

Unaudited Financial Results

For the Half Year Ended 30 June 2018



**BRITISH AMERICAN
TOBACCO**
ZIMBABWE

Chairman's Statement

Introduction

Adverse economic conditions persisted during the period under review, mainly characterised by inflationary increases in the prices of goods and services fuelled by the continued scarcity of foreign currency which affected the prices of imported products. Notwithstanding, the interim financial results achieved by British American Tobacco Zimbabwe (Holdings) Limited ("the company") show growth built on the momentum of the second half of the prior year, demonstrating resilience of the business and the aptness and effectiveness of its strategy.

Volumes

In the six months to June 2018, total sales volumes grew by 21% versus the same period last year. This was driven by growth in all segments. The Premium Brands recorded a growth of 37%, the Value for Money Brands attained a 16% growth and the Low Value for Money Brands achieved a growth of 285%.

Financial Results

Total revenues were US\$19.9 million constituting an increase of US\$3.2 million (19%) versus the same period last year. Gross profit for the six months increased by US\$2.6 million (22%) to US\$14.6 million compared to the same period last year, driven by increased sales volumes and efficiencies in the cost of production.

Selling and marketing costs amounted to US\$2.6 million, which is an increase of US\$0.4 million (19%) compared to the same period last year. The increase in marketing costs was attributed to the upsurge of marketing activities during the first half of the year to support the company's agenda of delivering value to consumers. Administrative expenses reduced by US\$1.4 million (37%) to US\$2.3 million compared to the same period last year, primarily as a result of savings initiatives and once off retrenchment costs incurred in the first half of 2017.

Other income decreased by US\$0.4 million (56%) to US\$0.3 million compared to the same period last year, driven by the termination of the contract for royalties by British American Tobacco Angola Limitada.

Operating profit increased by US\$3.8 million (58%) compared to the same period last year, to close at US\$10.3 million. Net profit attributable to shareholders for the year was US\$7.4 million, which is an increase of US\$2.8 million (61%) compared to the same period last year.

Consequently, the company's earnings per share increased by 64% to US\$0.36 from US\$0.22 generated in the same period last year.

Cash generated from operations increased by 2% to US\$11.9 million, against US\$11.7 million achieved in the same period last year. The marginal increase was mainly driven by increased profitability, decrease in inventory, improved collections and offset by a significant reduction in creditors.

Dividend

The company continues to hold in high regard the interests of its shareholders through a competitive dividend policy. In line with the profit and cash generated in the six months ended 30 June 2018, the Board has declared an interim dividend of US\$0.30 per share, an increase of 36% compared to same period last year.

Contributions to the Government Treasury

The company's contribution to the Zimbabwe Revenue Authority in taxes, which include Excise Duty, Corporate Income Tax, Value Added Tax, Pay As You Earn and Withholding Tax, increased by 41%, from US\$14.1 million contributed for the six months ended 30 June 2017, to US\$19.9 million for the six months ended 30 June 2018. The increase in tax contribution was mainly driven by increase in volumes and withholding taxes paid.

Outlook

Although the country anticipates economic growth and stability, trading conditions are expected to remain challenging in 2018. However, we are confident that our strategy remains appropriate for our operating environment and that the quality of our people, the strength of our brands and the loyalty of our consumers will continue to deliver growth and value for our shareholders.

Lovemore T. Manatsa
Chairman
25 July 2018

DIVIDEND DECLARATION NOTICE

Notice is hereby given that the Board of Directors of British American Tobacco Zimbabwe (Holdings) Limited declared an interim dividend of thirty United States cents per share (US\$0.30) payable in respect of all the ordinary shares of the company. This dividend is for the financial period ended 30 June 2018 and will be payable to all shareholders of the company registered at the close of business on 7 September 2018.

The payment of this dividend will take place on or about 28 September 2018.

The shares of the company will be traded cum dividend on the Zimbabwe Stock Exchange up to the market date of 4 September 2018 and ex-dividend as from 5 September 2018.

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

By order of the Board

Pauline Kadembo
Company Secretary
25 July 2018

Abridged Consolidated Statement Of Comprehensive Income

For The Six Months Ended 30 June 2018

	Unaudited 6 months ended 30 June 2018 US\$000's	Unaudited 6 months ended 30 June 2017 US\$000's
Revenue	19 855	16 698
Cost of sales	(5 277)	(4 719)
Gross profit	14 578	11 979
Selling and marketing costs	(2 582)	(2 163)
Administrative expenses	(2 287)	(3 648)
Re-measurement of share-based payment liability	(74)	-
Other income	312	703
Other gains/(losses) - net	356	(351)
Profit before income tax	10 303	6 520
Income tax expense	(2 884)	(1 903)
Total comprehensive income for the year	7 419	4 617
Attributable to:		
Owners of the parent	7 419	4 617
Basic earnings per share (US\$)	0.36	0.22
Diluted earnings per share (US\$)	0.36	0.22

Abridged Consolidated Statement Of Financial Position

As At 30 June 2018

	Unaudited 30 June 2018 US\$000's	Audited 31 December 2017 US\$000's
ASSETS		
Non-current assets		
Property, plant and equipment	7 329	7 725
Intangible assets	19	23
Investment property	115	115
Financial assets at fair value through profit or loss	122	133
	7 585	7 996
Current assets		
Inventories	3 553	4 769
Trade and other receivables	3 324	3 677
Cash and cash equivalents	27 745	21 470
	34 622	29 916
Total assets	42 207	37 912
EQUITY AND LIABILITIES		
Equity attributable to the owners of the parent		
Share capital	5 214	5 214
Non-distributable reserve	337	337
Retained earnings	10 541	8 035
Total equity	16 092	13 586
Non-current liabilities		
Deferred tax liability	808	847
Current liabilities		
Trade and other payables	23 287	21 419
Provisions for other liabilities and charges	916	422
Staff benefits liability	931	1 129
Share-based payment liability	173	247
Current tax liability	-	262
	25 307	23 479
Total liabilities	26 115	24 326
Total equity and liabilities	42 207	37 912

Abridged Consolidated Statement Of Changes In Equity

For The Six Months Ended 30 June 2018

	ATTRIBUTABLE TO OWNERS OF THE PARENT			
	Share capital US\$000's	Other reserves US\$000's	Retained earnings US\$000's	Total US\$000's
Balance as at 1 January 2017	5 214	337	6 899	12 450
Total comprehensive income for the year	-	-	10 570	10 570
Dividends	-	-	(9 434)	(9 434)
Balance as at 31 December 2017	5 214	337	8 035	13 586
Balance as at 1 January 2018	5 214	337	8 035	13 586
Total comprehensive income for the six months	-	-	7 419	7 419
Dividends	-	-	(4 913)	(4 913)
Balance as at 30 June 2018	5 214	337	10 541	16 092

Abridged Consolidated Statement Of Cash Flows

For The Six Months Ended 30 June 2018

	Unaudited 6 months ended 30 June 2018 US\$000's	Unaudited 6 months ended 30 June 2017 US\$000's
Cash flows from operating activities		
Cash generated from operations	11 869	11 691
Income tax paid	(3 186)	(1 799)
Net cash generated from operating activities	8 683	9 892
Cash flows from investing activities		
Purchase of property, plant and equipment	(106)	(209)
Proceeds on disposal of property, plant and equipment	14	-
Net cash used in investing activities	(92)	(209)
Cash flows from financing activities		
Dividends paid to owners of the parent	(2 316)	(2 653)
Net cash used in financing activities	(2 316)	(2 653)
Net increase in cash and cash equivalents	6 275	7 030
Cash and cash equivalents at the beginning of the period	21 470	12 361
Cash and cash equivalents at the end of the period	27 745	19 391

Notes To The Financial Results

For The Half Year Ended 30 June 2018

- 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.
- 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 results are presented in United States dollars (US\$), being the currency of the primary economic environment in which the company operates.
- Basis of preparation**
The company's interim financial results were prepared in accordance with International Financial Reporting Standards (IFRS) and are based on statutory records that are maintained under the historical cost convention, except for financial assets at fair value through profit or loss, which are carried at fair value.

Supplementary information

4. Depreciation

Depreciation charge
Amortisation charge

30 June 2018 US\$000's	30 June 2017 US\$000's
499	353
3	3
502	356

5. Capital expenditure

30 June 2018 US\$000's	31 December 2017 US\$000's
791	1 199
4 279	5 611
2 850	1 889
774	423
14 494	11 897
99	400
23 287	21 419

6. Trade and other payables

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

30 June 2018 US\$000's	31 December 2017 US\$000's
791	1 199
4 279	5 611
2 850	1 889
774	423
14 494	11 897
99	400
23 287	21 419