



BRITISH AMERICAN TOBACCO

The Directors of British American Tobacco Kenya Limited are pleased to announce the results for the six months ended 30 June 2008 as shown below:

Key highlights in the 6 months to 30 June 2008:

- Gross turnover 16% increase
- Contribution to government revenues 25% increase
- Profit before tax 5% increase
- Interim dividend Shs 4.50 per share

The extracts of the financial statements are as follows:

Condensed income statement for the six months ended 30 June:

	2008 Shs' m	2007 Shs' m
Gross turnover	8,188	7,080
Excise duty and VAT	(3,535)	(2,769)
Net turnover	4,653	4,311
Operating profit	1,183	1,083
Finance cost	(55)	(5)
Profit before tax	1,128	1,078
Income tax expense	(338)	(325)
Profit after tax	790	753
Dividend		450

Consolidated Balance Sheet as at:

	30 June 2008 Shs' m	31 Dec 2007 Shs' m
Capital and reserves		
Share capital	1,000	1,000
Revaluation surplus	1,223	1,223
Retained earnings	2,210	2,470
Shareholders' fund	4,433	4,693
Non-current liabilities	1,015	1,033
	5,448	5,726
Assets		
Non current assets		
Property, plant & equipment	5,168	5,277
Working capital		
Current assets	4,017	3,879
Current liabilities	3,737	3,430
Net working capital	280	449
	5,448	5,726

Condensed cash flow statement for the six months ended 30 June:

	2008 Shs' m	2007 Shs' m
Cash generated from operations	387	873
Net interest (paid)/ received	(36)	5
Tax paid	(278)	(237)
Net cash from operating activities	73	641
Net cash used in investing activities	(118)	(158)
Net cash used in financing activities	(1,050)	(750)
Decrease in cash & cash equivalents	(1,095)	(267)
At start of period	(386)	85
At end of period	(1,481)	(182)

Condensed statement of changes in equity For the six months ended 30 June 2008

	Share capital Shs' m	Revaluation Shs' m	Retained earnings Shs' m	Total Shs' m
At 1 January 2007	1,000	733	2,461	4,194
Net profit	-	-	753	753
Final dividend for 2006	-	-	(750)	(750)
At 30 June 2007	1,000	733	2,464	4,197
At 1 January 2008	1,000	1,223	2,470	4,693
Net profit	-	-	790	790
Final dividend for 2007	-	-	(1,050)	(1,050)
At 30 June 2008	1,000	1,223	2,210	4,433

Explanatory Note: These financial statements have been prepared in accordance with prior year accounting policy.



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Overview:

The six month period to 30 June 2008 was extremely challenging following the post-election turmoil. Inflation rates rose to levels unseen in the recent past putting further pressure on businesses across the country.

During this period contract manufactured volumes grew by 3% while domestic sales volume remained flat against same period of 2007. Domestic volumes benefited from improvements made last year in our distribution capabilities and fight against illicit trade. As a result, gross turnover and profit before tax grew by 16% and 5% respectively, compared to the same period last year.

The Finance Bill 2008/9 introduced a new hybrid structure of excise which combines both product characteristics and retail selling price. We welcome the move towards taxing cigarettes according to their physical characteristics as this will ease enforcement. However, for the second year running the rate increase was high, averaging 31% across our portfolio. These successive above-inflation increases could incentivise illicit trade and threaten the sustainability of government revenues from our industry.

The Tobacco Control Act became effective on 8 July 2008. We supported the development of this Act and have worked hard to be compliant. In this context, we are doing our best to raise awareness but we look to the authorities to play their role to make clear the specifics of this law. Consumers, retailers, owners of public places and other industry stakeholders need to be protected from misinterpretations and unwarranted and sometimes opportunistic harassment. If objectively implemented, this is a balanced piece of legislation and we expect the current confusion to be temporary.

Dividend

The Directors are pleased to announce a first interim dividend of Shs 4.50 per Shs 10 ordinary share in respect of the six months period to 30 June 2008. Payments of the dividend are subject to withholding tax and the dividend will be paid on 5 September 2008 to shareholders on the register at the close of business on 15 August 2008.

Nairobi

18 July 2008

By Order of the Board
RT Ngobi
Company Secretary