Manatsa
Professor Hope C. Sadza
Mr Constantine F. Chikosi

Auditors

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

Administration

Company Secretary
Registered Office
British American Tobacco Zimbabwe (Holdings) Limited
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

CHAIRMAN
Lovemore T. Manatsa

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 Metropolitian University), Bachelor of Commerce (University of South Africa) and a Diploma in Journalism (International Press Insitute). He joined the Company as the Advertising Manager in 1995, and occupied various senior roles within the Company and within the BAT Southern Africa Markets Area. In mid - 2007, Lovemore was appointed Country Manager for the BAT Zambia & Malawi Cluster and was based in Lusaka. Lovemore retired from his last position as Managing Director of the Company on 31 January 2016 but remained as a Non-Executive Director. Lovemore also sits on the Board of Standard Chartered Bank Zimbabwe Limited as Chairman.

NON- EXECUTIVE DIRECTOR
Constantine F. Chikosi

Mr Constantine Chikosi holds a law degree from the University of Zimbabwe, an MSc (Economics) from the University of Surrey (UK), is a Chartered Management Accountant (UK) and a graduate of INSEAD Business School (France). In over 19 years with the World Bank Group, Constantine held operational, management and strategy roles delivering development solutions for the Bank's client countries through analytical work, high level policy dialogue and advising the Board on internal corporate strategy and forward-looking initiatives. He oversaw a threefold growth of the Bank's investment portfolio in Southeast Asia as chair of committees that shaped the Bank's investment portfolios. Constantine led the opening of the World Bank Office in Mauritius where he assisted the government in developing policy responses to the 2008 global financial crisis. Constantine is an independent Director of Mauritius Commercial Bank Group Ltd and serves on its Group Strategy Committee. He sits on the Advisory Board of Strand Hanson Ltd - a London-based investment bank.

NON-EXECUTIVE DIRECTOR
Hope C. Sadza

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

Directorate (continued)

NON- EXECUTIVE DIRECTOR
Edwin I. Manikai

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 34 years' experience as a lawyer focusing on commercial legal practice. He commenced practice as an attorney with Gill, Godlonton & Gerrans, one of the established Harare law firms in 1985. He was a partner at this firm until May 1998 when he co-founded the commercial law firm, Dube Manikai & Hwacha Legal Practitioners in June 1998. He has advised on significant mining, energy and telecommunications transactions at world class levels. He is the leading figure in restructuring transactions through schemes of arrangements, reconstructions in Zimbabwe. He sits on the Board of the Reserve Bank of Zimbabwe.

NON- EXECUTIVE DIRECTOR
Darryn Bassa

Mr Darryn Bassa is the General Manager for British American Tobacco Southern African Markets (SAM). Prior to being appointed General Manager, Mr. Bassa held various marketing related positions within the BAT Group, including being British American Tobacco East and Central Africa's Marketing and Sales Director. Mr Bassa brings to the Board, a wealth of experience in marketing and trade, global strategic planning, brand management and project management. He holds a B Tech, Management degree from the University of Technology, Kwa-Zulu Natal.

NON- EXECUTIVE DIRECTOR
Rachel P. Kupara

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.

NON- EXECUTIVE DIRECTOR
Nomore Mapanzure

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 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 Commercial Financial Controller for the BAT East and Southern African Area.

Directorate (continued)

MANAGING DIRECTOR
Kimesh Naidoo

Mr Kimesh Naidoo is a qualified Chartered Accountant with the South African Institute of Chartered Accountants (SAICA), with over 11 years' experience in cross-functional management, financial management, audit, sales and distribution in the Fast-Moving Consumer Goods industry. He holds an Honours Bachelor's Degree of Accounting (B.Acc.) in Accounting, Taxation, Auditing, & Management Accounting from the University of Natal (Durban) and has worked in various companies including KPMG South Africa and Standard Bank. Prior to joining the Company, he occupied various senior management roles at Anheuser-Busch InBev (AB Inbev) in the Republic of South Africa for over 10 years where he then left as the Director: Customer Interaction Centre. Kimesh joined British American Tobacco South Africa in June 2019 and was subsequently appointed as the Managing Director for the Company effective 22 October 2019.

FINANCE DIRECTOR
Leslie Malunga

Mr Leslie Malunga holds a BSC (Hons) In Applied Accounting from Oxford Brookes University and is an ACCA Member. He is a seasoned finance professional with 15 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.

COMPANY SECRETARY
Pauline Kadembo

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

HEAD OF OPERATIONS
Jerry Chirambo

Jerry Chirambo has over 24 years' experience working for British American Tobacco. He was appointed as Head of Operations in for Zambia in 2017. He returned to Zambia after 10 years at British American Tobacco South Africa in 2017 as the Project Manager for the setup of the new BAT Zambia factory in LS-MFEZ. He joined BAT Zimbabwe as the Head of Operations in July 2019. He brings vast experience having worked in various management roles in Operations and Marketing over his career in BAT in many countries. He is a Supply Chain professional - Member of the Chartered Institute of Purchasing and Supply.

HUMAN RESOURCES BUSINESS PARTNER
Kudzai Chamba

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.

HEAD OF TRADE
Catherine Gijima-Dhliwayo

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 15 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.

MARKETING DEPLOYMENT MANAGER
Kudakwashe Chimwanda

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 Delta Corporation Limited. Kudakwashe is an Accredited Marketing Practitioner with the Marketers Association of Zimbabwe. He holds Master of Science Degree in Marketing and a Bachelor of Commerce Honors Degree in Marketing from National University of Science and Technology 2020.

NOTE:
Kimesh Naidoo, Leslie Malunga and Pauline Kadembo are part of the leadership team and their profiles are on page 9, under Directorate.

CHAIRMAN'S STATEMENT

> *The Company preserved margins over the reported period through a balanced pricing strategy.*

Introduction
2019 was a challenging year for the business mainly driven by significant changes to the macroeconomic policies and in particular, the introduction of the Zimbabwe dollar that was floated against the United States dollar. The official exchange rate had very little significance to the productive sector because of the inaccessibility of foreign currency on the interbank market. The local currency devalued against major trading currencies further impacting consumer disposable incomes. Inflation increased to 521% by the end of December 2019 against 42.1% in December 2018. This increase depicted the worst annual outturn in eleven years and triggered a return to hyperinflation in the Zimbabwean economy. Power shortages persisted resulting in heavy reliance on generators which largely contributed to decreased productivity and increased operating costs for the Company. It is in this context that the Company presents its Audited Financial Results for the year ended to 31 December 2019.

Volumes
The Company's total sales volumes for the year under review decreased by 17% compared to the previous financial year. In the Aspirational Premium segment, Newbury, grew by 12% driven by consumers switching from Dunhill due to our inability to import the product as duties were required to be paid in United States dollars. Consequently, Dunhill sales declined by 94%. The Value for Money segment, (Madison and Everest) and Low Value for Money brand, Ascot, recorded a 17% and 18% decline, respectively, driven by shrinking consumer disposable incomes. However, the Company preserved margins over the reporting period through a balanced pricing strategy.

Hyperinflationary Financial Results
Revenue decreased by ZW$16 million (5%) on an inflation adjusted basis when compared to 2018, driven by declining sales offset by numerous price increases. Gross profit decreased by ZW$16.4 million (7%) compared to 2018, driven by an increase in raw material costs and costs associated with the use of generators due to power interruptions during the year in our manufacturing activities.

Selling and marketing costs decreased by ZW$10.5 million (27%) compared to 2018 driven by route to market initiatives to manage the Company's distribution costs.

Administrative expenses were ZW$23.3 million (44%) lower than the previous year, driven by the business's ongoing cost saving initiatives.

Other losses increased by ZW$62.1 million (11 353%) compared to 2018 due to foreign exchange losses on liabilities driven by the devaluation in the Zimbabwe dollar against the United States dollar.

Due to hyperinflation accounting, there was a ZW$90.8 million (348%) increase on net monetary movements mainly driven by the restatement of opening retained earnings.

As a result of the above, operating profit decreased by ZW$162.1 million (104%) versus the same period in prior year, to close at a loss of ZW$5.8 million. Net loss attributable to shareholders for the period under review was ZW$27.7 million compared to a profit of ZW$95.3 million in the previous year, representing a 129% decline. Headline Earnings per share were ZW$4.32 per share compared to ZW$5.89 per share the previous period.

Total current assets were ZW$189.4 million representing a ZW$93.7 million decrease (33%) compared to ZW$283.0 million in 2018, driven by a decrease in cash balances. Total current liabilities of ZW$142.8 million were ZW$60.8 million lower (30%) against ZW$203.6 million driven by a reduction in trade payables. Cash generated from operations was a negative ZW$17.9 million representing a ZW$242.6 million (108%) decrease from the ZW$224.7 million generated in 2018. This was due to a decrease in profit, increase in inventories (due to tobacco purchases for the cutrag export business that commenced in March 2020) and a decrease in payables.

Blocked Funds Registration
Subsequent to 31 December 2019, the Reserve Bank of Zimbabwe ("RBZ") registered blocked funds amounting to US$15.2 million in respect of outstanding dividends, consistent with the blocked funds guidelines provided in the Exchange Control Directive RU28 dated 21 February 2019 and Exchange Control Circular No. 8 of 24 July 2019. Following the registration of the blocked funds, an amount of ZWL$15.2 million was transferred to the RBZ to allow settlement of the registered blocked funds. In line with the provisions of the February 2019 Monetary Policy Statement on the settlement arrangements for these blocked funds, RBZ is now working on an appropriate Instrument(s) to facilitate settlement of the registered blocked funds. As a result of the registration, management has continued to account for the outstanding blocked funds at a rate of US$1: ZWL$1.

Dividend
As a result of the economic turbulence and loss incurred for the period, the Board has not declared a dividend for the period ended 31 December 2019.

Contribution to the Government Treasury
The Company contributes to the Government treasury through various taxes, including Excise duty, Corporate Tax, Value Added Tax, Customs Duties, Pay as You Earn and Withholding Tax. The Company's contribution to the Zimbabwe Revenue Authority (ZIMRA) in taxes increased by 138% from ZW$42.5 million in 2018 to ZW$101.3 million in 2019. The key driver of the increase in the tax contribution was Excise Duty, spurred by the increase in change from specific to mixed system (specific plus ad valorem). The specific rate moved during the year from ZW$25/1000 sticks (specific excise) to ZW$50/1000 sticks plus 20% ad valorem on the ex-factory price in August and closed the year at ZW$100/1000 sticks plus 20% ad valorem on the ex-factory price in December. The increased Corporate Tax paid was driven by the increase in the profit before tax on a historical cost basis.

Corporate Governance
In terms of Article 88 of the Company's Articles of Association, the Board appointed Mr Kimesh Naidoo as Managing Director of the Company with effect from 18 October 2019.

Further, Mr Alejandro Riomayor resigned on 30 April 2020 and Mr Darryn Bassa and Mr Constantine F. Chikosi were both appointed as Non-Executive Directors with effect from 30 April 2020.

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

Outlook
Although the economic environment is likely to remain challenging in 2020 mainly driven by macro-economic movements and the effects of the Corona Virus disease (COVID-19), we are confident that through our effective business strategies, the equity of our brands and the quality of our people, the Company will deliver value growth for its shareholders.

Lovemore T. Manatsa
Chairman
10 June 2020

MANAGING DIRECTOR'S REVIEW

> *Our people remain our strongest asset, and collectively showed incredible commitment and drive to deliver...*

Introduction

The year under review was challenging for most businesses in Zimbabwe, mainly as a result of the hyperinflationary environment which resulted in reduced consumer purchasing power. The manufacturing sector remained under pressure principally as a result of limited capital inflows, low aggregate demand, high cost of utilities and bottlenecks in securing foreign currency for critical raw materials and spare parts.

During the year government changed the excise regime for cigarettes from a specific system to a mixed system (specific plus ad valorem). The excise rate moved from a specific rate of ZW$25/1000 sticks, to a mixed rate ZW$50/1000 sticks plus 20% ad valorem on the ex-factory price, in August 2019 and closed the year at ZW$100/1000 sticks plus 20% ad valorem on the ex-factory price, in December 2019.

Net loss attributable to shareholders for the period under review was ZW$27.7 million compared to a profit of ZW$95.3 million in the previous year, representing a 129% decline. Headline Earnings per share were ZW$4.32 per share compared to ZW$5.89 per share the previous period. As a result of the economic turbulence and loss incurred for the period, the Board of Directors has not declared a dividend for the period under review.

Company Performance

The economic challenges faced in 2019 resulted in a 17% volume decline compared to the same period last year. Consumers were faced with high inflation and currency devaluation which reduced consumer spending.

The Aspirational Premium segment, Newbury, grew by 12% driven by consumers switching from Dunhill due to our inability to import the product as duties were required to be paid in United States dollars. Consequently, Dunhill sales declined by 94%. The Value for Money segment, (Madison and Everest) and Low Value for Money brand, Ascot, recorded a 17% and 18% decline, respectively, driven by shrinking consumer disposable incomes. However, the Company preserved margins over the reporting period through a balanced pricing strategy.

Despite the challenges faced the Company's annual flagship promotion, the Madison Usadherere/Ungadeleli, was conducted in the third quarter of the year. The promotion offered excitement to both the traders and consumers, who won a variety of prizes.

Productivity

The Company remained focused on health and safety matters and another year of ZERO accidents, giving the business seven accident-free years in the factory.

There were notable improvements in the Company's plant performance in 2019. Quality key performance indicators improved by 11% and overall equipment efficiency increased by 3%. The Primary Manufacturing Department successfully completed the product validation process for the export of cutrag to Mozambique. 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.

Sustainability

In the year under review, the British American Tobacco Zimbabwe Tobacco Empowerment Trust ("BATZ TET") remained focused on promoting sustainable tobacco production through the two centres of excellence, Chaminuka Vocational Training Centre ("Chaminuka VTC") and Magamba Vocational Training Centre ("Magamba VTC"). For the first time, Chaminuka VTC and Magamba VTC entered into sustainable partnerships for tobacco production as contract growers and notable improvements were observed in tobacco crop quality.

At Magamba VTC the BATZTET completed the borehole electrification project as well as established the first 2 hectare tobacco crop under drip irrigation. Student enrolment for the tobacco programs stood at 106 conventional students in addition to 75 practising farmers from surrounding communities who were trained under the Farmers Development program.

The Chaminuka VTC project is now in its final year after 5 successful years of empowering 433 under privileged young adults through the scholarship program as well as 232 practicing tobacco farmers.

Winning Organisation

Our people remain our strongest asset, and collectively showed incredible commitment and drive to deliver on several initiatives to ensure we achieved our objectives in the year.

As a business we continued to invest in ensuring our teams have the right skills and motivation to do so by continuously investing in their development and availing exciting and challenging roles. We also remained alive to that 2019 was a difficult year, with our employees not spared from the impacts of hyperinflation and the general economic challenges. To this end we introduced several initiatives to protect employee earnings by continuously reviewing employee salaries and benefits in line with market developments in a sustainable manner.

Achievements

In 2019, the Company received accolades in recognition of its market leadership, excellence, best practice and financial performance from independent authorities such as the following:

- Zimbabwe Revenue Authority Taxpayers Appreciation Awards - Highest Dollar Value Contributor (Excise Award).
- National Social Security Authority - Occupational Health and Safety Award 2019.
- Top Employer's Institute - Top Employer Award 2019.

Acknowledgements

I would like to acknowledge our trade partners and stakeholders for their continued support to our business despite economic challenges.

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

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

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

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Kimesh Naidoo
Managing Director
10 June 2020

DIRECTOR'S REPORT

The Directors have pleasure in presenting the audited financial statements for the year ended 31 December 2019.

Introduction
The Directors have pleasure in presenting the audited financial statements for the year ended 31 December 2019.

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 (Inflation Adjusted)
The Group's results are addressed fully in the financial statements.

Net loss before taxation totalled ZWL$5.8 million whilst loss attributable to ordinary shareholders totalled ZWL$27.7 million.

Dividends (Historic Cost)
The Board proposes not to declare any dividend for the period and reinvest in the operations of the business.

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

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

Directorate
In terms of Article 88 of the Company's Articles of Association, the Board appointed Mr Kimesh Naidoo as Managing Director of the Company with effect from 18 October 2019. The appointment will be confirmed at the next Annual General Meeting of the Company.

Directors' Interest
As at 31 December 2019, the Directors held, directly and indirectly, an interest of 0.005% (31 December 2018: 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.

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 2019, the Company had an authorised issued share capital comprising of 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
10 June 2020

CORPORATE GOVERNANCE REPORT

> *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...*

Introduction
We at British American Tobacco Zimbabwe (Holdings) Limited aim to attain high standards of corporate governance and compliance with legislation and any applicable codes to ensure that the business is sustainable.

We define corporate governance as the creation and enhancement of long-term sustainable value for our stakeholders through ethically driven business processes. It is imperative that our Company affairs are managed in a lawful and transparent manner.

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

Board Composition
The Board is composed of nine Directors, seven 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 7, 8 and 9 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.

Board Appointments
In terms of Article 88 of the Company's Articles of Association, the Board appointed Mr Kimesh Naidoo as Managing Director of the Company with effect from 18 October 2019.

Further, Mr Alejandro Riomayor resigned on 30 April 2020 and Mr Darryn Bassa and Mr Constantine Chikosi were both appointed as Non-Executive Directors with effect from 30 April 2020.

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

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.

2019 Board Attendance

Name of Director	22 Mar	24 Apr	23 Aug	14 Nov	04 Dec
Mr Lovemore T. Manatsa	✓	✓	✓	✓	✓
Professor Hope C. Sadza	n/a	n/a	n/a	✓	✓
Mr Kimesh Naidoo	n/a	n/a	n/a	✓	✓
Mr Leslie Malunga	✓	✓	✓	✓	✓
Mrs Rachel P. Kupara	✓	✓	✓	✓	✓
Mr Edwin I. Manikai	✓	✓	n/a	✓	✓
Mr Alejandro Riomayor	✓	✓	✓	n/a	n/a
Mr Nomore Mapanzure	n/a	n/a	✓	✓	✓

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 has adopted the following guidelines for purposes of determining qualification of Director independence.

Independent Directors are those Non-Executive Directors who:

- are not representatives of any shareholder on the board;
- have not been employed in any executive capacity for the preceding three financial years by the Company or the group of which it currently forms a part;

- are not members of the immediate family of any person who is or has been, in any of the
- past three financial years, employed by the Company or the group in an executive capacity;
- are not professional advisers of the Company or the group, other than in the capacity of Directors;
- are not material suppliers or customers of the Company or group;
- have no material contractual relationship with the Company or group; and
- are free from any business or other relationship which could be seen to interfere materially.

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
Mr Lovemore T. Manatsa	2016
Mrs Rachel P. Kupara	2017
Mr Edwin I. Manikai	2017
Mr Constantine F. Chikosi	2020

As at 31 December 2019, the Company had two Executive Directors, namely Mr Kimesh Naidoo, 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 and Other Business Entities Act (Chapter 24:31) as read together with the Company's constitutional documents.

Directors are required to give advance notice of any conflict issues to the Company Secretary, and these are considered at the next Board meeting. No material conflicts were reported by Directors in 2019.

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 Remuneration and Nominations Committee

The Board Remuneration and Nominations Committee comprises of four Non-Executive Directors. The committee is chaired by Mr Edwin Manikai. The committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities with regards to board composition and remuneration matters including the following:

- Regularly review the structure, size and composition of the main Board to ensure that the main Board has an appropriate balance of skills, expertise, knowledge and independence;
- Identifying and nominating candidates, for the approval of the main Board;
- 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 2019, 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
10 June 2020

INDEX TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

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

FINANCIAL HIGHLIGHTS

YEAR ENDED 31 DECEMBER 2019

Group summary (ZWL$ 000)

	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
	2019 ZWL$ 000	**2018 ZWL$ 000**
Revenue	329 446	345 536
Operating (loss)/profit	(5 846)	156 267
(Loss)/profit before income tax	(5 846)	156 267
(Loss)/profit attributable to shareholders	(27 700)	95 372
Total assets	251 389	345 557
Basic earnings per share (ZWL$)	(1.34)	4.62
Diluted earnings per share (ZWL$)	(1.34)	4.62

	HISTORICAL YEAR ENDED 31 DECEMBER	
	2019 ZWL$ 000	**2018 ZWL$ 000**
Revenue	152 759	42 704
Operating profit	31 980	22 638
Profit before income tax	31 980	22 638
Profit attributable to shareholders	22 740	14 808
Total assets	183 626	51 437
Basic earnings per share (ZWL$)	1.10	0.72
Diluted earnings per share (ZWL$)	1.10	0.72

INDEPENDENT AUDITOR'S REPORT

To the shareholder 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) 303 700, 302 600
Fax: +263 (242) 303 699

Adverse Opinion

We have audited the inflation adjusted consolidated and separate financial statements of British American Tobacco Zimbabwe (Holdings) Limited ('the Group and Company'), set out on pages 21 to 54 which comprise the inflation adjusted consolidated and separate statements of financial position as at 31 December 2019, and the inflation adjusted consolidated and separate statements of profit or loss and other comprehensive income, the inflation adjusted consolidated and separate statements of changes in equity and the inflation adjusted consolidated and separate statements of cash flows for the year then ended, and notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of our report, the inflation adjusted consolidated and separate financial statements do not present fairly the inflation adjusted consolidated and separate financial position of British American Tobacco Zimbabwe (Holdings) Limited as at 31 December 2019, and its inflation adjusted consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act (Chapter 24:03) of Zimbabwe.

Basis for Adverse Opinion

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

As described in note 2.6 to the inflation adjusted consolidated and separate financial statements, for the period 1 January 2019 to 22 February 2019 the Group and Company applied the United States dollar (US$) as its functional currency. In order to comply with Statutory Instrument 33 (SI 33), issued on 22 February 2019, the Group and Company changed its functional currency to the Zimbabwe dollar (ZWL$) with effect from 23 February 2019. SI 33 precluded the use of any other currency other than US$ as functional currency prior to 22 February 2019 and this impacted on the financial statements as at 31 December 2018. The inflation adjusted consolidated and separate financial statements are presented in Zimbabwe dollars, also referred to as the RTGS dollar in SI 33.

The Directors, based on their interpretation of IAS 21, acknowledged that there was a functional currency change in the prior year from the US$ to RTGS dollar, with effect from 1 October 2018, and that the market exchange rate between the US$ and RTGS dollar was not 1:1 after 1 October 2018. However, the Group and Company only accounted for the change in functional currency prospectively from 23 February 2019, in compliance with SI 33. This constitutes a departure from the requirements of IAS 21 due to the need to comply with local regulations as enunciated under SI 33. An adverse opinion was issued in the prior year for the departure from IAS 21. The Group and Company has not restated the inflation adjusted consolidated and separate financial statements, as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* to resolve the matters which resulted in the adverse opinion in the prior year relating to the non-compliance with IAS 21 and, therefore, the matter continued into 2019.

Due to the matters discussed above, we were unable to obtain sufficient appropriate audit evidence that the closing balances as at 31 December 2018 were free of material misstatement and have been brought forward correctly. We were unable to satisfy ourselves by alternative means concerning the opening balances. Since opening balances have a bearing into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the movements in the statements of profit and loss and other comprehensive income, the statements of cash flows and the statements of changes in equity reported in the statements of changes in equity.

Hyperinflation reporting

In addition, as described in note 2.1 to the inflation adjusted consolidated and separate financial statements, Zimbabwe became a hyperinflationary economy with effect from 1 July 2019. IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29) has been applied to the 2018 comparatives with effect from 1 October 2018. IAS 29 has been applied to the incorrect balances due to non-compliance with IAS 21 and IAS 8, as commented on above.

RBZ legacy debt/blocked funds

As described in note 14 to the inflation adjusted consolidated and separate financial statements, included in balances with related parties are foreign liabilities amounting to US$18 570 958 for which management sought approval for registration with the Reserve Bank of Zimbabwe (RBZ) during the year, in line with the Monetary Policy issued on 20 February 2019. Subsequent to year end, the RBZ approved an amount of US$15 150 958 for registration as legacy debt, as described in note 34 (b) to the inflation adjusted consolidated and separate financial statements. These foreign liabilities have been translated to ZWL$ using a rate of 1:1, as the Directors believe that the RBZ will assist the Company with sourcing foreign currency at that rate. Note 34 (b) further explains that the Exchange Control performed a validation of the documentation provided in respect of the foreign liabilities owing and, following the validation of the information provided, an amount of US$15 150 958 was registered as blocked funds. Following the registration of the blocked funds, an amount of ZWL$15.2 million was transferred to RBZ to allow settlement of the registered blocked funds. As at the date of this report, there is no legally binding instrument that had been issued by the RBZ that defines how this commitment will be implemented and the specific terms and conditions thereof in order to support its commitment to assist in obtaining foreign currency required to settle such foreign liabilities on a 1:1 basis. Consequently, we were unable to obtain sufficient appropriate audit evidence to support the translation and measurement of the foreign liabilities using a rate of 1:1. This departure from IAS 21 is considered to be material.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted consolidated and separate financial statements.

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

Key Audit Matters

This section of our Auditors' report is intended to describe the matters selected from those communicated with those charged with governance that, in our professional judgement, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the inflation adjusted financial statements as a whole, and in forming our 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 that there are no key audit matters to report.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors Report, the Chairman's Statement, Managing Director's Review, Corporate Governance Report and Financial Highlights but does not include the inflation adjusted consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the inflation adjusted 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 inflation adjusted 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 inflation adjusted 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, 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 accounted for the change in functional currency from US$ to RTGS in the prior year and should have translated its US$ transactions and balances to local currency 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 Directors Report, the Chairman's Statement, Managing Director's Review, Corporate Governance Report and Financial Highlights affected by the failure to comply with the requirements of IAS 21.

Responsibilities of the Directors for the Inflation Adjusted Consolidated and Separate Financial Statements

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

In preparing the inflation adjusted consolidated and separate financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Inflation Adjusted Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the inflation adjusted 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 communicated 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 inflation adjusted 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
PAAB Practicing Certificate Number 208

11 June 2020

For and on behalf of KPMG Chartered Accountants (Zimbabwe), Reporting Auditor
Mutual Gardens
100 The Chase (West)
Emerald Hill
Harare
Zimbabwe

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER 2019 ZWL$ 000	2018 ZWL$ 000
Revenue	20	**329 446**	**345 536**
Cost of sales		(94 628)	(94 309)
Gross profit		**234 818**	**251 227**
Selling and marketing costs		(28 223)	(38 680)
Administrative expenses		(29 210)	(52 464)
Impairment (loss)/gain on trade receivables		(6 519)	646
Re-measurement of share-based payment liability	16	(22)	112
Other income	21	1 721	20 968
Other (losses)/gains	23	(61 555)	547
Monetary loss on hyperinflation adjustment		(116 856)	(26 089)
Operating (loss)/profit		**(5 846)**	**156 267**
(Loss)/profit before income tax		**(5 846)**	**156 267**
Income tax expense	24	(21 854)	(60 895)
Total comprehensive (loss)/income for the year		**(27 700)**	**95 372**
Attributable to:			
Owners of the parent		**(27 700)**	**95 372**
Basic earnings per share (ZWL$)	26	(1.34)	4.62
Diluted earnings per share (ZWL$)	26	(1.34)	4.62
Headline earnings per share (ZW$)		4.32	5.89

The notes on pages 29 to 54 are an integral part of these consolidated and separate financial statements. These financial statements on pages 21 to 28 were authorised for use by the Board of Directors on 10 June 2020 and signed on its behalf by:

....
Managing Director

....
Finance Director

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		INFLATION ADJUSTED YEAR ENDED 31 DECEMBER	
		2019	**2018**
	Note	**ZWL$ 000**	ZWL$ 000
Revenue	20	**329 446**	**345 536**
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Managing Director

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Finance Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2019

		INFLATION ADJUSTED AS AT 31 DECEMBER	
Assets	Note	**2019 ZWL$ 000**	**2018** ZWL$ 000
Non-current assets			
Property, plant and equipment	3	52 883	59 594
Intangible assets	4	97	144
Investment property	5	1 374	1 432
Financial assets at fair value through profit or loss	10	531	1 376
Deferred tax asset	17	7 137	-
		62 022	**62 546**
Current assets			
Inventories	8	113 943	45 188
Trade and other receivables	9	33 047	29 361
Cash and cash equivalents	11	42 377	208 462
		189 367	**283 011**
Total assets		**251 389**	**345 557**
Equity and iabilities			
Equity attributable to the owners of the parent			
Share capital	12	44 903	44 903
Non-distributable reserve		2 898	2 898
Retained earnings		60 746	88 446
Total equity		**108 547**	**136 247**
Non-current liabilities			
Deferred tax liability	17	-	5 690
Current liabilities			
Trade and other payables	14	129 828	189 482
Staff benefits liability	15	6 107	9 386
Share-based payment liability	16	136	1 379
Current income tax liability	25	6 771	3 373
		142 842	**203 620**
Total equity and liabilities		**251 389**	**345 557**

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Finance Director

SEPARATE STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

		INFLATION ADJUSTED AS AT 31 DECEMBER	
Assets	Note	**2019 ZWL$ 000**	**2018** ZWL$ 000
Non-current assets			
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	INFLATION ADJUSTED ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Share capital ZWL$ 000	Non-distributable reserve[1] ZWL$ 000	Retained earnings ZWL$ 000	Total ZWL$ 000
Balance as at 1 January 2018	**44 903**	**2 898**	**69 159**	**116 960**
Total comprehensive income for the year	-	-	95 372	95 372
Dividends	-	-	(76 085)	(76 085)
Balance as at 31 December 2018	**44 903**	**2 898**	**88 446**	**136 247**
Balance as at 1 January 2019	**44 903**	**2 898**	**88 446**	**136 247**
Total comprehensive loss for the year	-	-	(27 700)	(27 700)
Dividends	-	-	-	-
Balance as at 31 December 2019	**44 903**	**2 898**	**60 746**	**108 547**

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Finance Director

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	INFLATION ADJUSTED ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Share capital ZWL$ 000	Non-distributable reserve[2] ZWL$ 000	Retained earnings ZWL$ 000	Total ZWL$ 000
Balance as at 1 January 2018	**44 903**	**2 898**	**69 159**	**116 960**
Total comprehensive income for the year	-	-	95 372	95 372
Dividends	-	-	(76 085)	(76 085)
Balance as at 31 December 2018	**44 903**	**2 898**	**88 446**	**136 247**
Balance as at 1 January 2019	**44 903**	**2 898**	**88 446**	**136 247**
Total comprehensive loss for the year	-	-	(27 700)	(27 700)
Dividends	-	-	-	-
Balance as at 31 December 2019	**44 903**	**2 898**	**60 746**	**108 547**

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	INFLATION ADJUSTED YEAR ENDED 31 DECEMBER 2019 ZWL$ 000	2018 ZWL$ 000
Cash flows from operating activities			
Cash (utilised in)/generated from operations	18	(17 966)	224 711
Income tax paid	25	(31 283)	(60 761)
Net cash (utilised in)/generated from operating activities		**(49 249)**	**163 950**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1 237)	(2 394)
Proceeds from sale of property, plant and equipment		102	175
Net cash used in investing activities		**(1 135)**	**(2 219)**
Cash flows from financing activities			
Dividends paid to owners of the parent	27	(28)	(41 059)
Dividends paid to non-controlling interests		-	-
Net cash used in financing activities		**(28)**	**(41 059)**
Effect of inflation on cash and cash equivalents		**(115 673)**	**(45 571)**
Net (decrease)/increase in cash and cash equivalents		**(166 085)**	**75 101**
Cash and cash equivalents at the beginning of the year		208 462	133 361
Cash and cash equivalents at the end of the year	**11**	**42 377**	**208 462**

The notes on pages 29 to 54 are an integral part of these consolidated and separate financial statements. These financial statements on pages 21 to 28 were authorised for use by the Board of Directors on 10 June 2020 and signed on its behalf by:

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SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

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The notes on pages 29 to 54 are an integral part of these consolidated and separate financial statements. These financial statements on pages 21 to 28 were authorised for use by the Board of Directors on 10 June 2020 and signed on its behalf by:

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Managing Director

....
Finance Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 Zimbabwe dollars (ZWL$), rounded to the nearest thousand dollars.

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

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") pronouncements and the requirements of the Companies Act (Chapter 24:03) of Zimbabwe. 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 Directors adopted the accounting treatment prescribed under SI 33 and applied an exchange rate of US$1:ZWL$1 from October 2018 to February 2019 and thereafter the Group applied the Reserve Bank of Zimbabwe interbank rates. The amounts in the 2018 financial statements are the basis for the comparative financial information presented in 2019.

Appropriate adjustments for changes in the general purchasing power of the Zimbabwe dollar for the purposes of fair presentation in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, have been made in these financial statements to the historical cost financial information of the Group.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 33.

In October 2019, the Public Accountants and Auditors Board confirmed the general market consensus that Zimbabwe had become a hyperinflationary economy with effect from 1 July 2019. IAS 29 *Financial Reporting in Hyperinflationary Economies* requires that the financial statements be prepared in the currency of a hyperinflationary economy and be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement was calculated by means of conversion factors derived from the Zimbabwe Consumer Price Index (CPI) issued by the Zimbabwe Central Statistical Office.

The CPI is the general price index that reflects changes in purchasing power and is the index that is being used in the country. The indices and conversion factors used to restate the accompanying financial statements at 31 December 2019 are as follows:

		Indices
	Dates	**Conversion**
CPI as at 31 December 2019	551.6	1.000
CPI as at 31 December 2018	88.8	6.211
Average CPI 2019	240.27	
Average CPI 2018	67.63	

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

- Monetary assets and liabilities that are carried at amounts at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors.
- Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Zimbabwe dollars at the foreign exchange rate ruling at that date.
- Deferred tax items are re-measured in accordance with IAS 12 after restating the nominal carrying amounts of non-monetary items at the date of the opening statement of financial position of the reporting period by applying the measuring unit at that date. The deferred tax items are restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting period to the end of that reporting period.
- Assets and liabilities linked by agreements to changes in prices, such as index linked bonds and loans, are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the end of the reporting period. The amounts are carried at this adjusted amount in the restated statement of financial position.
- An impairment loss is recognised in profit or loss if the remeasured amount of a non-monetary item exceeds its recoverable amount.
- Comparative financial statements are restated by applying the relevant year end conversion factors.
- All items in the statement of profit or loss and other comprehensive income are restated by applying the relevant monthly conversion factors.
- All items in the statement of cash flows are stated in terms of the measuring unit current at the balance sheet date.
- The effect of inflation on the net monetary position of the Group is included in the income statement as a gain or loss on net monetary position.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards and interpretations for 2019 and forthcoming requirements

The following standards and interpretations were in issue and 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 1 January 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 - 2018. Annual periods beginning on or after 1 January 2019.

The following standards and interpretations are required to be applied for annual periods beginning after 1 January 2019 and are available for early adoption in annual periods beginning on 1 January 2019:

IFRS 3	Definition of a Business (Amendments to IFRS 3). Effective 1 January 2020.
IAS 1 and IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8). Effective 1 January 2020.
IFRS 17	Insurance contracts. Annual periods beginning on or after 1 January 2021.

Several new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. However, the Group has not early adopted the new or amended standards. The amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

2.2 Change in significant accounting policies

The Group initially applied IFRS 16 Leases from 1 January 2019 and has elected not to apply IFRS 16's recognition and measurement requirements to short-term leases and leases for which the underlying asset is of low value ('low value leases'). The short-term lease exemption has been applied consistently to all underlying assets in the same class.

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. The contract with BAK Logistics (Private) Limited for forklift services is for a low value asset and the contract is for twelve months.

Leases in which the Group is a lessor

The Group leases out its investment property and these have been classified as operating leases. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group does not sub-lease any of its properties.

2.3 Consolidation

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Zimbabwe dollar (ZWL$), referred to in SI 33 as the RTGS dollar (ZWL$) has been adopted as the functional currency and presentation currency for the 2019 financial statements. No adjustments in the 2019 financial statements have been made to the historical financial information.

In the February 2019 Monetary Policy Statement, the Governor of the RBZ announced significant currency reforms. The Governor established an inter-bank foreign exchange market in Zimbabwe to formalise the trading of RTGS balances and bond notes with US$ and other currencies on a willing-buyer willing-seller basis through banks and bureau de change. Under the framework, RTGS balances, bond notes and coins were denominated as RTGS dollars (ZWL$) in order to establish an exchange rate between the current monetary balances and foreign currency. RTGS dollars (ZWL$) were also added to the basket of currencies in the multi-currency environment.

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

Given the observed market conditions and the RBZ's clear separation between the local RTGS and foreign FCAs, the Directors re-evaluated the functional currency and the reporting currency implications of the Group. This assessment was performed considering the requirements of IAS 21The Effects of Changes in Foreign Exchange Rates and considered the following factors:

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

The United States dollar ceased from being the primary driver for most of the factors above and was replaced by the Zimbabwe dollar in 2019. Therefore, the Directors concluded that the functional currency had changed to the Zimbabwe dollar in 2019. However, the Directors adopted the accounting treatment prescribed by Statutory Instrument 33 of 2019 and used an exchange rate of 1:1 between Zimbabwe dollar balances and the US$.

From October 2018 to February 2019, the Group maintained a rate of US$1:ZWL$1 as prescribed by the Government in compliance with Statutory Instrument 33 of 2019 and thereafter the Group applied the inter-bank exchange rates available from the Reserve Bank of Zimbabwe.

(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 profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.9 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 2019
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 2019. 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.

2.11.3 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 transactions costs 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 2019 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, and a way of estimating the lifetime expected loss in relation to all the trade receivables.

The effect is to apply a standard rate of provision on initial recognition of trade debtors and increase such depending on 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 in Note 2.14 above. When a trade receivable is uncollectible, it is written off against the trade receivables impairment provision in profit and loss. Subsequent recoveries of amounts previously written off are credited against the trade receivables impairment provision in profit or loss.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred tax (continued)

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.

2.21 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.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

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

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

Sale of goods - wholesale and retail

Revenue is recognised when a performance obligation to deliver promised goods to the customer is satisfied, the customer has obtained control of those goods, and the entity expects to be entitled to the transaction price in exchange for transferring the promised goods to the customer, excluding amounts collected on behalf of third parties. Revenue is measured net of returns, trade discounts and volume rebates and may consist of fixed amounts, variable amounts, or both.

2.22 Other income

Interest income is recognised using the effective interest method. When a loan or 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 16).

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

3. PROPERTY, PLANT AND EQUIPMENT

Consolidated and Company

INFLATION ADJUSTED	Freehold land ZWL$ 000	Buildings ZWL$ 000	Vehicles, machinery and equipment ZWL$ 000	Furniture, fittings and equipment ZWL$ 000	Total ZWL$ 000
Year ended 31 December 2019					
Opening net book amount	6 665	25 037	21 086	6 806	59 594
Additions	-	-	316	920	1 236
Disposals	-	(55)	-	-	(55)
Depreciation charge	-	(806)	(6 167)	(919)	(7 892)
Closing net book amount	**6 665**	**24 176**	**15 235**	**6 807**	**52 883**
At 31 December 2019					
Cost	6 665	32 377	83 322	14 098	136 462
Accumulated depreciation and impairment	-	(8 201)	(68 087)	(7 291)	(83 579)
Net book amount	**6 665**	**24 176**	**15 235**	**6 807**	**52 883**

Depreciation expense amounting to ZWL$2 618 131 (2018: ZWL$2 327 049) has been charged in cost of sales, ZWL$2 749 133 (2018: ZWL$2 317 742) in selling and marketing costs and ZWL$2 629 972 (2018: ZWL$2 960 667) in administrative expenses.

	Freehold land ZWL$ 000	Buildings ZWL$ 000	Vehicles, machinery and equipment ZWL$ 000	Furniture, fittings and equipment ZWL$ 000	Total ZWL$ 000
Year ended 31 December 2018					
Opening net book amount	6 665	25 433	26 930	6 377	65 405
Additions	-	810	266	1 318	2 394
Disposals	-	-	(145)	-	(145)
Depreciation charge	-	(751)	(5 965)	(889)	(7 605)
Transfers to investment property	-	(455)	-	-	(455)
Closing net book amount	**6 665**	**25 037**	**21 086**	**6 806**	**59 594**
At 31 December 2018					
Cost	6 665	32 432	83 006	13 177	135 280
Accumulated depreciation and impairment	-	(7 395)	(61 920)	(6 371)	(75 686)
Net book amount	**6 665**	**25 037**	**21 086**	**6 806**	**59 594**

4. INTANGIBLE ASSETS

Consolidated and Company

INFLATION ADJUSTED	Computer software ZWL$ 000	Total ZWL$ 000
Year ended 31 December 2019		
Opening net book amount	144	144
Amortisation charge	(47)	(47)
Closing net book amount	**97**	**97**
At 31 December 2019		
Cost	6 222	6 222
Accumulated amortisation charge	(6 125)	(6 125)
Net book amount	**97**	**97**
Year ended 31 December 2018		
Opening net book amount	198	198
Amortisation charge	(54)	(54)
Closing net book amount	**144**	**144**
At 31 December 2018		
Cost	6 222	6 222
Accumulated amortisation charge	(6 078)	(6 078)
Net book amount	**144**	**144**

5. INVESTMENT PROPERTY

Consolidated and Company

INFLATION ADJUSTED	Land and buildings ZWL$ 000	Total ZWL$ 000
Year ended 31 December 2019		
Opening net book amount	1 432	1 432
Depreciation charge	(58)	(58)
Closing net book amount	**1 374**	**1 374**
At 31 December 2019		
Cost	1 980	1 980
Accumulated depreciation	(606)	(606)
Net book amount	**1 374**	**1 374**
Year ended 31 December 2018		
Opening net book amount	1 008	1 008
Depreciation charge	(31)	(31)
Transfer in	455	455
Closing net book amount	**1 432**	**1 432**
At 31 December 2018		
Cost	1 980	1 980
Accumulated depreciation	(548)	(548)
Net book amount	**1 432**	**1 432**

The costs incurred in relation to direct operating expenses in respect of the properties in 2019 amounted to ZWL$ nil (2018: ZWL$5 589).

	Fair value measurements (Level 2)	
INFLATION ADJUSTED	**2019 ZWL$ 000**	**2018 ZWL$ 000**
Investment property	9 390	3 354

Fair values of investment property

The fair value of investment property as at 31 December 2019 was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

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

5. INVESTMENT PROPERTY (continued)

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

INFLATION ADJUSTED

	Fair value at 31 December 2019 ZWL$ 000	Fair value at 31 December 2018 ZWL$ 000	Valuation technique	Observable inputs	Relationship of observable inputs to fair value
Investment property	9 390	3 354	Market approach	Market price per square metre	The higher the price per square metre, the higher the fair value

6. INVESTMENT IN SUBSIDIARIES

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
Company		
Investment in subsidiaries	-	-

Set out below are the Company's subsidiaries at 31 December 2019. The subsidiaries, as listed below, have share capital consisting solely of ordinary shares, which are held directly by the Company. All the subsidiaries are dormant and have nil values with insignificant assets and liabilities.

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

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

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

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

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

7. FINANCIAL INSTRUMENTS BY CATEGORY

Consolidated and Company

INFLATION ADJUSTED	Assets at amortised cost ZWL$ 000	Assets at fair value through profit or loss ZWL$ 000	Total ZWL$ 000
31 December 2019			
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)	29 278	-	29 278
Financial assets at fair value through profit or loss	-	531	531
Cash and cash equivalents	42 377	-	42 377
Total	**71 655**	**531**	**72 186**

	Other financial liabilities ZWL$ 000	Total ZWL$ 000
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	129 760	129 760
Total	**129 760**	**129 760**

31 December 2018	Assets at amortised cost ZWL$ 000	Assets at fair value through profit or loss ZWL$ 000	Total ZWL$ 000
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)	13 809	-	13 809
Financial assets at fair value through profit or loss	-	1 373	1 373
Cash and cash equivalents	208 462	-	208 462
Total	**222 271**	**1 373**	**223 644**

	Other financial liabilities ZWL$ 000	Total ZWL$ 000
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	170 419	170 419
Total	**170 419**	**170 419**

8. INVENTORIES

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
Consolidated and Company		
Raw materials	96 141	20 527
Finished goods	15 942	21 716
Consumables	1 860	2 945
	113 943	**45 188**

The cost of inventories recognised as an expense and included in "cost of sales" amounted to ZWL$34 278 853 (2018: ZWL$50 788 638).

During the year, write downs amounting to ZWL$93 884 (2018: ZWL$1 006 475) were recognised as an expense.

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
9. TRADE AND OTHER RECEIVABLES		
Consolidated and Company		
Trade receivables	24 776	15 231
Less: Provision for impairment of trade receivables	(711)	(5 143)
Trade receivables - net	24 065	10 088
Prepayments	3 769	15 552
Receivables from related parties (note 28c)	11 849	3 721
Less: Provision for impairment (note 28c)	(6 636)	-
	33 047	**29 361**

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

As at 31 December 2019, trade receivables amounting to ZWL$29 279 000 (2018: ZWL$13 806 777) were fully performing. Collateral is in place in respect of trade receivables valued at ZWL$483 500 (2018: ZWL$2 925 616).

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

INFLATION ADJUSTED

31 December 2019	**Total ZWL$ 000**	**Up to 30 days ZWL$ 000**	**31 to 60 days ZWL$ 000**	**61 days and more ZWL$ 000**
Wholesalers	9 734	9 617	117	-
Retailers	4 794	4 596	198	-
Stockists	2 901	2 638	263	-
Prepayments	3 769	3 769	-	-
Receivables from related parties	11 849	-	-	11 849
Total	**33 047**	**20 620**	**578**	**11 849**
31 December 2018				
Wholesalers	3 851	3 851	-	-
Retailers	3 193	3 193	-	-
Stockists	3 044	2 808	236	-
Prepayments	15 552	15 552	-	-
Receivables from related parties	3 721	-	-	3 721
Total	**29 361**	**25 404**	**236**	**3 721**

As at 31 December 2019, trade receivables amounting to ZWL$15 406 945 (2018: ZWL$9 813 421) were overdue. The amount of the provision recognised on total trade receivables amounted to ZWL$7 346 800 as of 31 December 2019 (2018: ZWL$5 142 631). The individually impaired receivables mainly relate to distributors, wholesalers and retailers and a related company, which are in a difficult economic situation.

	2019 ZWL$ 000	2018 ZWL$ 000
The ageing of these receivables is as follows:		
3 to 6 months	17	491
Over 6 months	7 330	4 652
	7 347	**5 143**

9. TRADE AND OTHER RECEIVABLES (continued)

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

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
ZWL	21 197	29 361
USD	9 417	-
GBP	2 270	-
ZAR	163	-
Total	**33 047**	**29 361**

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

At 1 January	5 143	5 789
Provision for receivables impairment	6 519	-
Unused amounts reversed	-	(646)
Inflation adjustment	(4 315)	-
At 31 December	**7 347**	**5 143**

The recognition and release of provisions in respect of impaired receivables are included in "other expenses" in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of receiving additional cash. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

As at 31 December 2019, the exposure to credit risk in respect of trade and other receivables by type of counterparty was as follows:

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
Wholesalers	9 734	3 851
Retailers	4 794	3 193
Stockists	2 901	3 044
Prepayments	3 769	15 552
Related parties	11 849	3 721
	33 047	**29 361**

	INFLATION ADJUSTED	
10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2019 ZWL$ 000**	**2018 ZWL$ 000**
Consolidated and Company		
Listed securities held for trading		
Equity securities - Nampak Holdings Limited	**531**	**1 376**

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 2019.

	INFLATION ADJUSTED			
Financial assets	**Level 1 ZWL$ 000**	**Level 2 ZWL$ 000**	**Level 3 ZWL$ 000**	**Total ZWL$ 000**
2019				
Quoted securities at market value	**531**	-	-	**531**
2018				
Quoted securities at market value	**1 376**	-	-	**1 376**

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.

	INFLATION ADJUSTED	
11. CASH AND CASH EQUIVALENTS	**2019 ZWL$ 000**	**2018 ZWL$ 000**
Consolidated and Company		
Cash at bank and on hand	42 377	208 462
Cash and cash equivalents	**42 377**	**208 462**

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

12. SHARE CAPITAL

Consolidated and Company

	INFLATION ADJUSTED			
	31 Dec. 2019 Number of ordinary shares	**31 Dec. 2019 Ordinary shares ZWL$ 000's**	**31 Dec. 2018 Number of ordinary shares**	**31 Dec. 2018 Ordinary shares ZWL$ 000's**
Authorised				
Ordinary shares at par value ZWL$0.30 each	**21 252 000**	**6 376**	**21 252 000**	**6 376**
Issued and fully paid				
Consolidated				
At 1 January 2018			20 633 517	53 304
Less treasury shares			(3 252 000)	(8 401)
At 31 December 2018			**17 381 517**	**44 903**
At 1 January 2019			**20 633 517**	**53 304**
Less treasury shares			(3 252 000)	(8 401)
At 31 December 2019			**17 381 517**	**44 903**

12. SHARE CAPITAL (continued)

Consolidated and Company (continued)

	Number of ordinary shares	Ordinary shares ZWL$ 000
Issued and fully paid		
Company		
At 31 December 2018	**20 633 517**	**53 304**
At 31 December 2019	**20 633 517**	**53 304**
Treasury shares		
At 31 December 2018	**3 252 000**	**8 401**
At 31 December 2019	**3 252 000**	**8 401**

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

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

13. DIRECTORS' INTERESTS

Company
At 31 December 2019, the Directors held, directly or indirectly, the following number of shares in the Company:

	2019 Number of shares	2018 Number of shares
L T Manatsa	1 000	1 000

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

14. TRADE AND OTHER PAYABLES

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
Consolidated and Company		
Trade payables	62 536	16 057
Amounts due to related parties (note 28d)	62 971	126 758
Social security and other taxes	68	19 063
Accrued expenses	1 400	10 292
External dividends	2 705	16 833
Other	148	479
	129 828	**189 482**

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

Included in trade payables and amounts due to related parties is an amount of US$18 570 958 which is legacy debt and has been translated at a rate of 1:1 between ZWL$ and US$.

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

	2019	2018
ZAR	44 370	11 646
GBP	112	11 473
EUR	66	-
USD	18 800	166 363
ZWL	66 480	-
	129 828	**189 482**

15. STAFF BENEFITS LIABILITY

Consolidated and Company

	INFLATION ADJUSTED				
	Provision for restructuring costs ZWL$ 000	Annual leave ZWL$ 000	Incentive bonus provision ZWL$ 000	Long service award provision ZWL$ 000	Total ZWL$ 000
At 1 January 2018					
Utilised during the year	-	-	-	-	-
Charged to the statement of comprehensive income	1 491	2 509	4 845	541	9 386
At 1 January 2019	**1 491**	**2 509**	**4 845**	**541**	**9 386**
Utilised during the year	(1 491)	(2 509)	(4 845)	(541)	(9 386)
Charged to the statement of comprehensive income	-	2 197	3 861	49	6 107
At 31 December 2019	**-**	**2 197**	**3 861**	**49**	**6 107**

(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 ZWL$1 491 000 from 2018 was fully utilised during the first half of 2019.

(c) **Provisions for long service awards**
This is a provision for awards to employees who have been employed by the Company for at least 10 years. It is paid for at 5 yearly intervals from year 10 of employment. The calculation was based on management inputs, no actuarial valuation was carried out for 2019.

16. SHARE-BASED PAYMENT LIABILITY

Consolidated and Company
This liability represents the value of unsettled share units issued for free to employees by the British American Tobacco Zimbabwe Employee Share Ownership Trust ("ESOT"), refer to note 2.26. 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.

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
At 1 January 2019	1 379	1 534
Re-measurement of share-based payment liability	(22)	(80)
Amounts paid during the year	(1 221)	(75)
At 31 December 2019	**136**	**1 379**

17. DEFERRED TAX (ASSET)/LIABILITY

Consolidated and Company

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
The deferred tax (asset)/liability is made up of:		
Property, plant and equipment - accelerated depreciation	11 766	11 094
Provisions	(2 070)	(4 857)
Allowance for credit losses	(1 816)	(739)
Marketable securities - fair value	5	25
Inventory write-down	(104)	(758)
Unrealised exchange differences	(14 918)	832
Prior year adjustment	-	93
Deferred tax (asset)/liability - net	**(7 137)**	**5 690**
The gross movement on the deferred tax account is as follows:		
At 1 January 2019	**5 690**	**7 301**
Credit to the statement of comprehensive income	(12 827)	(1 611)
At 31 December 2019	**(7 137)**	**5 690**

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

	INFLATION ADJUSTED	
	Accelerated tax depreciation ZWL$ 000	Total ZWL$ 000
At 1 January 2019	**5 690**	**5 690**
Credit to the statement of comprehensive income	(12 827)	(12 827)
At 31 December 2019	**(7 137)**	**(7 137)**
At 1 January 2018	**7 301**	**7 301**
Credit to the statement of comprehensive income	(1 611)	(1 611)
At 31 December 2018	**5 690**	**5 690**

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. In applying judgement in recognising the net deferred tax asset of ZWL$7 137 200, management has critically assessed all available information, including future business profit projections. These forecasts are consistent with those prepared and used internally for business planning purposes. Following this evaluation, it was determined there would be sufficient taxable income generated to realise the benefit of the deferred tax assets.

18. CASH GENERATED FROM OPERATIONS

Consolidated and Company

	INFLATION ADJUSTED	
	2019 ZWL$000	2018 ZWL$000
(Loss)/profit before income tax	(5 846)	156 267
Adjustment for:		
- Depreciation of property, plant and equipment	7 951	7 636
- Amortisation of intangible assets (note 4)	47	54
- Profit on sale of property, plant and equipment	(47)	(34)
- Fair value gains on financial assets at fair value through profit or loss (note 23)	(310)	(547)
- Monetary loss on hyperinflation adjustment	116 856	26 089
Changes in working capital:		
- Increase in inventories	(68 755)	(15 565)
- Increase in trade and other receivables	(3 686)	(6 521)
- (Decrease)/increase in trade and other payables	(59 653)	56 354
- (Decrease)/increase in provisions for other liabilities and charges	(3 279)	1 132
- Decrease in share-based payment liability	(1 244)	(154)
Cash (utilised in)/generated from operations	**(17 966)**	**224 711**

19. RETIREMENT BENEFIT OBLIGATIONS

Consolidated and Company

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

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

	INFLATION ADJUSTED		
	Employees ZWL$ 000	Group ZWL$ 000	Total ZWL$ 000
2019			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	1 090	2 345	3 435
NSSA	120	120	240
	1 210	**2 465**	**3 675**

	INFLATION ADJUSTED		
	Employees ZWL$ 000	Group ZWL$ 000	Total ZWL$ 000
2018			
Current service costs			
The contributions to the funds were:			
Defined contribution scheme	1 393	2 993	4 386
NSSA	257	257	514
	1 650	**3 250**	**4 900**

20. REVENUE

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
Consolidated and Company		
Revenue from sales of goods	**329 446**	**345 536**

21. OTHER INCOME

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
Consolidated and Company		
Profit on Group recharges	-	12 662
Rental income	-	264
Profit on sale of property, plant and equipment	47	29
Sundry income	1 674	4 142
Exchange gains	-	3 871
	1 721	**20 968**

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.

22. OPERATING (LOSS)/PROFIT

Consolidated and Company	INFLATION ADJUSTED 2019 ZWL$ 000	2018 ZWL$ 000
22.1 Operating loss before taxation includes the following:		
Auditors' remuneration - current year	686	564
Depreciation of property, plant and equipment	7 951	7 690
Directors' fees	855	207
Management fees	-	7 607
22.2 Staff costs		
Salaries and wages	40 976	44 350
Pension contributions	3 363	3 550
	44 339	**47 900**

22.3 The number of employees as at 31 December 2019 was 129 (2018: 130).

23. OTHER (LOSSES)/GAINS

Consolidated and Company	INFLATION ADJUSTED 2019 ZWL$ 000	2018 ZWL$ 000
Financial assets at fair value through profit or loss (note 10)		
- Fair value gains	310	547
- Exchange losses	(61 865)	-
	(61 555)	**547**

24. INCOME TAX EXPENSE

Consolidated and Company	INFLATION ADJUSTED 2019 ZWL$ 000	2018 ZWL$ 000
Current income tax on profit for the year	34 681	54 034
Withholding tax	-	8 472
Deferred taxation (expense)/income (note 17)	(12 827)	(1 611)
	21 854	**60 895**

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:

	2019 %	2018 %
Tax effect on: current income tax rate	25.75	25.75
Prior year adjustments	(0.35)	5.78
Tax rate change	(1.68)	-
Disallowable expenditure:		
Depreciation of property, plant and equipment	0.09	0.51
Excess pension contributions	0.20	0.17
Excess management fees	-	1.16
Fines	-	0.43
Other	2.40	0.76
Withholding tax	-	0.87
Gain on fair value of shares	(0.36)	(0.08)
Effective tax rate	**26.05**	**35.35**

25. INCOME TAX PAID

Consolidated and Company	INFLATION ADJUSTED 2019 ZWL$ 000	2018 ZWL$ 000
Opening balance	3 373	1 627
Charge per the statement of comprehensive income	34 681	62 507
Closing balance per statement of financial position	(6 771)	(3 373)
	31 283	**60 761**

26. EARNINGS PER SHARE

Consolidated and Company

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

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
(Loss)/profit attributable to equity holders of the Company (ZWL$ 000)	(27 700)	95 372
Weighted average number of ordinary shares in issue (thousands)	20 634	20 634
Basic and diluted earnings per share	(1.34)	4.62

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

27. DIVIDENDS

Consolidated and Company

The Group did not declare a dividend for the year. Dividends declared in 2018 amounted to ZWL$76 084 865. Dividends paid in 2018 amounted to ZWL$41 059 051.

28. RELATED PARTY TRANSACTIONS

The Company is controlled by British American Tobacco International Holdings Limited, incorporated in the United Kingdom, which owns 43% of the Company's shares. The remaining 57% shares are widely held. The ultimate holding company of the Group is British American Tobacco Plc, incorporated in the United Kingdom.

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
The following transactions were carried out with related parties:		
Consolidated and Company		
(a) Other sales:		
British American Tobacco (GLP) Limited	590	-
British American Tobacco Mozambique Lda	37	-
British American Tobacco South Africa (Pty) Limited	18	-
British American Tobacco Zambia plc	4	-
	649	**-**
(b) Purchase of goods and services:		
British American Tobacco South Africa (Pty) Limited	47 075	20 170
British American Tobacco (Holdings) Limited	-	107
British American Tobacco Shared Services GSD UK	622	-
British American Tobacco (GLP) Limited	1 297	3 084
British American Tobacco Pesci Dohanygyar KFT	17	-
British American Tobacco PT Bentoel Prima	32	-
British American Tobacco Niemeyer	29	-
British American Tobacco Vranje AD	10	-
British American Tobacco Singapore	9	-
British American Tobacco Tutun	20	-
	49 111	**23 361**

Goods, services and machinery are acquired from British American Tobacco (Holdings) Limited and British American Tobacco South Africa (Pty) Limited. Information technology support services are received from British American Tobacco Shared Services GSD UK.

British American Tobacco South Africa (Pty) Limited did not charge any management fees during the year. Management fees amounted to ZWL$7 607 226 in 2018.

None of the outstanding balances are secured. A provision for bad and doubtful debts of ZWL$ 6 635 979 (2018: ZWL$ nil) has been recognised in the current year in respect of amounts owed by related parties. No guarantees have been given or received.

28. RELATED PARTY TRANSACTIONS (continued)

	INFLATION ADJUSTED 2019 ZWL$ 000	2018 ZWL$ 000
(c) Year end balances arising from sales/purchases of goods and services		
Receivable from related parties (note 9):		
British American Tobacco Angola Lda	11 656	3 572
British American Tobacco Malawi	1	6
British American Tobacco South Africa (Pty) Limited	192	112
British American Tobacco Mozambique Limitada	-	31
Subtotal	11 849	3 721
Less: provision for expected credit losses	(6 636)	-
	5 213	**3 721**
(d) Payable to related parties (note 14):		
British American Tobacco (Holdings) Limited	15 518	94 222
British American Tobacco Shared Services GSD UK	499	12 727
British American Tobacco South Africa (Pty) Limited	44 371	16 920
British American Tobacco (GLP) Limited	2 484	391
British American Tobacco Mozambique Limitada	-	2 498
British American Tobacco Niemeyer	25	-
British-American Tobacco Singapore Limited	9	-
British American Tobacco Pecsi	14	-
British American Tobacco Tutun	16	-
British American Tobacco BT Bentoel Prima	25	-
British American Tobacco Vranje AD	10	-
	62 971	**126 758**

(e) Key management compensation

Key management includes Directors (executive and non-executive), members of the Executive Committee and the Company Secretary.

The compensation paid or payable to key management for employee services is shown below:

	INFLATION ADJUSTED 2019 ZWL$ 000	2018 ZWL$ 000
Short term employee benefits	3 647	7 586
Termination benefits	-	-
	3 647	**7 586**

29. CAPITAL COMMITMENTS

There were no capital commitments at year end (2018: ZWL$ nil).

30. FINANCIAL RISK MANAGEMENT

Consolidated and Company

30.1 Financial risk factors

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

Risk management is governed by the Audit and Risk Committee 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.

30. FINANCIAL RISK MANAGEMENT (continued)

Consolidated and Company (continued)

30.1 Financial risk factors (continued)

(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, United States Dollar 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 2019, if the currency had weakened/strengthened by 10% against the UK Pound, South African Rand, United States Dollar and the Euro, with all other variables held constant, post-tax profit for the year and equity would have been ZWL$5 149 768 lower/higher (2018: ZWL$336 200), 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:

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
Trade receivables and other receivables, excluding prepayments		
- Trade receivables from customers	29 278	13 809
- Cash and cash equivalents	42 377	208 462
	71 655	**222 271**

The fair value of trade and other receivables at 31 December 2019 approximates their carrying amount due to their short tenure.

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

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

	INFLATION ADJUSTED	
Financial institution	2019 ZWL$ 000	2018 ZWL$ 000
Standard Chartered Bank of Zimbabwe Limited	30 478	182 654
Stanbic Bank Zimbabwe Limited	1 550	3 416
First Capital Bank Zimbabwe Limited	1 194	1 410
Central Africa Building Society (CABS)	9 155	20 982
	42 377	**208 462**

(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.

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 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 measures to mitigate the potential operational consequences of delays in foreign payments to suppliers:

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

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 2019 is as follows:

		INFLATION ADJUSTED		
	Up to one month ZWL$ 000	1 to 2 months ZWL$ 000	Later than 3 months ZWL$ 000	Total ZWL$ 000
Assets				
Cash and cash equivalents	42 377	-	-	42 377
Trade and other receivables (excluding prepayments)	23 442	5 836	-	29 278
Receivables from related parties	-	-	5 213	5 213
Financial assets at fair value through profit or loss	-	-	531	531
Total assets	**65 819**	**5 836**	**5 744**	**77 399**
Liabilities				
Trade and other payables (excluding statutory liabilities)	(129 760)	-	-	(129 760)
Liquidity gap	**(63 941)**	**5 836**	**5 744**	**(52 361)**

At the reporting date, the Group did not hold sufficient monetary assets to cover liabilities. Plans to mitigate the liquidity gap risk are described above in this note.

30. FINANCIAL RISK MANAGEMENT (continued)

Consolidated and Company (continued)

30.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Maturity analysis as at 31 December 2018 is as follows:

	INFLATION ADJUSTED			
	Up to one month ZWL$ 000	1 to 2 months ZWL$ 000	Later than 3 months ZWL$ 000	Total ZWL$ 000
Assets				
Cash and cash equivalents	208 462	-	-	208 462
Trade and other receivables (excluding prepayments)	9 851	237	-	10 088
Receivables from related parties	-	-	3 721	3 721
Financial assets at fair value through profit or loss	-	-	1 373	1 373
Total assets	**218 313**	**237**	**5 094**	**223 644**
Liabilities				
Trade and other payables (excluding statutory liabilities)	(170 419)	-	-	(170 419)
Liquidity gap	**47 894**	**237**	**5 094**	**53 225**

30.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as disclosed in the statement of financial position, plus net debt. As at 31 December 2019, the Group neither had borrowings payable to related parties, nor other financial institutions.

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

	INFLATION ADJUSTED	
	2019 ZWL$ 000	2018 ZWL$ 000
Total liabilities	142 842	209 310
Less: Cash and cash equivalents	(42 377)	(208 462)
Net debt	**100 465**	**848**
Total equity	**108 547**	**136 247**
Net debt to equity ratio	**0.93**	**0.01**

30.3 Fair value estimation

IFRS 13 *Fair Value Measurement* specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, whereas unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy.

Level 1 - Quoted prices (unadjusted) in an active market for identical assets or liabilities. This level includes listed equity securities traded on the Zimbabwe Stock Exchange.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This level includes non-listed equity investments.

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Fair value estimation (continued)

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).

31. SEGMENT INFORMATION

Consolidated and Company

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

The Group has operated in the single segment of cigarettes.

Revenue amounting to ZWL$329 446 000 (2018: ZWL$345 536 000) is from external customers who are domiciled in Zimbabwe and is from the sale of cigarettes.

	INFLATION ADJUSTED			
	2019 Cigarettes ZWL$ 000	Total ZWL$ 000	2018 Cigarettes ZWL$ 000	Total ZWL$ 000
External revenue	506 542	506 542	629 674	629 674
Tobacco duties	(177 096)	(177 096)	(284 138)	(284 138)
Net revenue	**329 446**	**329 446**	**345 536**	**345 536**
Profit before interest, taxation, depreciation and amortisation	**2 152**	**2 152**	**163 957**	**163 957**
Depreciation	(7 951)	(7 951)	(7 636)	(7 636)
Amortisation	(47)	(47)	(54)	(54)
(Loss)/profit before income tax	**(5 846)**	**(5 846)**	**156 267**	**156 267**
Total assets	**251 389**	**251 389**	**345 557**	**345 557**
Total liabilities	**142 842**	**142 842**	**209 310**	**209 310**

32. OPERATING LEASES

Consolidated and Company

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

	INFLATION ADJUSTED	
Lease income receivable	2019 ZWL$ 000	2018 ZWL$ 000
No later than 1 year	97 200	432 215
Later than 1 year and no later than 5 years	486 000	2 161 086
Later than 5 years	-	-
	583 200	**2 593 301**

33. USE OF JUDGEMENTS AND ESTIMATES

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

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

(a) Judgements

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

- **Note 2.1 -** adjustments and restatements in accordance with IAS 29 for changes in the general purchasing power of the Zimbabwe dollar.
- **Note 2.6 -** determining the functional currency: key factors in determining the change in functional currency.

33. USE OF JUDGEMENTS AND ESTIMATES (continued)

(b) Assumptions and estimation uncertainties

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

- **Note 2.7 -** determining the useful lives of property, plant and equipment: estimate is based on projected lives of these assets.
- **Note 2.14 -** measurement of ECL allowance for trade receivables: key assumptions in determining the loss rate.
- **Note 2.19 -** recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.
- **Note 2.19 -** determining the provision for income taxes: there are many transactions and calculations for which the ultimate tax determination is uncertain.
- **Note 15 -** recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources.

34. EVENTS AFTER REPORTING DATE

a) COVID-19

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Many governments are taking increasingly stringent steps to help contain the spread of the virus, including requiring self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/ regions or even entire countries. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long term interest rates in developed economies.

The Zimbabwe economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President declaring a national disaster on 27 March 2020. The President announced that the country would effectively be placed in a lockdown from 30 March 2020 until 19 April 2020. Post 19 April 2020, further extensions to this lockdown were announced and the country is presently operating under phase 2 of the lockdown which has less stringent conditions.

The Group's income for 2020 to date has not been materially impacted by the national lockdown due to the ability to sell once a week. Management expects the anticipated decrease in income to not have a negative impact on the results for the 2020 financial year as they are confident that lost volume sales will be recovered in the following months because of the high demand of the Group's products. Management has implemented, and will continue to implement, actions to maximise liquidity and profitability to ensure the sustainability of the Group.

b) Blocked funds registration

Subsequent to 31 December 2019, the Reserve Bank of Zimbabwe ("RBZ") acknowledged receipt of the Group's application on the registration of the blocked funds amounting to US$15.2 million in respect of outstanding dividends, consistent with the blocked funds guidelines provided in the Exchange Control Directive RU28 dated 21 February 2019 and Exchange Control Circular No. 8 of 24 July 2019. The Exchange Control performed a validation of the documentation provided in respect of the foreign liabilities owing and, following the validation of the information provided, an amount of US$15.2 million was registered as blocked funds. In line with the provisions of the February 2019 Monetary Policy Statement on the settlement arrangements for these blocked funds, RBZ is now working on an appropriate instrument(s) to facilitate settlement of the registered blocked funds. As a result of the registration, management has continued to account for the outstanding dividends at a rate of US$1: ZWL$1.

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

35. GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to settle all its outstanding obligations.

The Group has recognised an inflation adjusted net loss after tax of ZWL$27.7 million for the year ended 31 December 2019 and, as at that date, inflation adjusted current assets exceed current liabilities by ZWL$46.5 million.

In March 2020, the Group started exporting cut-rag to generate foreign currency that is required to continue with normal operations of the business. The Directors assess that the export business is pivotal in strengthening the future development, performance and position of the Group.

The Directors believe that the Reserve Bank of Zimbabwe will honour its commitment to settle the Group's outstanding foreign liabilities at a rate of ZWL$1:US$1 registered as 'blocked funds" as per Exchange Control Directive 28 of 2019. In the event that the Reserve Bank of Zimbabwe will not honour its commitment, the ultimate parent company, British American Tobacco plc International Holdings (UK) Limited has committed to offer financial support to the Group and Company by extending its call on outstanding dividends amounting to US$14 826 079 by a period of 12 months from the date of the issuance of these financial statements. Furthermore, British American Tobacco South Africa Limited has committed to subordinate an amount of US$3 300 682 owing in respect of goods supplied and services rendered.

In light of the global pandemic, COVID-19, the Directors are of the view that the significant doubt associated with the current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

The Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future.

Shareholder Analysis

Top Twenty Shareholders

Rank	Account Name	Shares	% of Total
1	BAT INTERNATIONAL HOLDINGS (UK) LIMITED	8,867,272	42.98
2	OLD MUTUAL LIFE ASSURANCE COMPANY OF ZIMBABWE LIMITED	2,942,678	14.26
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	848,824	4.11
6	STANBIC NOMINEES (PRIVATE) LIMITED	790,298	3.83
7	OLD MUTUAL ZIMBABWE LIMITED	320,476	1.55
8	NATIONAL SOCIAL SECURITY AUTHORITY	257,115	1.25
9	OMZIL STRA SHAREHOLDER TRAP FUND	159,527	0.77
10	ANGLO AMERICAN ASSOCIATED COMPANIES PENSION FUND	115,343	0.56
11	LOCAL AUTHORITIES PENSION FUND	101,977	0.49
12	ZIMBABWE ELECTRICITY IND PENSION FUND	94,133	0.46
13	OLD MUTUAL SHARED SVS (PRIVATE) LIMITED	82,998	0.40
14	DELTA BEVERAGES PENSION FUND	82,860	0.40
15	FBC HOLDINGS PF	75,949	0.37
16	AMZIM PENSION FUND	70,832	0.34
17	OLD MUTUAL INV GRP ZIM (PRIVATE) LIMITED	69,943	0.34
18	NATIONAL FOODS P/F - IMARA	69,288	0.34
19	HIT PENSION FUND - IMARA	52,750	0.26
20	NSSA STAFF PENSION FUND	51,225	0.25
	TOTAL	**19,337,164**	**93.72**
	Other Shareholders	**1,296,353**	**6.28**
	Total Number of Shares	**20,633,517**	**100.00**

Notice to Shareholders

Sixtieth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixtieth Annual General Meeting of the shareholders of British American Tobacco Zimbabwe (Holdings) Limited will be held at the Cresta Lodge Harare, Corner of Samora Machel Avenue and Robert Mugabe Road, Msasa, Harare on Thursday, 16th July 2020 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-Ninth Annual General Meeting.

2. Financial Statement and Reports
To receive and adopt the audited financial statements for the year ended 31 December 2019, together with the reports of the directors and auditors thereon.

3. Dividend
To approve the declaration of no dividend for the year ended 31 December 2019.

4. Directorate

4.1 To approve the remuneration of directors for the year ended 31 December 2019.
4.2 To re-elect Professor Hope Sadza who retires by rotation in terms of article 96 of the Company's articles of association.
4.3 To re-elect Mr Lovemore T Manatsa who retires by rotation in terms of article 96 of the Company's articles of association.
4.4 To confirm the appointment of Mr Kimesh Naidoo who was coopted to the Board, during the year, in terms of Article 88 of the Company's Articles of Association.
4.5 To confirm the appointment of Mr Darryn Bassa who was coopted to the Board, during the year, in terms of Article 88 of the Company's Articles of Association.
4.6 To confirm the appointment of Mr Constantine F. Chikosi who was coopted to the Board, during the year, in terms of Article 88 of the Company's Articles of Association.

The profiles of directors to be re-elected and confirmed 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 KPMG Chartered Accountants (Zimbabwe) as auditors of the Company until the conclusion of the next Annual General Meeting. KPMG has served the Company for the past 5 years.

By Order of the Board

Pauline Kadembo
Company Secretary
16 June 2020

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

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

NOTES:

1. 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.
2. 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.

COVID-19 MEASURES

Due to the public health measures adopted by Government to combat the spread of the COVID-19 pandemic, requisite steps will be taken to protect the health and safety of shareholders and attendees, including the following:

1. Entry to the venue will be limited to the number permissible by law, and seating will be arranged appropriately.
2. Temperature checks will be done at points of entry.
3. No-one will be permitted entry without a mask.
4. Alcohol based hand sanitisers will be placed in strategic locations to ensure attendees properly sanitise their hands as they arrive and leave the venue.
5. Contact details of attendees will be collected to assist in contact tracing in the unlikely event of infections.

BAT ZIMBABWE

Form of Proxy

Sixtieth Annual General Meeting

I/We...

Of...

Being a shareholder of the British American Tobacco Zimbabwe (Holdings) Limited hereby appoint:

....

or failing him/her

....

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Sixtieth Annual General Meeting of the Company to be held at Cresta Lodge Harare, Corner of Samora Machel Avenue and Robert Mugabe Road, Msasa, Harare on Thursday, 16th July 2020 at 10:00 am.

Signed this ....day of..2020

Signature of member/members ....

NOTES:

1. In terms of Section 171 of the Companies and Other Business Entities Act [Chapter 24:31] members are entitled to appoint one or more proxies to act in the alternative to attend or vote and speak in their place at the meeting. A proxy need not be a member of the Company.
2. Any alteration or correction to this form of proxy (including the deletion of alternatives) must be initialed by the signatory/signatories.
3. Instruments of proxy must be lodged at the registered office of the Company at least 48 hours before the time appointed for the holding of the meeting.

BAT ZIMBABWE

Form of Proxy

Sixtieth Annual General Meeting

I/We...

Of...

Being a shareholder of the British American Tobacco Zimbabwe (Holdings) Limited hereby appoint:

....

or failing him/her

....

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Sixtieth Annual General Meeting of the Company to be held at Cresta Lodge Harare, Corner of Samora Machel Avenue and Robert Mugabe Road, Msasa, Harare on Thursday, 16th July 2020 at 10:00 am.

Signed this ....day of..2020

Signature of member/members ....

NOTES:

1. In terms of Section 171 of the Companies and Other Business Entities Act [Chapter 24:31] members are entitled to appoint one or more proxies to act in the alternative to attend or vote and speak in their place at the meeting. A proxy need not be a member of the Company.
2. Any alteration or correction to this form of proxy (including the deletion of alternatives) must be initialed by the signatory/signatories.
3. Instruments of proxy must be lodged at the registered office of the Company at least 48 hours before the time appointed for the holding of the meeting.

BAT ZIMBABWE

Form of Proxy

Sixtieth Annual General Meeting

I/We...

Of...

Being a shareholder of the British American Tobacco Zimbabwe (Holdings) Limited hereby appoint:

....

or failing him/her

....

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Sixtieth Annual General Meeting of the Company to be held at Cresta Lodge Harare, Corner of Samora Machel Avenue and Robert Mugabe Road, Msasa, Harare on Thursday, 16th July 2020 at 10:00 am.

Signed this ....day of..2020

Signature of member/members ....

NOTES:

1. In terms of Section 171 of the Companies and Other Business Entities Act [Chapter 24:31] members are entitled to appoint one or more proxies to act in the alternative to attend or vote and speak in their place at the meeting. A proxy need not be a member of the Company.
2. Any alteration or correction to this form of proxy (including the deletion of alternatives) must be initialed by the signatory/signatories.
3. Instruments of proxy must be lodged at the registered office of the Company at least 48 hours before the time appointed for the holding of the meeting.

ZIMBABWE

Affix
Stamp
here

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

ZIMBABWE

Affix
Stamp
here

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

ZIMBABWE

Affix
Stamp
here

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

NOTES

BAT
ZIMBABWE