

UNAUDITED FINANCIAL RESULTS

For The Half Year Ended 30 June 2017

**BRITISH AMERICAN
TOBACCO**
ZIMBABWE

Chairman's Statement

Introduction

British American Tobacco Zimbabwe (Holdings) Limited ("the company") was able to deliver an impressive set of results for the six months ended 30 June 2017, notwithstanding the difficult economic environment. During the period under review, the trading environment remained constrained in the face of various challenges, including shortages of foreign currency to fund critical inputs, high production costs, continued liquidity challenges and increased financial pressure on consumers which has resulted in an increase in the levels of consumer downtrading. The results demonstrate strength and resilience of the underlying business, an outcome of continued investment behind our brands, our manufacturing capabilities, our distribution network and our people. Focus on cost effectiveness allowed the company to create value for its stakeholders.

Volumes

Total sales volumes grew by 0.2%, spurred by the growth of the low-priced segment brand, Ascot, resulting from increased down trading by consumers driven by affordability challenges. Conversely, sales volumes for Dunhill, the company's premium brand, declined moderately compared to the same period last year.

Financial Results

Total revenues were US\$16.7 million, constituting a 0.5% reduction versus the same period last year, proportional to the volume performance albeit marginally offset by the expansion of the low-priced segment brand, as mentioned above. Gross profit for the year increased by US\$0.07 million (0.5%) to US\$12.0 million, compared to the same period last year.

Selling and marketing costs increased by US\$0.2 million (12.5%) compared to the same period last year due to a change in the company's route to market structure and increased investment behind the company's brands. Administrative expenses reduced by US\$1.9 million (34.1%) compared to the same period last year, largely attributable to non-recurring costs associated with a staff rationalisation exercise carried out in 2016.

Other income decreased by US\$0.2 million (21%) compared to the same period last year, driven by once-off income from duties refunds received in 2016.

Operating profit increased by US\$1.4 million (27%) compared to the same period last year, to close at US\$6.5 million. Net profit attributable to shareholders for the year amounted to US\$4.6 million, which is an increase of US\$1 million (27%) compared to the same period last year.

The company's earnings per share consequently increased by 22% to US\$0.22 from US\$0.18 generated in the same period last year. Cash generated from operations increased by 23% to US\$9.9 million, against US\$8.0 million achieved in the same period last year. The increase was mainly driven by increased profitability, improved collections, delays in payments to foreign suppliers and a decrease on stock holdings.

Dividend

The Group continues to hold in the highest regard the interests of its shareholders to achieve maximum returns on their investments. In view of the profit for the period ended 30 June 2017 and considering our dividend policy, the Board is proposing the declaration of an interim dividend amounting to US\$0.22 per share, an increase of 22% versus 2016.

Contributions to the Government Treasury

The company's contribution to the Zimbabwe Revenue Authority in taxes, including Excise, Corporate Tax, VAT, PAYE and Withholding Tax, declined by 12%, from US\$16.0 million paid for the period ended 30 June 2016, to US\$14.1 million for the period ended 30 June 2017. The reduction in tax contribution was mainly driven by the once off PAYE costs, which arose from the once off staff realignment exercise carried out in 2016.

Outlook

Trading conditions are expected to remain challenging in 2017, despite the measures implemented to alleviate the currency shortages in the country. We are confident that the company will deliver a decent return on investment to our shareholders underpinned by our effective strategy that is in place, the strength and heritage of our brands and high caliber of our people.

Lovemore T Manatsa
Chairman
25 July 2017

Dividend Declaration Notice

Notice is hereby given that the Board of Directors of British American Tobacco Zimbabwe (Holdings) Limited declared an interim dividend of twenty two United States cents per share (US\$0.22) payable in respect of all the ordinary shares of the company. This dividend is in respect of the financial period ended 30 June 2017 and will be payable to all shareholders of the company registered at the close of business on 8 September 2017.

The payment of this dividend will take place on or about 29 September 2017.

The shares of the company will be traded cum dividend on the Zimbabwe Stock Exchange up to the market date of 4 September 2017 and ex-dividend as from 5 September 2017.

Non-resident shareholder tax and resident shareholder tax will be deducted from the gross dividend, where applicable.

By order of the Board

Stephen Nyabadza
Company Secretary
25 July 2017

Financial Highlights

Group Summary (US\$000's)	For the six months ended 30 June 2017	30 June 2016	Group Summary (US\$000's)	For the six months ended 30 June 2017	For the Year ended 31 December 2016
Revenue	16 698	16 774	Total assets	35 119	31 707
Operating profit	6 520	5 134	Total liabilities	23 720	19 257
Profit before income tax	6 520	5 134			
Profit for the period	4 617	3 623			
Basic earnings per share (US\$)	0.22	0.18			
Diluted earnings per share (US\$)	0.22	0.18			

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2017

	Unaudited 6 months ended 30 June 2017	Unaudited 6 months ended 30 June 2016
Revenue	16 698	16 774
Cost of sales	(4 719)	(4 860)
Gross profit	11 979	11 914
Selling and marketing costs	(2 163)	(1 922)
Administrative expenses	(3 648)	(5 534)
Other income	703	892
Other expenses	(351)	(216)
Profit before income tax	6 520	5 134
Income tax expense	(1 903)	(1 511)
Profit for the period	4 617	3 623
Other comprehensive income	-	-
Total comprehensive income for the period	4 617	3 623
Attributable to:		
Owners of the parent	4 617	3 623
Non-controlling interests	-	-
Total comprehensive income for the period	4 617	3 623
Basic earnings per share (US\$)	0.22	0.18
Diluted earnings per share (US\$)	0.22	0.18
Headline earnings per share (US\$)	0.22	0.18

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2017

	Unaudited 6 months ended 30 June 2017	Audited 31 December 2016
ASSETS		
Non-current assets		
Property, plant and equipment	7 939	8 083
Intangible assets	25	28
Investment property	119	119
Financial assets at fair value through profit or loss	37	18
	8 120	8 248
Current assets		
Inventories	4 303	7 473
Trade and other receivables	3 305	3 625
Cash and cash equivalents	19 391	12 361
	26 999	23 459
Total assets	35 119	31 707
EQUITY AND LIABILITIES		
Equity attributable to the owners of the parent		
Share capital	5 214	5 214
Non-distributable reserve	337	337
Retained earnings	5 848	6 899
	11 399	12 450
Non-current Liabilities		
Deferred income tax liabilities	833	690
Current Liabilities		
Trade and other payables	19 822	15 852
Provisions for other liabilities and charges	2 848	2 399
Share-based payment liability	-	61
Current tax liability	217	255
	22 887	18 567
Total liabilities	23 720	19 257
Total equity and liabilities	35 119	31 707

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2017

	ATTRIBUTABLE TO OWNERS OF THE PARENT					Total US\$000's
	Share capital US\$000's	Share premium US\$000's	Other reserves US\$000's	Retained earnings US\$000's	Non-controlling interest US\$000's	
Balance at 1 January 2016	5 214	-	337	9 103	-	14 654
Total comprehensive income for the year	-	-	-	8 477	-	8 477
Dividends	-	-	-	(10 681)	-	(10 681)
Balance at 31 December 2016	5 214	-	337	6 899	-	12 450
Balance at 1 January 2017	5 214	-	337	6 899	-	12 450
Total comprehensive income for the year	-	-	-	4 617	-	4 617
Dividends	-	-	-	(5 668)	-	(5 668)
Balance at 30 June 2017	5 214	-	337	5 848	-	11 399

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2017

	Unaudited 6 months ended 30 June 2017	Unaudited 6 months ended 30 June 2016
Cash flows from operating activities		
Cash generated from operations	11 691	9 877
Income tax paid	(1 799)	(1 852)
Net cash generated from operating activities	9 892	8 025
Cash flows from investing activities		
Purchase of property, plant and equipment	(209)	(199)
Net cash used in investing activities	(209)	(199)
Cashflows from financing activities		
Dividends paid to owners of the parent	(2 653)	(3 851)
Dividends paid to non-controlling interests	-	-
Net cash used in financing activities	(2 653)	(3 851)
Net increase in cash and cash equivalents	7 030	3 975
Cash and cash equivalents at the beginning of the period	12 361	3 869
Cash and cash equivalents at end of the period	19 391	7 844

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2017

1. General information

British American Tobacco Zimbabwe (Holdings) Limited manufactures, distributes and markets cigarettes to a network of independent distributors, wholesalers and retailers. The company has a cigarette manufacturing plant in Zimbabwe and sells cigarettes solely on the Zimbabwe market.

2. Accounting policies and reporting currency

There has been no change in the company's accounting policies since the date of the last audited financial statements. These financial statements are presented in United States Dollars (US\$), being the currency of the primary economic environment in which the company operates.

3. Basis of preparation

The company's interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and are based on statutory records that are maintained under the historical cost convention.

Supplementary Information

4. Depreciation

Depreciation charge
Amortisation charge

5. Capital expenditure

6. Trade and other payables

Trade payables
Amounts due to related parties
Social security and other taxes
Accrued expenses
Other

	30 June 2017 US\$000's	30 June 2016 US\$000's
Depreciation charge	353	685
Amortisation charge	3	3
	356	688
Capital expenditure	(209)	(199)
Trade payables	716	460
Amounts due to related parties	13,420	11,536
Social security and other taxes	2,599	770
Accrued expenses	2,410	718
Other	5,475	2,368
	19 822	15 852