

CHAIRMAN'S REVIEW

The West Indian Tobacco Company Limited recorded a Profit Before Tax of \$213.1 million over the nine-month period ended 30 September 2023. This represents a decrease of \$91.8 million or 30% over the corresponding period last year, building on the half-year performance in further narrowing the gap of 63% of the first financial quarter ended 31 March 2023.

The Company's transformation journey, which began in the first quarter of the 2022 financial year, continues, with the consolidation of our distribution network effective July 2023. This transition, critical for the long-term sustainability of our business, promises many benefits in improved efficiency, better customer contact and an extensive offering. In the immediate period, inventory movements, market adjustments and consumer re-positioning resulted in revenue decline by \$3.1 million or 1.9% compared to the corresponding quarter last year. The settling of our Portfolio Transformation, matched with a more efficient distribution model, will allow us to be more responsive to our customers' demands, continue to generate positive growth indicators for 2023, and allow for acceleration in 2024.

Innovation continues to be a key to our future growth, and we are well-positioned to continue to lead the market via new products. We see this as a vehicle for changing the existing landscape while ensuring the sustainability of our employees, the company's business, and the country's socio-economic improvement.

Directors have recommended a second interim dividend for the financial year ended 31 December 2023 of \$0.26 per ordinary share, which will be paid on 28 November 2023 to shareholders of record at the close of business on 8 November 2023. The Register of Shareholders will be closed on 9 and 10 November 2023 to process transfers.



Ingrid L-A Lashley
Chairman
25 October 2023

SUMMARY STATEMENT OF FINANCIAL POSITION

	UNAUDITED 30.09.23 TT\$'000	UNAUDITED 30.09.22 TT\$'000	AUDITED 31.12.22 TT\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	281,049	273,025	283,503
Deferred income tax asset	11,361	9,400	9,017
Retirement benefit asset	4,445	-	-
	<u>296,855</u>	<u>282,425</u>	<u>292,520</u>
Current assets			
Inventories	91,190	75,318	85,298
Trade and other receivables	163,009	187,153	124,277
Taxation recoverable	255	4,917	4,969
Cash and cash equivalents	188,595	199,653	276,372
	<u>443,049</u>	<u>467,041</u>	<u>490,916</u>
Total assets	<u>739,904</u>	<u>749,466</u>	<u>783,436</u>
EQUITY			
Share capital	42,120	42,120	42,120
Revaluation surplus	57,271	58,222	57,986
Retained earnings	375,727	455,235	352,113
Total equity	<u>475,118</u>	<u>555,577</u>	<u>452,219</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	44,140	42,199	41,726
Retirement benefit obligation	-	5,681	5,969
Post-employment medical benefit obligation	4,452	4,632	4,867
Lease liabilities	3,520	713	3,986
	<u>52,112</u>	<u>53,225</u>	<u>56,548</u>
Current liabilities			
Trade and other payables	118,091	93,308	124,701
Due to parent company	52,923	-	100,854
Dividends payable	39,757	46,626	47,617
Lease liabilities	1,903	730	1,497
	<u>212,674</u>	<u>140,664</u>	<u>274,669</u>
Total liabilities	<u>264,786</u>	<u>193,889</u>	<u>331,217</u>
Total equity and liabilities	<u>739,904</u>	<u>749,466</u>	<u>783,436</u>



Ingrid L-A Lashley
Chairman



Raoul Glynn
Managing Director

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED Three Months Ended 30.09.23 TT\$'000	UNAUDITED Three Months Ended 30.09.22 TT\$'000	UNAUDITED Nine Months Ended 30.09.23 TT\$'000	UNAUDITED Nine Months Ended 30.09.22 TT\$'000
Revenue	161,604	164,698	468,565	548,900
Cost of sales	(56,638)	(54,112)	(173,246)	(159,103)
Gross profit	104,966	110,586	295,319	389,797
Distribution costs	(3,380)	(2,173)	(7,868)	(5,661)
Administrative expenses	(19,863)	(19,373)	(52,693)	(50,899)
Other operating expenses	(14,016)	(9,523)	(24,868)	(28,704)
Operating profit	67,707	79,517	209,890	304,533
Finance income	1,111	321	3,533	501
Finance cost	(117)	(41)	(354)	(131)
Profit before taxation	68,701	79,797	213,069	304,903
Taxation	(21,413)	(23,588)	(63,612)	(96,353)
Profit for the period	47,288	56,209	149,457	208,550
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Re-measurement of retirement and post-employment benefit obligations	-	-	6,936	(14,223)
Related tax	-	-	(2,081)	4,267
Other comprehensive income – net of tax	-	-	4,855	(9,956)
Total comprehensive income for the period	47,288	56,209	154,312	198,594
Earnings per ordinary share	\$0.19	\$0.22	\$0.59	\$0.83

SUMMARY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital TT\$'000	Revaluation Surplus TT\$'000	Retained Earnings TT\$'000	Shareholders' Equity TT\$'000
Unaudited Nine Months Ended 30 September 2023				
Balance at 1 January 2023	42,120	57,986	352,113	452,219
Comprehensive income				
Profit for the period	-	-	149,457	149,457
Other comprehensive income				
Re-measurement of retirement and post-employment benefit obligations – net of tax	-	-	4,855	4,855
Depreciation transfer on buildings – net of tax	-	(715)	715	-
Transactions with owners				
Dividends	-	-	(131,413)	(131,413)
Balance at 30 September 2023	42,120	57,271	375,727	475,118
Unaudited Nine Months Ended 30 September 2022				
Balance at 1 January 2022	42,120	58,936	499,283	600,339
Comprehensive income				
Profit for the period	-	-	208,550	208,550
Other comprehensive income				
Re-measurement of retirement and post-employment benefit obligations – net of tax	-	-	(9,956)	(9,956)
Depreciation transfer on buildings – net of tax	-	(714)	714	-
Transactions with owners				
Dividends	-	-	(243,356)	(243,356)
Balance at 30 September 2022	42,120	58,222	455,235	555,577

UNAUDITED INTERIM RESULTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

SUMMARY STATEMENT OF CASH FLOWS

	UNAUDITED Nine Months Ended 30.09.23 TT\$'000	UNAUDITED Nine Months Ended 30.09.22 TT\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	213,069	304,903
Adjustments for:		
Depreciation	12,572	10,649
Net decrease in retirement and other post-employment benefit obligations excluding actuarial losses	(3,893)	(5,594)
Interest income	(3,533)	(501)
Interest expense	354	131
Operating profit before working capital changes	218,569	309,588
Changes in working capital:		
Increase in inventories	(5,892)	(24,675)
Increase in trade and other receivables	(38,732)	(60,276)
Increase/(decrease) in trade and other payables	11,439	(15,565)
Decrease in due to parent company	(47,931)	–
Cash generated from operating activities	137,453	209,072
Tax refund received	4,279	–
Interest paid	(354)	(131)
Taxation paid	(79,429)	(117,766)
Net cash from operating activities	61,949	91,175
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,118)	(19,337)
Interest received	3,533	501
Net cash used in investing activities	(6,585)	(18,836)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(139,275)	(240,090)
Lease payments	(3,866)	(1,092)
Net cash used in financing activities	(143,141)	(241,182)
Net decrease in cash and cash equivalents	(87,777)	(168,843)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	276,372	368,496
CASH AND CASH EQUIVALENTS AT END OF PERIOD	188,595	199,653
Represented by:		
Cash at bank and in hand	94,231	57,929
Short-term deposits	94,364	141,724
	188,595	199,653

Note 4: Segment Information

	Domestic TT\$'000	CARICOM & Non-CARICOM TT\$'000	Unallocated TT\$'000	Total TT\$'000
Nine months ended 30 September 2023				
Revenue	371,529	97,036	–	468,565
Gross Profit	285,764	9,555	–	295,319
Profit for the period includes:				
– Depreciation	–	–	(12,572)	(12,572)
Nine months ended 30 September 2022				
Revenue	463,071	85,829	–	548,900
Gross Profit	374,580	15,217	–	389,797
Profit for the period includes:				
– Depreciation	–	–	(10,649)	(10,649)
Total segment assets				
30 September 2023	173,428	80,249	486,227	739,904
30 September 2022	204,204	58,267	486,995	749,466
Total segment assets include additions to property, plant and equipment as follows:				
30 September 2023	–	–	10,118	10,118
30 September 2022	–	–	19,337	19,337

The Company is organised and managed on the basis of two geographic regions, namely the Domestic market and the CARICOM market. During 2022, the Company was also contracted as a contingent supplier to a Non-CARICOM market. The Non-CARICOM market was included with the CARICOM market. These are the reportable segments for the Company as they form the focus of the Company's internal reporting systems and are the basis used by the Managing Director and the local management team, as the chief operating decision makers, for assessing performance and allocating resources.

The Company is a single product business providing cigarettes. While the Company has clearly differentiated brands, segmentation among a wide portfolio of brands is not part of the regular internally reported financial information.

Primary reporting format – geographical segment

With the exception of the Domestic market, no other individual country within the CARICOM market contributes more than 10% of total revenue. Information is analysed by segment only where relevant and applicable. Where there is no logical allocation basis, items have been disclosed as unallocated.

All the Company's non-current assets are located in Trinidad and Tobago. Revenues from the two customers of the Company's Domestic segment represented approximately \$371,529,000 (2022: \$463,071,000) of the Company's total revenues.

NOTES TO THE SUMMARY INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

Note 1: General Information

The West Indian Tobacco Company Limited is incorporated in the Republic of Trinidad and Tobago. The Company is listed on the Trinidad and Tobago Stock Exchange. The address of the registered office is Corner Eastern Main Road and Mount D'or Road, Champs Fleurs, Trinidad, West Indies. It is a subsidiary of British American Tobacco (Investments) Limited, a company registered in the United Kingdom. Its ultimate parent company is British American Tobacco p.l.c., a company registered in the United Kingdom.

The principal business activities of the Company are the manufacture and sale of cigarettes. This summary financial information was approved for issue on 25 October 2023.

Note 2: Basis of Preparation

This summary financial information for the nine-month period ended 30 September 2023, has been prepared in accordance with International Accounting Standard 34 (IAS34), 'Interim Financial Reporting' as well as the requirements of the Securities Act 2012 which goes beyond IAS 34. The summary interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Note 3: Significant Accounting Policies

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and in accordance with International Financial Reporting Standards (IFRS).

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements, with the exception of taxes on income in the interim periods, which are accrued using the tax rate that would be applicable to expected total annual earnings.

	30.09.23 TT\$'000	30.09.22 TT\$'000
Note 5: Related Party Transactions		
Sale of goods and services:		
Sale of goods – related parties	97,036	85,829
Purchase of goods and services:		
Purchase of goods – related parties	36,498	45,119
Purchase of services – related parties	43,327	37,322
Purchase of services – parent company	9,958	12,604
Period end balances arising from sales/purchases of goods and services:		
Receivables from related parties	25,973	16,526
Payables to related parties	36,996	22,526
Payables to parent company	3,443	–
Key management compensation		
Salaries and other short-term employee benefits	6,912	6,791
Post-retirement medical obligations	4	3
Post-retirement benefits	276	138
Note 6: Capital Commitments		
Authorised and contracted for, and not provided for in the financial statements	2,624	4,314
Note 7: Contingent Liabilities		
Customs & immigration bonds	24,982	22,930
Note 8: Dividends Paid/Payable On Ordinary Shares		
Final dividend – prior year	65,707	176,904
Interim dividend	65,707	98,561
	131,414	275,465

An interim dividend of \$0.26 per share (2022: \$0.33 per share) was approved by the Board of Directors on 25 October 2023, and will be paid on 28 November 2023 to shareholders of record as at 08 November 2023. This interim dividend, amounting to \$65,707,200 (2022: \$83,397,600) has not been recognised in these interim financial statements. It will be recognised in shareholders' equity in the year to 31 December 2023.