

Unaudited Financial Results

For the Half Year Ended 30 June 2019



BRITISH AMERICAN
TOBACCO
ZIMBABWE

Chairman's Statement

Introduction

The country continued to face economic challenges during the half year ended 30 June 2019. Critically, shortages of foreign currency and electricity compromised the efficiency and overall production capacity for those in the manufacturing sector. Inflation continued to soar with June 2019 year on year rising to 175.6%. The Zimbabwe dollar was introduced as the sole legal tender tradable with other currencies on the Interbank Foreign Exchange market. During the period, the Zimbabwe dollar softened against major currencies significantly pushing up the cost of production. Most sectors of the economy were negatively affected by pricing distortions and the increased inflow of foreign goods led to a widening of the country's trade deficit.

In the context of the foregoing, the interim financial results achieved by British American Tobacco Zimbabwe (Holdings) Limited ("the Company") show a decline in volumes for the period under review compared to the same period last year. The Company however, recorded higher sales and profitability in comparison with the same period last year.

Volumes

In the six months to 30 June 2019, total sales volumes declined by 20% versus the same period last year. This was driven by shrinking consumer disposable incomes. The Premium Brand, Dunhill, recorded a decline of 87% compared to the same period in prior year driven by the Company's inability to import Dunhill as duties are required in foreign currency. The Value for Money Brands, Madison and Everest, declined by 21% and the Low Value for Money Brand, Ascot, also declined by 2%.

Financial Results

Despite the drop in volumes, Revenue was ZWL\$9.6 million (48%) higher than the same period last year, driven by price increases targeted at containing an increase in costs. This resulted in a gross profit increase of ZWL\$8.9 million which is 61% up compared to the same period last year, driven by the positive impact from raw materials sourced at lower prices.

Increased inflation resulted in selling and marketing costs increasing by ZWL\$1.4 million (54%) to ZWL\$3.9 million compared to the same period last year. The main cost drivers were distribution costs. Administrative expenses increased by ZWL\$2.6 million (117%) driven by once off restructuring costs and the economic inflationary pressures.

Other losses increased by ZWL\$3.8 million driven by foreign currency denominated liabilities exchange losses.

Operating profit increased by ZWL\$0.9 million (9%) compared to the same period last year, to close at ZWL\$11.3 million. Net profit attributable to shareholders for the year was 15% up compared to June 2018.

Consequently, the Company's earnings per share increased by 13% to ZWL\$0.41 from ZWL\$0.36 generated in the same period last year.

Cash generated from operations decreased by 3% to ZWL\$11.5 million, against ZWL\$11.9 million achieved in the same period last year. The decrease was driven by an increase in receivables.

Dividend

As a result of the prevailing economic environment in the period ended 30 June 2019, the Board has not declared an interim dividend to allow reinvestment in the operations of the Company.

Contribution 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, decreased by 11% from ZWL\$19.9 million contributed for the period ended 30 June 2018, to ZWL\$17.8 million for the period ended 30 June 2019. The decrease in tax contribution was mainly driven by a decrease in volumes and once off withholding taxes paid in 2018.

Sustainability

Following the devastating effects of Cyclone Idai, the Company donated through Miracle Mission the sum of ZWL\$40 000.00. The donation went towards food distributed to affected families in the Eastern Highlands.

The Company also partnered with the Zimbabwe Chamber of Small to Medium Enterprises in the launch of the Youth Access Prevention ("YAP") in Masvingo. YAP forms a critical part of the Company's sustainability agenda and corporate social responsibility endeavors. The YAP Programme is a retail focused communication tool that seeks to educate both retailers and customers about the minimum age requirements for smoking within the law.

The Company provided communication materials to retailers to reinforce the minimum age requirement in Zimbabwe. These materials are placed alongside existing point of sale materials to highlight that no cigarettes are to be sold to persons under the age of 18.

Corporate Governance

Mrs Clara Mlambo resigned as Managing Director on 30 June 2019. The Board thanks Mrs Mlambo for her contribution to the Company during her tenure. Mr Stephen Nyabadza was appointed Acting Managing Director effective 1 July 2019, pending the Board's finalisation of the recruitment process of a substantive Managing Director. Mr Nomore Mapanzure was also appointed as a Non-Executive Director effective 24 April 2019.

Outlook

Trading conditions are expected to remain challenging for the remainder of 2019. We are however, confident that our strategy remains appropriate to the 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

23 August 2019

Abridged Consolidated Statement Of Comprehensive Income

For The Six Months Ended 30 June 2019

	Unaudited 6 months ended 30 June 2019 ZWL\$ 000	Unaudited 6 months ended 30 June 2018 ZWL\$ 000
Revenue	29 458	19 855
Cost of sales	(5 931)	(5 277)
Gross profit	23 527	14 578
Selling and marketing costs	(3 983)	(2 582)
Administrative expenses	(4 969)	(2 287)
Re-measurement of share-based payment liability	(27)	(74)
Other income	261	312
Other (losses)/gains- net	(3 528)	356
Profit before Income tax	11 281	10 303
Income tax expense	(2 773)	(2 884)
Total comprehensive income for the period	8 508	7 419
Attributable to:		
Owners of the parent	8 508	7 419
Basic earnings per share (ZWL\$)	0.41	0.36
Diluted earnings per share (ZWL\$)	0.41	0.36
Headline earnings per share (ZWL\$)	0.41	0.36

Abridged Consolidated Statement Of Financial Position

As At 30 June 2019

	Unaudited 30 June 2019 ZWL\$ 000	Audited 31 Dec. 2018 ZWL\$ 000
ASSETS		
Non-current assets		
Property, plant and equipment	16 177	6 941
Intangible assets	35	18
Investment property	407	164
Financial assets at fair value through profit or loss	295	221
	16 914	7 344
Current assets		
Inventories	5 627	5 805
Trade and other receivables	18 499	4 727
Cash and cash equivalents	41 466	33 561
	65 592	44 093
	82 506	51 437
EQUITY AND LIABILITIES		
Equity attributable to the owners of the parent		
Share capital	5 214	5 214
Non-distributable reserve	337	337
Translation reserve	10 404	-
Retained earnings	21 000	12 492
Total equity	36 955	18 043
Non-current liabilities		
Deferred income tax liability	462	613
Current liabilities		
Trade and other payables	42 060	30 505
Staff benefits liability	2 780	1 511
Share-based payment liability	249	222
Current tax liability	-	543
	45 089	32 781
	82 506	51 437

The notes are an integral part of the consolidated financial results. These financial results were authorised for use by the Board of Directors on 23 August 2019 and signed on its behalf by:

Stephen Nyabadza
Acting Managing Director

Lesile Malunga
Finance Director

Abridged Consolidated Statement Of Changes In Equity

For The Six Months Ended 30 June 2019

	ATTRIBUTABLE TO OWNERS OF THE PARENT				
	Share capital ZWL\$ 000's	Other reserves ZWL\$ 000's	Translation reserve ZWL\$ 000's	Retained earnings ZWL\$ 000's	Total ZWL\$ 000's
Balance as at 1 January 2018	5 214	337	-	8 035	13 586
Total comprehensive income for the year	-	-	-	14 808	14 808
Dividends	-	-	-	(10 351)	(10 351)
Balance as at 31 December 2018	5 214	337	-	12 492	18 043
Balance as at 1 January 2019	5 214	337	-	12 492	18 043
Total comprehensive income for the period	-	-	-	8 508	8 508
Dividends	-	-	-	-	-
Translation reserve	-	-	10 404	-	10 404
Balance as at 30 June 2019	5 214	337	10 404	21 000	36 955

Abridged Consolidated Statement Of Cash Flows

For The Six Months Ended 30 June 2019

	Unaudited 6 months ended 30 June 2019 ZWL\$ 000	Unaudited 6 months ended 30 June 2018 ZWL\$ 000
Cash flows from operating activities		
Cash generated from operations	11 511	11 869
Income tax paid	(3 632)	(3 186)
Net cash generated from operating activities	7 879	8 683
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(106)
Proceeds on disposal of property, plant and equipment	31	14
Net cash generated from/(used in) investing activities	31	(92)
Cash flows from financing activities		
Dividends paid to owners of the parent	(5)	(2 316)
Dividends paid to non-controlling interests	-	-
Net cash used in financing activities	(5)	(2 316)
Net increase in cash and cash equivalents	7 905	6 275
Cash and cash equivalents at the beginning of the period	33 561	21 470
Cash and cash equivalents at the end of the period	41 466	27 745

Notes To The Financial Results

For The Half Year Ended 30 June 2019

1. General Information
British American Tobacco Zimbabwe (Holdings) Limited ("the Company") 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, however, these financial statements are presented in Zimbabwe dollars (ZWL\$), being the currency of the primary economic environment in which the Company operates. Comparator periods have been translated at the rate 1:1 between ZWL\$ and US\$. Additionally, legacy debt has been translated at a rate of 1:1 between ZWL\$ and US\$ and a directors' revaluation of property, plant and equipment was performed at 1 January 2019 at the rate of 2.5:1 between ZWL\$ and US\$.

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, except for financial assets at fair value through profit and loss, which are carried at fair value. IAS 29 (Financial Reporting in Hyperinflationary Economies) has not been adopted for these interim financial statements, however, management is closely monitoring the economy to determine if applying this standard is required going forward.

4. Requirement for review by Auditors
Due to the timing of the implementation of S.I. 134 of 2019, the Zimbabwe Stock Exchange provided the Company with a waiver of s.38(1)(a) to proceed to publish unaudited half year results for the period ending 30 June 2019.

Supplementary Information

	30 June 2019 ZWL\$ 000	31 Dec. 2018 ZWL\$ 000
5. Depreciation		
Depreciation charge	900	499
Amortisation charge	3	3
	903	502
6. Capital expenditure	-	(106)
7. Trade and other payables		
Trade payables	2 117	2 585
Amounts due to related parties	27 319	20 407
Social security and other taxes	3 334	3 069
Accrued expenses	6 585	1 657
Dividends payable	2 705	2 710
Other	-	77
	42 060	30 505

The increase in amounts due to related parties is due to delays in receiving the exchange control approvals for the contracts and general shortage of foreign currency for external payments.