

**SENS ANNOUNCEMENT**  
(the "Notice" or "Announcement")

**ISSUER**



**BRITISH AMERICAN  
TOBACCO**  
ZAMBIA

**BRITISH AMERICAN TOBACCO (ZAMBIA) PLC**  
[Incorporated in the Republic of Zambia]

Company registration number: 119630002333  
Share Code: BATZ  
ISIN: ZM0000000029  
Authorised by: Valentine Kabonga – Company Secretary

**SPONSOR**



STOCKBROKERS ZAMBIA LIMITED

**Stockbrokers Zambia Limited**

[Founder Member of the Lusaka Securities Exchange]

[Regulated and licensed by the Securities and Exchange Commission of Zambia]

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**APPROVAL**

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

**RISK WARNING**

The Notice or Announcement contained herein contains information that may be of a price sensitive nature. Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

**ISSUED: 28 February 2018**



## ABRIDGED AUDITED FINANCIAL RESULTS

For the Year ended 31 December 2017

[Incorporated in the Republic of Zambia]

Company registration number: 2333

Share Code: BATZ

ISIN: ZM0000000029

The Directors of British American Tobacco (Zambia) plc present the abridged audited financial results for the year ended 31 December 2017.

| KEY FINANCIALS  | 2017            | 2016          | Change       |
|---|-----------------|---------------|--------------|
|   | ZMW '000        | ZMW '000      |              |
| Revenue   | <b>227,549</b>  | 286,918       | -21%         |
| Turnover  | <b>123,291</b>  | 169,139       | -27%         |
| Excise duty   | <b>104,258</b>  | 117,779       | -11%         |
| Operating (loss)/profit                                 | <b>(9,360)</b>  | 30,681        | -131%        |
| (Loss)/profit before taxation                           | <b>(14,973)</b> | 34,070        | -144%        |
| Income tax expense                                      | <b>(193)</b>    | (13,047)      | -99%         |
| (Loss)/profit attributable to shareholders              | <b>(15,166)</b> | 21,023        | -172%        |
| Attributable to owners of the parent                    | <b>(15,166)</b> | 21,023        | -172%        |
| Basic and diluted earnings per share (Kwacha)           | <b>(0.07)</b>   | 0.10          | -170%        |
| <b>Dividends per ordinary share (Kwacha)</b>            |                 |               |              |
| Interim paid  | -               | 0.04          | -100%        |
| Final proposed  | -               | 0.05          | -100%        |
| <b>Movement in Equity</b>                               |                 |               |              |
| Equity at the start of the year                         | 18,089          | 23,758        | -24%         |
| (Loss)/Profit for the year attributable to shareholders | (15,166)        | 21,023        | -172%        |
| Final dividend 2016                                     | (10,623)        | (29,777)      | -64%         |
| Other comprehensive income for the year                 | 6,009           | 3,085         | 95%          |
| <b>Equity at the end of the year</b>                    | <b>(1,691)</b>  | <b>18,089</b> | <b>-109%</b> |

## **Chairman's Report**

### **Year in Review**

The Zambian economy registered a GDP growth of 4% in 2017. Although this growth was modest in comparison to the levels we have seen in the last two decades, it marked a turnaround in recovery for Zambia. The improved growth and better macroeconomic indicators in 2017 will be the foundation for stronger growth in the medium to long term. The economic recovery was supported by a year of good harvest, improvements in the generation of electricity, rising world copper prices and an easing of monetary policy. The key message from the government is economic diversification to boost employment which will support future economic growth and address the affordability challenge affecting our business.

In order to accomplish sustained and inclusive economic growth, Zambia will require a stable macroeconomic environment, enhanced competitiveness, strengthened human capital and supportive financial inclusion for small and medium scale enterprises as clearly outlined in the Seventh National Development Plan.

We are excited to confirm that our shareholders approved a US\$15 million investment for the construction of a cigarette manufacturing plant at the Lusaka South Multifacility Economic Zone. The cigarette plant is now operational and will be formally commissioned during the second half of 2018. The factory will directly and indirectly create and sustain additional jobs in Zambia. BAT Zambia is committed to Zambia and appreciates the initiatives that the Government continues to put in place to allow businesses to grow. As a leader in this sector for more than 50 years, our investment reaffirms our commitment to the development of our country.

We are supportive of policy measures to exempt cutrag used in the manufacture of local cigarettes from excise duty as announced by the Minister of Finance in the 2018 National Budget Statements. The basis of the exemption is that the end product being cigarettes is excisable under the Customs and Excise Act. This measure provides excise treatment certainty to local manufacturers and further improves their efficiencies in cashflow allocation which leads to business growth.

### **Illicit Trade**

Illicit trade remains one of the single biggest challenges for the business. Cigarettes smuggled from neighbouring countries and other duty not paid for cigarettes account for a significant portion of the illicit tobacco market. Zambia has one of the highest incidence of illicitly imported tobacco products in Southern Africa. In our estimation, Government currently loses over ZMK 200 million per annum through illicit trade of cigarettes. In addition to depriving government of its revenues, illicit trade in cigarettes also devalues investments in local operations and distribution networks of the legal industry. Illicit trade in cigarettes harms established brands and undermines the regulatory frameworks governing legitimate tobacco industry players.

We acknowledge the interventions done in 2017 by various government departments and confirm that we fully support the efforts of government and regulators in seeking to eliminate all forms of cigarette smuggling. We remain open to engaging directly with the local authorities on matters involving the illicit movement of tobacco product.

### **Financial Results**

The Company recorded a reduction in turnover of 27% ending the year with K123.3 million compared to K169.1 million for 2016. The reduction in turnover was as a result of a volume loss of 20% due to the price disparity across the portfolio in light of the discriminatory excise regime that is favourable to local manufacturers. Turnover represents revenue, excluding excise duties.

An operating loss of K 9.4 million was recorded compared to a profit of K30.7 million in 2016. The reduction in operating profit was mainly driven by the volume loss as mentioned, the increase in excise duties and an increase in operating costs including product costs, due to the hedging of the local currency against major convertible currencies. The company reduced the price of Pall Mall as a measure to maintain its sales volumes resulting in a gross profit decrease of K21.1million, which was partially offset with a price increase on Dunhill.

As stated above, during the fourth quarter of the year, the company obtained shareholder approval to borrow US\$15 million for the construction of a cigarette manufacturing plant. To enable the speedy completion of the construction project, the company accessed an interim overdraft facility in the amount of US\$5.3 million to fund construction activities and working capital management interventions during the year.

Cash generated from operations was K47.3 million, an increase of more than 200% compared to the negative cash generated from operations last year of K27.5 million. The increase was mainly due to optimised working capital management, partially offset by the operating loss.

#### **Dividends**

In view of the financial results recorded during the period under review and the approval obtained during the Emergency General Meeting on Friday 27 October 2017, the Board of Directors recommend that no dividend be declared for the year ended 31 December 2017.

#### **Contributions to the Government Treasury**

The Company's contribution to the Zambian Government treasury in taxes including Excise, Corporate Tax, VAT, PAYE and Withholding Tax, declined by about 43% in 2017 when compared to the previous year. Total taxes collected during the period under review were K138.0 million compared to K240 million collected in 2016 representing a drop of K102 million. The drop-in contribution to the treasury was mainly driven by lower sales volumes and loss recorded during the period.

#### **Outlook**

The trading environment remain challenging going into 2018. However, it is anticipated that the recovering economy, together with the localisation of our cigarette manufacturing will stimulate business growth in 2018. The viability of the new factory and the broader sustainability of our business and its continuous ability to contribute meaningfully towards Government revenues rely on a stable, certain and predictable tax regime for the tobacco industry.

We believe our strategies, quality brands and great people with strong values will continue to deliver shareholder value in 2018 and beyond. Let me express my thanks and appreciation to my fellow Directors on the Board, management and the entire British American Tobacco Zambia team for their efforts and resilience through this challenging year.



**Michael Mundashi**

**Chairman**

**23 February 2018**



**BRITISH AMERICAN  
TOBACCO**  
ZAMBIA

**British American Tobacco (Zambia) p.l.c.**  
**ABRIDGED AUDITED FINANCIAL RESULTS**  
**For the year ended 31 December 2017**

This report is published to comply with the Securities Act No. 41 of 2016.

The audited results of the Company's operations for the year ended 31 December 2017 are as follows:

**Abridged Income Statement**

|  | Full Year      |                |             |
|--|----------------|----------------|-------------|
|  | 2017<br>K '000 | 2016<br>K '000 | Var<br>%    |
| <b>Volumes (mns)</b>                       | <b>510</b>     | <b>639</b>     | <b>-20%</b> |
| Revenue                                    | 227,549        | 286,918        | -21%        |
| Turnover                                   | 123,291        | 169,139        | -27%        |
| Excise duty                                | 104,258        | 117,779        | -11%        |
| Operating (loss)/profit                    | (9,360)        | 30,681         | -131%       |
| (Loss)/Profit before taxation              | (14,973)       | 34,070         | -144%       |
| Taxation on profits                        | (193)          | (13,047)       | -99%        |
| (Loss)/Profit after taxation               | (15,166)       | 21,023         | -172%       |
| (Loss)/Profit attributable to shareholders | (15,166)       | 21,023         | -172%       |
| Earnings per share (Kwacha)                | (0.07)         | 0.10           | -170%       |
| Dividend per share (Kwacha)                | -              | 0.09           | -100%       |

**Abridged Balance Sheet**

|                               | As At 31 December |                |
|-------------------------------|-------------------|----------------|
|                               | 2017<br>K '000    | 2016<br>K '000 |
| Non-current assets            | 63,033            | 7,716          |
| Bank balances and cash        | 27,186            | 7,775          |
| Other current assets          | 98,460            | 114,181        |
| <b>Total current assets</b>   | <b>125,646</b>    | <b>121,956</b> |
| <b>Total assets</b>           | <b>188,679</b>    | <b>129,672</b> |
| Current liabilities           | (190,370)         | (111,583)      |
| <b>Total net assets</b>       | <b>(1,691)</b>    | <b>18,089</b>  |
| Total shareholders' funds     | (1,691)           | 18,089         |
| <b>Total capital employed</b> | <b>(1,691)</b>    | <b>18,089</b>  |

## Abridged Cash Flow Statement

|   | 31 December     |                 |
|---|-----------------|-----------------|
|   | 2017<br>K '000  | 2016<br>K '000  |
| <b>Operating activities</b>                         |                 |                 |
| Cash generated from operations                      | 47,287          | (27,549)        |
| Interest received                                   | 952             | 1,006           |
| Interest paid                                       | (773)           | (31)            |
| Tax paid  | (4,218)         | (16,609)        |
| <b>Net cash generated from operating activities</b> | <b>43,248</b>   | <b>(43,183)</b> |
| <b>Investing activities</b>                         |                 |                 |
| Purchase of property, plant and equipment           | (60,547)        | (1,627)         |
| Proceeds on sale of property, plant and equipment   | 158             | 248             |
| <b>Net cash utilised in investing activities</b>    | <b>(60,389)</b> | <b>(1,379)</b>  |
| <b>Cash flows from financing activities</b>         |                 |                 |
| Unclaimed dividend paid for previous year           | (2,651)         | (1,129)         |
| Final dividend paid for previous year               | (2,527)         | (4,657)         |
| Interim dividend paid for current year              | -               | (1,863)         |
| <b>Net cash out flows from financing activities</b> | <b>(5,178)</b>  | <b>(7,649)</b>  |
| <b>Net decrease in cash and cash equivalents</b>    | <b>(22,319)</b> | <b>(52,211)</b> |
| Cash and cash equivalents at beginning of year      | (3,327)         | 48,884          |
| <b>Cash and cash equivalents at end of period</b>   | <b>(25,646)</b> | <b>(3,327)</b>  |

By Order of the Board



Valentine Kabonga  
Company Secretary  
23 February 2018



## NOTICE OF ANNUAL GENERAL MEETING OF BRITISH AMERICAN TOBACCO ZAMBIA PLC

NOTICE IS HEREBY GIVEN that the Fifty Fifth Annual General Meeting of the Shareholders of British American Tobacco (Zambia) p.l.c. ("the Company"), will be held at Taj Pamodzi Hotel, Church Road Lusaka, Zambia on Thursday 29 March 2018 at 09:00 hours for the purpose of transacting the following business:

1. Minutes of the previous meeting  
To confirm and sign off the minutes of the Fifty Fifth Annual General Meeting held on Friday 31, March 2017.
2. Financial Statement and Reports  
To receive and adopt the audited financial statements for the year ended 31 December 2017, together with the reports of the Directors and Auditors thereon.
3. Directorate
  - 3.1. To authorise the Directors to fix their remuneration for the year ending 31 December 2018.
  - 3.2. To re-elect Directors in place of those retiring in accordance with the provisions of section 206 (5) of the Companies Act Cap 388.
  - 3.3. The profiles of Directors to be re-elected are included in the Annual Report under Board of Directors.
4. Auditors  
To authorise the directors to determine the remuneration of the auditors for the past audit and to appoint auditors for the year to 31 December 2018.
5. Approval of Renewal of the Term Loan  
To resolve that the directors are hereby authorised to renew the loan agreement between the company and BATIF Dollar Limited in the amount of US\$ 15 million ("the Loan Agreement"), upon each expiry date for such term or terms, as the directors may deem appropriate provided that the terms and conditions of each term of the Loan Agreement shall always be substantially similar to the initial Loan Agreement between the company and BATIF approved by the shareholders on 27<sup>th</sup> October 2017.
6. To transact any other business that may properly be transacted at the Annual General Meeting.

A shareholder is entitled to appoint any person (whether a member of the company or not) to attend and/or speak and vote in his or her stead.

Proxy forms must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

Formalised notices of the Annual General Meeting will be sent to all shareholders in compliance with Rule 14 of the Securities (Registration of Securities) Rule, 1993.

By order of the Board

**Valentine Kabonga**  
Company Secretary

Issued in Lusaka, Zambia on 28 February 2018

### Lusaka Securities Exchange Sponsoring Broker



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Stockbrokers Zambia Limited (SBZ) is a founder member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia

**First Issued on 28 February 2018**