

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

**ISSUER**



Company registration number: 2333  
Share Code: BATZ  
ISIN: ZM0000000029  
Authorised by: Valentine Kabonga – Company Secretary

**SPONSOR**



**Stockbrokers Zambia Limited**

[Founder Member of the Lusaka Securities Exchange]

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

Contact Number: +260-211-232456  
Website: [www.sbz.com.zm](http://www.sbz.com.zm)

**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:22 February 2017**



**BRITISH AMERICAN  
TOBACCO  
ZAMBIA**

[Incorporated in the Republic of Zambia]

Company registration number: 2333

Share Code: BATZ

ISIN: ZM0000000029

**AUDITED FINANCIAL RESULTS**

**For the Year ended 31 December 2016**

The Directors of British American Tobacco (Zambia) plc present the audited financial results for the year ended 31 December 2016.

<b>KEY FINANCIALS</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
	<b>ZMW '000</b>	<b>ZMW '000</b>	<b>(%)</b>
Revenue	<b>286,918</b>	324,586	-11.6%
Turnover	<b>169,139</b>	196,912	-14.1%
Excise duty	<b>117,779</b>	127,674	-7.8%
Operating profit	<b>30,681</b>	58,653	-47.7%
Profit before taxation	<b>34,070</b>	61,941	-45.0%
Income tax expense	<b>(13,047)</b>	(22,754)	-42.7%
Profit attributable to shareholders	<b>21,023</b>	39,187	-46.4%
Attributable to owners of the parent	<b>21,023</b>	39,187	-46.4%
Basic and diluted earnings per share (Kwacha)	<b>0.10</b>	0.18	-45.0%
<b>Dividends per ordinary share (Kwacha)</b>			
Interim paid	<b>0.04</b>	0.08	-50.0%
Final proposed	<b>0.05</b>	0.10	-50.0%
<b>Movement in Equity</b>			
Equity at the start of the year	23,758	40,406	-41.2%
Profit for the year attributable to shareholders	21,023	39,187	-46.4%
Dividends declared	(29,777)	(46,741)	-36.3%
Other comprehensive income for the year	3,085	(9,094)	0.0%
<b>Equity at the end of the year</b>	<b>18,089</b>	<b>23,758</b>	<b>-23.9%</b>

## **Year in Review**

2016 was a unique year in the history of Zambia. The economy registered a GDP growth of 3% which is the lowest rate in almost two decades. Zambia has been under severe external stress over the last few years attributable to the global commodity price slump that affected copper exports and the poor weather in the Central and Southern Africa sub-region. The resultant drought adversely affected electricity generation that also have a direct impact on our business. The rapid erosion of domestic purchasing power arising from exchange rate pass-through on commodity prices which saw inflation peaking at 22.9% in February has also adversely affected our customers. The tight monetary policy which has brought currency stability has affected credit which in turn has negatively impacted growth in small and medium sized businesses. In 2016, the company had a full year under the new discriminatory excise duty regime where importers pay 400% of the excise duty that local manufacturers pay. Our consumers are still adjusting to the new pricing that were implemented in January as a result of this new excise duty. On a positive note, the elections in the second half of the year saw President Edgar Chagwa Lungu of the Patriotic Front re-elected and new Government formed that brought political certainty.

## **Illicit Trade**

Illicit trade remains one of the single biggest challenges for the business. In the year under review, the challenge became further pronounced as the new discriminatory excise system resulted in higher prices being implemented on our brands. This opened the door for the growth in two types of illicitly traded tobacco products. Suspect Price Products with Tax Stamps have been on the increase in the country. These products carry tax stamps but retail at prices that are below the tax obligations that the products attract. The second group contains smuggled products that do not carry Tax Stamps. We continue to work with Government to ensure sustainability of the industry that operates within the confines of the law and the preservation of Government revenue.

## **Financial Results**

The Company recorded a drop in turnover of 14% ending the year with K169.1 million when compared to the previous period. The reduction in turnover was as a result of the 42% drop in volume due to the forced price increase across the portfolio in an effort to recover the significant incremental cost of the new discriminatory excise regime.

An operating profit of K 30.7 million (2015: K58.7 million) was recorded during the period under review translating into a drop of 48%. The drop in operating profit was mainly driven by the volume loss as mentioned above, the increase in excise duties and operating costs including product costs attributed to the depreciation of the local currency against major convertible currencies.

The company recorded negative cash generated from operations of K-27.5 million (2015: K83.7 million). This was driven by lower profits from operations and higher purchases of inventory as part of our working capital management interventions during the year.

Earnings per share for the year reduced by 46%, from K0.18 in 2015 to K0.10 in 2016, following the decrease in profit from operations.

## Dividends

In view of the financial results recorded during the period under review, the Board of Directors recommend that a final dividend of K0.05 per share be declared for the year ended 31 December 2016. This takes the total dividend per share for the year to K0.09, which represents a decrease of 50% when compared to the same period last year.

### **Notice of Declaration of Final Dividend, Issued in Compliance with the Securities (Registration of Securities) Rules, 1993**

The Company hereby gives notice that the register of members will be closed on Friday 28 April 2017. The dividend will be paid by 30 June 2017.

Dividends payable (ZMW)	10,622,815
Number of shares	212,456,304
Dividend per share (ZMW)	0.05

### **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, increased from K200.9 in 2015 to K240.2 million in 2016, representing an increase of 19% compared to the same period in the previous year. The increase was mainly driven by the significant increase in excise duty at the start of 2016 to K200 minimum payable per one thousand cigarettes from K90 in 2015.

### **Corporate Governance**

In September 2016, Cremildo Ferrao resigned from the Board to pursue other interests outside the group. We take this opportunity to thank him for his diligent contribution to the board over the last two years and wish him well in his future endeavors.

Alexandre Carpenter has been appointed to the board as his replacement, subject to ratification at the Annual General Meeting. Alexandre has many years' experience in the British American Tobacco Group covering many different markets. He is the current General Manager of the MOZZIM Cluster in BAT covering Mozambique, Zambia, Zimbabwe and Malawi. Prior to his appointment, he was the General Manager of British American Tobacco Cuba where he successfully commissioned a new Factory.

We welcome him to the Board.

### **Outlook**

The tough macroeconomic environment coupled with a 20% increase in excise duty while maintaining the discriminatory excise system, will continue to present a more conducive environment for illicit traders and ultimately will adversely impact both government revenues and profitability of legitimate traders.

However, we will continue to focus on brand building through our pool of exceptional people with the ultimate objective of delivering shareholder value in the long term.

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  
22 February 2017



BRITISH AMERICAN  
TOBACCO  
ZAMBIA

British American Tobacco (Zambia) p.l.c.  
AUDITED FINANCIAL RESULTS  
For the year ended 31 December 2016

This report is published to comply with the Securities Act (Act No. 38 of 1993).

The audited results of the Company's operations for the year ended 31 December 2016 are as follows:

**Abridged Income Statement**

	Full Year		
	2016 K '000	2015 K '000	Var %
<b>Volumes (mns)</b>	<b>639</b>	<b>1,108</b>	<b>-42.3%</b>
Revenue	286,918	324,586	-11.6%
Turnover	169,139	196,912	-14.1%
Excise duty	117,779	127,674	-7.8%
Operating profit	30,681	58,653	-47.7%
Profit before taxation	34,070	61,941	-45.0%
Taxation on profits	(13,047)	(22,754)	-42.7%
Profit after taxation	21,023	39,187	-46.4%
Profit attributable to shareholders	21,023	39,187	-46.4%
Earnings per share (Kwacha)	0.10	0.18	-45.0%
Dividend per share (Kwacha)	0.09	0.18	-50.0%

**Abridged Balance Sheet**

	As At 31 December	
	2016 K '000	2015 K '000
Non-current assets	7,716	9,790
Bank balances and cash	7,775	48,884
Other current assets	114,181	46,341
<b>Total current assets</b>	<b>121,956</b>	<b>95,226</b>
<b>Total assets</b>	<b>129,672</b>	<b>105,015</b>
Current liabilities	(111,583)	(81,257)
<b>Total net assets</b>	<b>18,089</b>	<b>23,758</b>
Total shareholders' funds	18,089	23,758
<b>Total capital employed</b>	<b>18,089</b>	<b>23,758</b>

## Abridged Cash Flow Statement

	31 December	
	2016 K '000	2015 K '000
<b>Operating activities</b>		
Cash generated from operations	(27,491)	83,730
Interest received	1,006	1,269
Interest paid	(31)	
Tax paid	(16,609)	(25,799)
<b>Net cash generated from operating activities</b>	<b>(43,125)</b>	<b>59,200</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,627)	(2,123)
Proceeds on sale of property, plant and equipment	190	3,696
<b>Net cash utilised in investing activities</b>	<b>(1,437)</b>	<b>1,573</b>
<b>Cash flows from financing activities</b>		
Unclaimed dividend paid for previous year	(1,129)	(403)
Final dividend paid for previous year	(4,657)	(29,744)
Interim dividend paid for current year	(1,863)	(16,997)
<b>Net cash out flows from financing activities</b>	<b>(7,649)</b>	<b>(47,144)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(52,211)</b>	<b>13,630</b>
Cash and cash equivalents at beginning of year	48,884	35,254
<b>Cash and cash equivalents at end of period</b>	<b>(3,327)</b>	<b>48,884</b>

By Order of the Board



Valentine Kabonga  
Company Secretary  
24 February 2017



## 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 Friday 31 March 2017 at 0900 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 Fourth Annual General Meeting held on Wednesday 27 April 2016.

2. Financial Statement and Reports

To receive and adopt the audited financial statements for the year ended 31 December 2016, together with the reports of the Directors and Auditors thereon.

3. Dividend

To approve the final dividend of K 0.05 per share (interim dividend of K0.04 per share) amounting to a total of K 0.09 per share (K 19.12 million) for the year ended 31<sup>st</sup> December 2016.

4. Directorate

- To approve the remuneration of Directors for the year ended 31 December 2016;
- To re-elect Directors in place of those retiring in accordance with the provisions of section 206 (5) of the Companies Act Cap 388;
- To ratify the appointments and note the resignations happened during the course of the year;

The profiles of Directors to be re-elected are included in the Annual Report under Board of Directors.

5. 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 2016.

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.

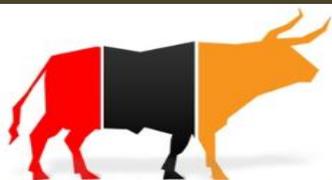
Notice is hereby given that subject to the approval of the final dividend at the Annual General Meeting, the register of members will be closed on Friday, 28 April 2016 and the warrants in payments will be posted on or before 30 June 2016.

By order of the Board

**Valentine Kabonga**

**Company Secretary**

### Lusaka Securities Exchange Sponsoring Broker



STOCKBROKERS ZAMBIA LIMITED

T | +260-211-232456  
E | [advisory@sbz.com.zm](mailto:advisory@sbz.com.zm)  
W | [www.sbz.com.zm](http://www.sbz.com.zm)

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 22 February 2017**