

# UNAUDITED FINANCIAL RESULTS

## For The Half Year Ended 30 June 2016



**BRITISH AMERICAN  
TOBACCO  
ZIMBABWE**

### Chairman's Statement

#### Introduction

The trading environment remained constrained during the period, characterised by weak consumer demand and an accelerated liquidity crunch, driven by the generally weak macro-economic performance. The period recorded low production levels in key economic sectors coupled with low commodity prices for significant exports such as minerals. In view of the foregoing, cigarette volumes for the local market declined compared to the same period in 2015. It is in this context that British American Tobacco Zimbabwe (Holdings) Limited ("BAT Zimbabwe" or "the company") presents its financial results for the half year ended 30 June 2016.

#### Volumes

The company continues to lead the cigarette industry despite sales volumes declining by a significant 20.7% from the previous year for the reasons stated previously. The decrease was experienced in our local brands which declined by 21% compared to the same period in 2015. Our Global Drive Brand, Dunhill, grew by 10% compared to same period driven by a small but growing consumer base.

#### Financial Results

Total revenues were US\$16.8 million, a 23% reduction compared with the same period in the prior year. This was mainly due to the decrease in the sales volumes. Consequently, gross profit for the period reduced by US\$4.2 million (26%) to US\$11.9 million, compared to the period ended 30 June 2015.

Selling and marketing costs decreased by US\$0.2 million (9.7%) compared to the period ended 30 June 2015 due to distribution efficiencies and cost containment initiatives. Administrative expenses were 36% higher compared to the same period in the prior year. This is largely attributable to annulised impact of the service fees from the second half of 2015 related to the new enterprise resource planning system and once off costs associated with a staff rationalisation exercise concluded in 2016.

Other income increased by US\$0.4 million (99%) compared to the period ended 30 June 2015 driven by a refund for erroneously charged duties and readjustment of provisions from prior year.

Operating profit decreased by US\$4.6 million (47%) compared to the period ended 30 June 2015, to close at US\$5.1 million. Net profit attributable to shareholders for the period was US\$3.6 million which was down by US\$4.0 million compared to the period ended 30 June 2015. This represents a decrease in earnings per share to US\$0.18, down from US\$0.37 for the period ended 30 June 2015.

Cash generated from operations was US\$8.0 million, which is a decrease of 25% against \$10.8 million achieved in the period ended 30 June 2015. The decrease was mainly due to a profit decrease offset by improved collections and a decrease on stock holding.

#### 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 2016 and considering our dividend policy, the Board is declaring an interim dividend of US\$0.18 per share.

#### Contributions to the Government Treasury

Despite the 48% decrease in profit before tax, the company's contribution to the Zimbabwe Revenue Authority in taxes, that is to say Excise, Corporate Tax, VAT, PAYE and Withholding Tax, only reduced by 3%, from US\$16.5 million paid for the period ended 30 June 2015 to US\$16.0 million for the period ended 30 June 2016. The main drivers for the stability were Excise, Withholding Tax and PAYE.

#### Corporate Governance

Dr. Kennedy Mandevhani and Mr. Gary Fagan resigned as Non-Executive Directors in May 2016. The Board thanks Dr. Mandevhani and Mr. Fagan for their contribution to the company during their tenures.

#### Outlook

Trading conditions are expected to remain challenging for the rest of 2016. We are confident that given our strategies and the quality of our people we will strive to deliver a performance on target for the rest of the year and value for our shareholders.

**Lovemore T Manatsa**  
Chairman  
25 July 2016

#### Dividend Declaration Notice

Notice is hereby given that the Board of Directors of British American Tobacco Zimbabwe (Holdings) Limited declared an interim dividend of eighteen United States cents per share (US\$0.18) payable in respect of all the ordinary shares of the company.

This dividend is in respect of the financial period ended 30 June 2016 and will be payable to all the shareholders of the company registered at the close of business on 9 September 2016.

The payment of this dividend will take place on or about 30 September 2016.

The shares of the company will be traded cum dividend on the Zimbabwe Stock Exchange up to the market date of 2 September 2016 and ex-dividend as from 5 September 2016.

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 2016

### Financial Highlights

Group Summary (US\$000's)	For the six months ended 30 June 2016	30 June 2015	Group Summary (US\$000's)	For the six months ended 30 June 2016	For the Year ended 31 December 2015
Revenue	16 774	21 798	Total assets	26 495	28 943
Operating profit	5 133	9 743	Total liabilities	15 778	14 289
Profit before income tax	5 133	9 791			
Profit for the period	3 621	7 639			
Basic earnings per share (US\$)	0.18	0.37			
Diluted earnings per share (US\$)	0.18	0.37			

### ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2016

	Unaudited 6 months ended 30 June 2016	Unaudited 6 months ended 30 June 2015
<b>Revenue</b>	<b>16 774</b>	<b>21 798</b>
Cost of sales	(4 860)	(5 654)
<b>Gross profit</b>	<b>11 914</b>	<b>16 144</b>
Selling and marketing costs	(1 922)	(2 129)
Administrative expenses	(5 534)	(4 070)
Share-based payment expense	-	(187)
Other income	892	449
Other expenses	(216)	(464)
<b>Operating profit</b>	<b>5 134</b>	<b>9 743</b>
Net finance income	-	48
Finance costs	-	-
Finance income	-	48
<b>Profit before income tax</b>	<b>5 133</b>	<b>9 791</b>
Income tax expense	(1 511)	(2 152)
<b>Profit for the period</b>	<b>3 621</b>	<b>7 639</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>3 621</b>	<b>7 639</b>
Attributable to:		
Owners of the parent	3 621	7 639
Non-controlling interests	-	-
<b>Total comprehensive income for the period</b>	<b>3 621</b>	<b>7 639</b>
Basic earnings per share (\$)	0.18	0.37
Diluted earnings per share (\$)	0.18	0.37
Headline earnings per share (\$)	0.18	0.37

### ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2016

	Unaudited 6 months ended 30 June 2016	Audited 31 December 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	8 509	8 992
Intangible assets	30	33
Investment property	120	123
Financial assets at fair value through profit or loss	14	30
	<b>8 673</b>	<b>9 178</b>
<b>Current assets</b>		
Inventories	6 352	8 670
Trade and other receivables	3 626	7 226
Cash and cash equivalents	7 844	3 869
	<b>17 822</b>	<b>19 765</b>
	<b>26 495</b>	<b>28 943</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to the owners of the parent</b>		
Share capital	5 214	5 214
Non distributable reserve	337	337
Retained earnings	5 166	9 103
	<b>10 717</b>	<b>14 654</b>
<b>Total equity</b>		
<b>Non-current Liabilities</b>		
Deferred income tax liabilities	1 313	1 352
<b>Current Liabilities</b>		
Trade and other payables	13 795	10 718
Provisions for other liabilities and charges	554	1 601
Share-based payment liability	116	325
Current tax liability	-	293
	<b>14 465</b>	<b>12 937</b>
<b>Total liabilities</b>	<b>15 778</b>	<b>14 289</b>
<b>Total equity and liabilities</b>	<b>26 495</b>	<b>28 943</b>

### ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2016

	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	
<b>Balance at 1 January 2015</b>	5 214	-	337	10 487	-	16 038
Total comprehensive income for the year	-	-	-	15 476	-	15 476
Other comprehensive income for the year	-	-	-	(16 860)	-	(16 860)
Dividends	-	-	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>5 214</b>	<b>-</b>	<b>337</b>	<b>9 103</b>	<b>-</b>	<b>14 654</b>
<b>Balance at 1 January 2016</b>	<b>5 214</b>	<b>-</b>	<b>337</b>	<b>9 103</b>	<b>-</b>	<b>14 654</b>
Total comprehensive income for the year	-	-	-	3 621	-	3 621
Other comprehensive income for the year	-	-	-	(7 558)	-	(7 558)
Dividends	-	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>5 214</b>	<b>-</b>	<b>337</b>	<b>5 166</b>	<b>-</b>	<b>10 717</b>

### ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2016

	Unaudited 6 months ended 30 June 2016	Unaudited 6 months ended 30 June 2015
<b>Cash flows from operating activities</b>		
Cash generated from operations	9 877	12 876
Income tax paid	(1 852)	(2 105)
<b>Net cash generated from operating activities</b>	<b>8 025</b>	<b>10 771</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(199)	(28)
Proceeds on disposal of property, plant and equipment	-	19
Interest received	-	48
<b>Net cash used in investing activities</b>	<b>(199)</b>	<b>38</b>
<b>Cash flows from financing activities</b>		
Dividends paid to owners of the parent	(3 851)	(8 268)
Dividends paid to non-controlling interests	-	-
<b>Net cash used in financing activities</b>	<b>(3 851)</b>	<b>(8 268)</b>
Net increase in cash and cash equivalents	3 975	2 541
Cash and cash equivalents at the beginning of the period	3 869	5 458
<b>Cash and cash equivalents at end of the period</b>	<b>7 844</b>	<b>7 998</b>

### NOTES TO THE FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2016

#### 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

	30 June 2016 US\$000's	30 June 2015 US\$000's
<b>4. Depreciation charge</b>	<b>685</b>	<b>596</b>
Armatisation charge	3	54
	<b>688</b>	<b>650</b>
<b>5. Capital expenditure</b>	<b>199</b>	<b>28</b>
<b>6. Trade and other payables</b>		
Trade payables	574	586
Amounts due to related parties	3 479	4 826
Social security and other taxes	3 005	2 909
Accrued expenses	1 510	1 186
Dividends payable	5 226	1 211
	<b>13 795</b>	<b>10 718</b>