WEST INDIAN TOBACCO

ANNUAL REPORT 2013

Delivering Results

Delivering Results

This Company is committed to **delivering results** to all its stakeholders; the essence of which forms the theme of this report. We recognise at the same time, that business success brings with it an obligation to high standards of behaviour and integrity; standards which should not be compromised for the sake of results. Our Guiding Principles act as a compass for our behaviour.

The design incorporates icons representative of these Guiding Principles.

The leaf reflects the correlation of the environment, sustainability and responsibility, hence **Freedom through Responsibility**. Within this freedom we strive to do the right thing, exercising our responsibility to society and other stakeholders.

The silhouette of the head depicts **Open-Mindedness**. We are forward-looking and anticipate consumer needs. It also reflects that we are open to new ways of doing things.

The cog is a basic, yet important part of any machine and its effective functioning. This icon represents an **Enterprising Spirit** which is in constant movement of thought and innovation.

The triad of figures represents **Strength from Diversity** in our employee base, with varying areas of expertise and outlooks. We respect and celebrate differences and harness diversity – of our people, cultures, viewpoints, brands, markets and ideas – to strengthen our business.

The use of touch-screen imagery reflects the progressive nature of West Indian Tobacco. The emphasis is on the close, indeed inseparable, link of employee interface (represented by the hand) and all the “buttons” to ***delivering results*** and creating a winning organisation.

Our Mission

...is to sustain our market leadership in Trinidad and Tobago and to be the number one manufacturing centre in the Caribbean.

We are committed

...to good corporate governance and to achieving our business objectives in a manner which is responsible and consistent with our beliefs in honesty, transparency and accountability. We regard corporate governance not simply as an exercise in compliance, but as a key element underpinning the sustainable, long-term growth of our business.

These principles are reflected in our **Standards of Business Conduct**, which demonstrate our commitment to good corporate behaviour. They have been in place for many years, and continue to be kept under review in order to ensure that they remain at the forefront of best business practice.

In addition, the principles set out within our **Statement of Business Principles** are designed to help meet the expectations placed on us by our various stakeholders, and form the basis on which we expect our business to be run in terms of responsibility. There are three Business Principles: Mutual Benefit, Responsible Product Stewardship and Good Corporate Conduct, which underpin our continuous review of the Company's Corporate Social Responsibility performance. They were developed with the help of stakeholders and we constantly seek to engage with stakeholders to help determine how they should best be reflected in our business practices.

Corporate Information

BOARD OF DIRECTORS

Anthony E Phillip, Chairman
Jean-Pierre S du Coudray, Managing Director
Amanda J Cavill de Zavaley
Danielle F Chow
Ranjit R Jeewan
Ingrid L-A Lashley
Oscar M Morales

AUDIT COMMITTEE

Ingrid L-A Lashley, Chairman
Ranjit R Jeewan
Anthony E Phillip

COMPANY SECRETARY

Danielle F Chow

REGISTERED OFFICE

Corner Eastern Main Road &
Mount D'Or Road
Champs Fleurs
Republic of Trinidad and Tobago

REGISTRAR AND TRANSFER OFFICE

RBC Trust (Trinidad & Tobago) Limited
55 Independence Square
Port of Spain
Republic of Trinidad and Tobago

ATTORNEYS-AT-LAW & NOTARY PUBLIC

Fitzwilliam Stone Furness-Smith & Morgan
48-50 Sackville Street
Port of Spain
Republic of Trinidad and Tobago

AUDITORS

PricewaterhouseCoopers
11-13 Victoria Avenue
Port of Spain
Republic of Trinidad and Tobago

BANKERS

Citibank (Trinidad & Tobago) Limited
12 Queen's Park East
Port of Spain
Republic of Trinidad and Tobago

Republic Bank Limited
59 Independence Square
Port of Spain
Republic of Trinidad and Tobago

RBC Royal Bank (Trinidad & Tobago) Limited
55 Independence Square
Port of Spain
Republic of Trinidad and Tobago

Scotiabank Trinidad and Tobago Limited
56-58 Richmond Street
Port of Spain
Republic of Trinidad and Tobago

Delivering Results

Contents

Notice of Meeting

Notice is hereby given that the ONE HUNDRED AND NINTH ANNUAL MEETING OF SHAREHOLDERS OF THE WEST INDIAN TOBACCO COMPANY LIMITED ("the Company") will be held at The Jade Conference Room, Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad, on Friday 4 April, 2014 at 10.30 a.m. for the following purposes:

A ORDINARY BUSINESS

1 To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December, 2013 together with the Reports of the Directors and Auditors thereon.

2 To declare a Final Dividend for the financial year ended 31 December, 2013.

3 To re-elect Mr Jean-Pierre S du Coudray, who retires in accordance with paragraph 4.7:5 of Bye-Law No. 1 of the Company, as a Director of the Company in accordance with paragraph 4.7:7 of Bye-Law No. 1 for a term from the date of his election until the close of the third Annual Meeting of the Company following his election or until his retirement in accordance with paragraph 4.7:5.

4 To re-elect Mr Oscar M Morales who retires in accordance with paragraph 4.7:5 of Bye-Law No.1 of the Company, as a Director of the Company in accordance with paragraph 4.7:7 of Bye-Law No.1 for a term from the date of his election until the close of the third Annual Meeting of the Company following his election or until his retirement in accordance with paragraph 4.7:5.

5 To re-elect Mr Anthony E Phillip, who retires in accordance with paragraph 4.7:2(g) of Bye-Law No. 1 of the Company, as a Director of the Company in accordance with paragraph 4.7:10 of Bye-Law No. 1 for a term from the date of his election until the close of the next Annual Meeting.

6 To re-elect Mr Ranjit R Jeewan, who retires in accordance with paragraph 4.7:2(g) of Bye-Law No. 1 of the Company, as a Director of the Company in accordance with paragraph 4.7:10 of Bye-Law No. 1 for a term from the date of his election until the close of the next Annual Meeting.

7 To reappoint Messrs PricewaterhouseCoopers as Auditors of the Company to hold office until the close of the next Annual Meeting.

B To transact any other business as may properly be brought before the meeting.

BY ORDER OF THE BOARD

Danielle Chow

Danielle F Chow
Secretary
Corner Eastern Main Road and Mount D'Or Road
Champs Fleurs
TRINIDAD

21 February, 2014

NOTES:

1 No material service contracts were entered into between the Company and any of its Directors.

2 The Directors of the Company have not fixed a record date for the determination of shareholders who are entitled to receive notice of the Annual Meeting. In accordance with Section 111(a)(i) of the Companies Act, Ch. 81:01 the statutory record date applies. Only shareholders on record at the close of business on Thursday 20 February, 2014, the date immediately preceding the date on which the Notice is given, are therefore entitled to receive Notice of the Annual Meeting.

3 A shareholder entitled to attend and vote at the Annual Meeting is entitled to appoint a proxy or one or more alternate proxies to attend and act at the Meeting in the manner and to the extent authorised by the proxy and with the authority conferred by the proxy. A proxy need not be a shareholder. All Proxy Forms should be completed and deposited with the Secretary of the Company at the Registered Office of the Company at least 48 hours before the time appointed for the Annual Meeting.

4 A shareholder who is a body corporate may, in lieu of appointing a proxy, authorise an individual by resolution of its Directors or governing body to represent it at the Annual Meeting.

Delivering Results

Chairman's Statement

It is my pleasure to report that West Indian Tobacco continued to deliver superior results with Profit before Tax of $556 million and profit of $411 million for the year 2013. This before-tax position represents an increase of 17 percent over the previous year and underpinned continued increases in shareholder value. In recognition of this performance, the Board of Directors had approved the payment of three interim dividends totalling $2.93 per share which, together with the proposed final dividend of $1.61 per share, will bring the total dividends payable for 2013 to $4.54 per ordinary share, 19 percent above that of the prior year.

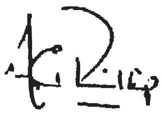
The economy of Trinidad and Tobago in 2013, has improved, albeit slowly, as a result of government stimulus, monetary conditions and a rebound in the non-energy sector. The Company, as the local tobacco industry leader and a major exporter to CARICOM markets, operates within an international environment which recognises improved economic performance in the United States, the most relevant economy to the region, as well as the United Kingdom and the Eurozone. In 2013, the CARICOM economies did not fare as well with low and modest growth, if at all. More particularly, Barbados having not fully recovered from the 2008 crisis, fell back into recession in 2013 and Jamaica, with its highly leveraged economy, continued to record negative growth.

The Company operates as part of the global tobacco industry and as a member of the British American Tobacco (BAT) Group. BAT estimates its share of the global tobacco market at approximately 13 percent. It should be noted, that the illicit trade in tobacco products is a serious issue in many countries and is an estimated 12 percent of the global cigarette market.

West Indian Tobacco seeks to be the preferred choice of adult consumers. We strive always to understand the smoking experiences that consumers are looking for and offer them a choice of products that satisfies their needs. We recognise and appreciate the changing reality of our adult consumers with increasing prices and reduced smoking occasions, and thus the importance of these moments. We build relevant brands and participate in responsible engagement through approved channels. Our aim is not just to maximise our share of sales; value and quality are high on our agenda. We continue to add value for our consumers, trade customers and shareholders through our "Win-Win-Win" initiative, with the support and passion of great people, great teams, altogether making West Indian Tobacco a great place to work – a winning organisation.

At the same time, the Industry saw increasing regulation and tobacco control measures in 2013. The Company is not against regulation, given the health risks associated with smoking. What we ask for is regulation that is balanced and, more importantly, derived from a strong evidence base, which should help in achieving the intended public health objective. The unintended consequences of flawed regulation, such as a loss of Government's excise revenue, must be avoided. As a Company, we believe that all tobacco products should feature an appropriate health warning on primary packaging. At the same time, the ability to reproduce health warnings and other information on packs, economically and flexibly, should be an integral part of any regulation. We do not believe that packaging should be plain with health messages only, as we are unaware of proof to suggest that the plain packaging of tobacco products will be effective in discouraging young people from smoking, encouraging existing smokers to quit, or increasing the effectiveness of health warnings.

My thanks to the Directors, for their guidance and contribution to the Business Strategy. I also wish to record the Company's sincerest appreciation for the contributions of former Director, Nirala Singh, who resigned from the Board of Directors following her transfer to the British American Tobacco affiliate company in Vietnam. We are also thankful for our employees, business partners and suppliers who have supported another year of success.



ANTHONY E PHILLIP
Chairman

Management Discussion & Analysis

The Company performed well in 2013 and was able to deliver solid shareholder value for yet another year. This has been achieved through a focus on understanding and delivering enjoyable consumer moments, within a restricted environment, while effectively deploying resources. All this, within a winning environment of great people, great teams and a great place to work. It is this commitment by all to succeed, despite the challenges, which has allowed us to continue to deliver a solid performance in 2013.

We recognise that we work in a controversial industry and we are passionate about what we do. More importantly, we operate through guiding principles which reflect with certainty what we stand for and while delivering results is important to us, equally important, is our commitment to responsible behaviour in the delivery of those results.

Constant changes in the global environment continues to stretch our collective capacity as an organisation, and this simply energises and shapes the way we transform our business to ensure sustainable long-term success. Challenges in the economic environment locally, coupled with the increased legislative and a competitive environment, have caused us to operate differently and redefine the Company's strategy with respect to the way we manufacture and market our products.

PERFORMANCE AND STRATEGY

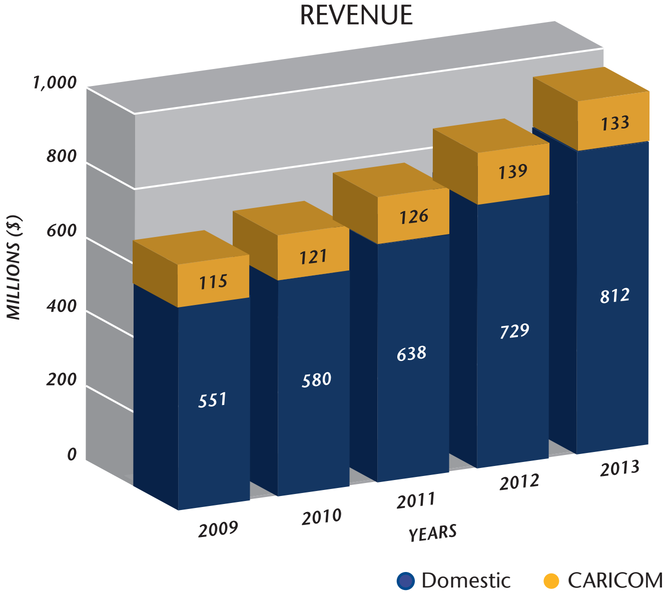
Our vision of a sustainable tobacco business is one that manages the impact of its operations and creates value for shareholders, as well as being in the best interest of other stakeholders. The strategy is aligned to pillars of growth, productivity, sustainability and a winning organisation.

Our marketing strategy is based on a dynamic product portfolio offering the best quality and choice to our consumers in an effort to maintain our leadership position in the market. Our manufacturing focus is based on creating value which is how we manage the business to contribute positively to shareholders' return and delivering on time in full for both the local and export markets.

REVENUES

The Company has recorded revenue of $945 million, representing a growth level of 9 percent over 2012. Revenue is calculated as sales value net of excise, as published in the Statement of Comprehensive Income. The year-on-year growth is a reflection of the strong performance of our key brands, Dunhill, du Maurier and Broadway, where volume in the premium category has grown, but is offset by lower sales volume in the export market.

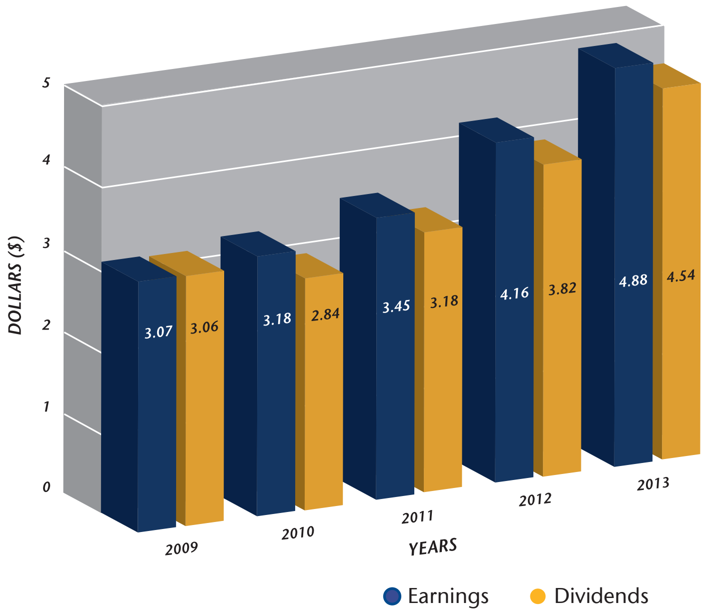
REVENUE



COST OF SALES AND OVERHEADS

In 2013, Cost of Sales decreased to $244 million, a decline of one percent from 2012. This was primarily driven by price increases of raw materials in the international market for use in manufacture, offset by the reduced sales to export customers. Total overheads of $145 million, remained flat against the previous year, reflecting lower distribution and administration costs. All areas of expenses continued to be monitored during 2013, with the objective of maintaining only core business expenditure, and ensuring expenses were contained within the levels of inflation. This approach has proven successful in the management of overhead costs.

EARNINGS/DIVIDEND PER ORDINARY SHARE

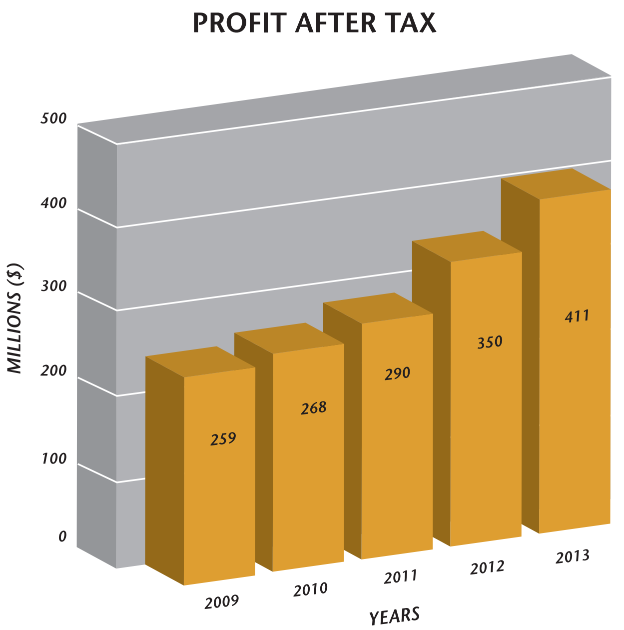


PROFIT AND TOTAL COMPREHENSIVE INCOME

Profit before Taxation ended the year at $556 million, which represents an increase of 17 percent over the corresponding period in 2012. The strong performance, despite a tough economic and challenging environment, was achieved by delivering on the strategy of value creation while maintaining critical mass in the core areas and management of overhead costs.

The net impact of the above has resulted in a Profit for the Year of $411 million, an increase of 17 percent over the prior year and a Total Comprehensive Income for the Year of $403 million. Earnings per Share have grown by 17 percent over the prior year and Dividends per Share for 2013, once the Final Dividend is approved at the Annual Meeting, will be $4.54, representing a 19 percent growth over 2012.

Management Discussion & Analysis (continued)



CASH FLOWS

Net Cash Flows generated from operations increased by $85 million to end the year at $430 million, as a result of increased operating profits and sound management of working capital. The ending net cash position also increased by $77 million despite higher dividend pay-out.

GROWTH

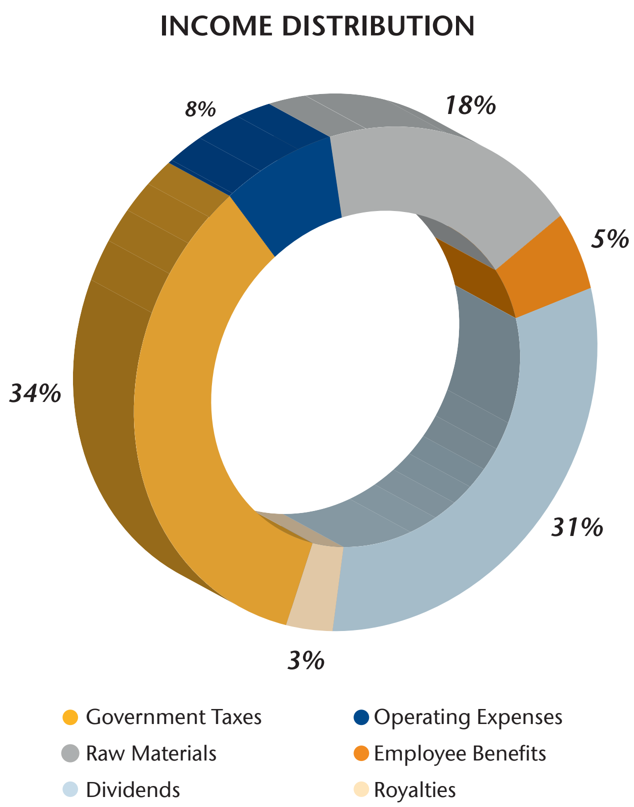
Growth in 2013 was defined by challenging macro-economic conditions, increasing controls and an evolving consumer base. In order to deliver results in this environment, performance was driven by a well-balanced, innovative portfolio, sustained by an optimised distribution network and a focused consumer engagement platform in accordance with the channels established by law. As a company, we focused on delivering high levels of efficiency and productivity through innovative, value-creating activities.

We have managed a portfolio that provides offerings customised to the needs of tobacco consumers. The premium Dunhill segment saw the introduction of innovation to the portfolio with the launch of tobacco blends as well as capsule technology.

du Maurier was the main driver of volume, maintaining market share and equity among its core consumers. Broadway continued to provide a positive and stable performance. Strategic focus was placed on identifying new business opportunities and improving the portfolio mix.

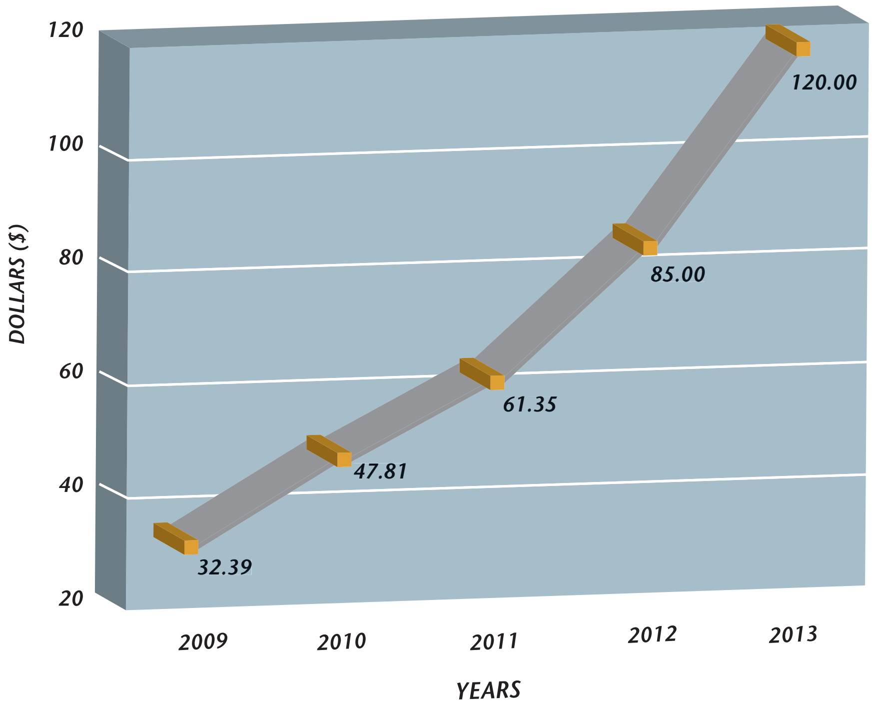
PRODUCTIVITY

Recognising that productivity is the lifeblood of our industry, we were focused primarily on establishing a solid foundation for the creation of a lean manufacturing environment, geared towards continuous improvement. We strive to create a consumer-centric, flexible and efficient supply organisation which functions with an improved operating model of common systems, processes and ways of working.



2013 was also dedicated to refocusing the team, ensuring sustained quality results and improved Environmental, Health and Safety (EH&S) compliance. Key investments and employee development programmes were also strategically executed to increase machine reliability, productivity levels and product quality. As a result, there were significant improvements in key performance indicators for quality, customer and consumer complaints, and tobacco utilisation.

SHARE PRICE



LOOKING AHEAD

With the passage of the Tobacco Control Regulations in December 2013, we are required to change the way we operate our factory and our business. As required by legislation, by 2015 graphic health messages will be introduced on tobacco products and new requirements for dispensers. We believe that economic conditions will continue to be tough, but we will seek to continue to deliver results in a way that is responsible and at all times lawful. Looking to 2014 and beyond, our mission of maintaining leadership of our industry will continue.

I would like to take this opportunity to thank my management team, employees, our distributors and key partners for their efforts and commitment to the Company's strategy. I also wish to recognise the relationship we share with our employees' union, the Seamen & Waterfront Workers' Trade Union (SWWTU) – a constructive and meaningful partnership which has allowed the Company to operate in a winning environment.

Finally, I wish also to thank the Board of Directors for their drive and sound guidance and importantly, our consumers – those adults who have been informed and who have chosen our product.

JEAN-PIERRE S DU COUDRAY
Managing Director

Delivering Results

Board of Directors

Ingrid L-A Lashley

Anthony E Phillip
Chairman

Jean-Pierre S du Coudray
Managing Director

Oscar M Morales

Amanda J Cavill de Zavaley

Ranjit R Jeewan

Danielle F Chow

Directors' Report

The Directors take pleasure in submitting their report and the Audited Financial Statements for the year ended 31 December, 2013.

FINANCIAL HIGHLIGHTS

		2013 $'000
Gross Turnover (including excise)		**1,184,805**
Revenue		944,790
Cost of Sales		(243,788)
Gross Profit		**701,002**
Distribution Costs		(17,964)
Administrative Expenses		(94,570)
Other Operating Expenses		(32,815)
Other Income		656
Operating Profit		**556,309**
Interest Income		15
Profit Before Taxation		**556,324**
Taxation		(145,253)
Profit for the Year		**411,071**
Other Comprehensive Loss:		
Items that will not be reclassified to profit or loss		
Remeasurement of retirement and post employment benefit obligations		(10,931)
Gain on revaluation of land and buildings		2,717
Other Comprehensive Loss – net of tax		(8,214)
Total Comprehensive Income for the year		**402,857**
Dividends		
Interim – 1st- $0.82 per ordinary share paid on 10 May, 2013	69,077	
Interim – 2nd- $1.04 per ordinary share paid on 13 August, 2013	87,610	
Interim – 3rd- $1.07 per ordinary share paid on 12 November, 2013	90,136	
Proposed Final – $1.61 per ordinary share to be paid on 29 April, 2014	135,626	
		(382,449)
Retained Earnings transferred to Revenue Reserves		20,408

DIRECTORS, SENIOR OFFICERS, CONNECTED PERSONS AND SUBSTANTIAL INTERESTS/LARGEST HOLDERS

In accordance with the requirements of our Listing Agreement with The Trinidad and Tobago Stock Exchange Limited ("the TTSE") and Rule 601 of the Rules of the TTSE, we record hereunder details of the beneficial interest of each Director and Senior Officer, together with their connected persons, in the share capital of the Company as at the end of the Company's financial year 31 December, 2013.

DIRECTORS	ORDINARY SHARES	NO. OF SHARES HELD BY CONNECTED PERSONS
Mr Anthony E Phillip	NIL	NIL
Mr Jean-Pierre S du Coudray	14,219	NIL
Mrs Amanda J Cavill de Zavaley	NIL	NIL
Mrs Danielle F Chow	NIL	NIL
Mr Ranjit R Jeewan	28,000	NIL
Ms Ingrid L-A Lashley	NIL	NIL
Mr Oscar M Morales	NIL	NIL

There are no other interests held by the Directors. There has been no change in the interests of Directors or connected persons of Directors between the end of the Company's financial year and January 31, 2014, the latter being a date not more than one (1) month prior to the date of the notice convening the Company's Annual Meeting.

SENIOR OFFICERS	ORDINARY SHARES	NO. OF SHARES HELD BY CONNECTED PERSONS
Mr Jean-Pierre S du Coudray	14,219	NIL
Mrs Danielle F Chow	NIL	NIL
Mrs Sarah Mac Lachlan Avey	NIL	NIL
Mrs Isha Reuben Theodore	NIL	NIL
Mr Jerome Singh	1,300	NIL

SUBSTANTIAL INTEREST/LARGEST HOLDERS

In accordance with the requirements of our Listing Agreement with the TTSE and Rule 601 of the Rules of the TTSE, we list below those persons holding the 10 largest block of shares in the Company as at 31 January, 2014.

The Trinidad and Tobago Central Depository holds the legal interest in shares for and on behalf of the several beneficial owners totalling 35,594,637 as at 31 January, 2014.

	As at 31 January 2014
British American Tobacco (Investments) Limited	42,227,652
Home Mortgage Bank	6,455,461
Republic Bank Limited – All Accounts	5,962,345
RBC Trust Limited – All Accounts	5,481,028
Colonial Life Insurance Co. (T'dad) Ltd.	4,557,112
Trintrust Limited – All Accounts	2,203,428
First Citizens Trust and Asset Management	2,145,607
Tatil Life Assurance – All Accounts	1,698,865
National Insurance Board	1,009,906
T. Geddes Grant – All Accounts	600,000

DISCLOSURE OF INTEREST OF DIRECTORS AND OFFICERS IN ANY MATERIAL CONTRACT (pursuant to Section 93(1)(a) of the Companies Act Ch 81:01)

At no time during the current financial year has any Director or Officer been a party to a material contract with the Company, or was materially interested in a contract or in a party to a material contract which was significant in relation to the Company's business.

DIRECTORS

In accordance with paragraph 4.7:5 of Bye-Law No. 1 of the Company, Jean-Pierre S du Coudray, and Oscar M Morales retire from the Board of Directors and, being eligible, offer themselves for re-election.

In accordance with paragraph 4.7:2(g) of Bye-Law No. 1 of the Company, Messrs Anthony E Phillip and Ranjit R Jeewan retire from the Board of Directors and, being eligible, under paragraph 4.7:10 of Bye-Law No. I, offer themselves for re-election.

In accordance with the Companies Act, Chapter 81:01 Section 74, Mrs Nirala N Singh resigned from the Board of Directors with effect from 31 August, 2013.

AUDITORS

The Auditors, Messrs PricewaterhouseCoopers, retire and have expressed their willingness to be re-appointed. Messrs PricewaterhouseCoopers are practising members of the Institute of Chartered Accountants of Trinidad and Tobago and are eligible for appointment as auditors of the Company under the rules of the said Institute.

PROPOSED DIVIDEND PAYMENT DATES

(in accordance with paragraph 16 of Bye-Law No. 1)

Final 2013	April 2014
First Interim 2014	May 2014
Second Interim 2014	August 2014
Third Interim 2014	November 2014
Final 2014	April 2015

FINANCIAL CALENDAR 2014

REPORTS	
Interim Financial Statements	
• First Quarter ended 31 March, 2014	May 2014
• Second Quarter ended 30 June, 2014	August 2014
• Third Quarter ended 30 September, 2014	November 2014
Preliminary Announcement for the year to 31 December, 2014	February 2015
Annual Financial Statements for the year ended 31 December, 2014	March 2015

By Order of the Board

Danielle F Chow
Secretary

21 February, 2014

Directors' Profiles

Anthony E Phillip – Chairman

Anthony Phillip joined West Indian Tobacco in 1973 as a manager in its Production Department and became the Production Manager/Director in 1984 after completing a period of secondment to British American Tobacco, Kenya. He was appointed Managing Director in 1998 and following his retirement in 2006, became Chairman in 2007. He was also Chairman and Managing Director of British American Tobacco (Malawi) Limited from 1994 to 1998. Mr Phillip, who began his career as an Industrial Chemist, holds an Executive Masters in Business Administration from The University of the West Indies.

Jean-Pierre S du Coudray – Managing Director

Jean-Pierre du Coudray was appointed Managing Director of West Indian Tobacco in October 2006. He has been in the tobacco industry since 2001 and has led the Company's Trade Marketing & Distribution Department before going on assignment to lead the trade marketing services of British America Tobacco (BAT) Group's interests in the Caribbean. Mr du Coudray holds a Bachelor of Arts Degree in Economics from the University of Western Ontario, Canada.

Amanda J Cavill de Zavaley

Amanda Cavill de Zavaley was appointed a Director in February 2011. She has worked within the BAT Group in Venezuela, Bangladesh, Chile, Trinidad and Tobago, Malawi and Spain before assuming the position of Head of Finance of BAT Group's operations in the Caribbean and Central America. Mrs Cavill de Zavaley, a Chartered Management Accountant, holds a Bachelor of Science Degree in Management Science and is a member of the Chartered Institute of Management Accountants, UK.

Danielle F Chow

Danielle Chow was appointed the Company's first female Director in July 2004 and assumed the role of Company Secretary in 2007. Mrs Chow has been in the tobacco industry since 1999 and has led the Legal, Corporate Affairs, Security and Human Resource functions both locally and within the BAT Group's interest in the Caribbean. Mrs Chow, an Attorney-at-Law, holds a Bachelor of Laws from The University of the West Indies and was admitted to the local Bar in 1985.

Ranjit R Jeewan

Ranjit Jeewan was appointed a Director in November 1986 and has been a member of the Board's Audit Committee since 1990. Mr Jeewan has worked in the tobacco industry since 1968 and headed the finance function of West Indian Tobacco for 16 years until his retirement in 2002. During this period, he was seconded on overseas assignments within the BAT Group to United Kingdom and Singapore.

Ingrid L-A Lashley

Ingrid Lashley was appointed a Director in August 2008 and the Chairman of the Audit Committee in March 2009. Ms Lashley is a Chartered Accountant and a Certified Management Accountant. She holds an undergraduate degree and also pursued an MBA at the McGill University in Montreal, Canada.

Oscar M Morales

Oscar Morales was appointed a Director in February 2013. Mr Morales has worked in the tobacco industry for 21 years and has led manufacturing departments in Chile, Mexico, and Poland and the BAT Group's Other Tobacco Product sector for Western Europe before taking up the position of Head of Operations for the BAT Group's operations in the Caribbean and Central America. Mr Morales holds a degree in electrical engineering from the Universidad de Santiago de Chile.

Management Teams

MARKETING

Seated from left to right – Carla Boodoo and Melissa Edwards
Standing from left to right – Arun Singh, Vijay Singh, Christian Cabral, Kevin Lewis and Nicholas Ling

CORPORATE SERVICES

Seated from left to right – Colin Harris and Jerome Singh
Standing from left to right – Sarah Mac Lachlan Avey, Rowan Brathwaite, Josiane Khan, Danielle Chow, Tricia Maraj, Angelique Howell and Isha Reuben Theodore

Management Teams

OPERATIONS SUPPORT

Seated from left to right – Siti Jones Gordon and Joetta Graham
Standing from left to right – Alex Malins-Smith, Gina Ferguson-Spencer, Bernadette Rattan, Keston Morrison, Shalini Singh and Keston Sinanan

MANUFACTURING

Seated from left to right – Giselle Siu and Solmer Thom
Standing from left to right – Ryan Besai, Dwight Pierre, Kaseraj Harnarine, Hector Martinez, Taran Persad, Rajiv Singh and Marlon Rattan

Delivering Results

The Company's vision to lead the tobacco industry in volume and value and be the best at meeting consumer needs while taking into account the legal restrictions, has been the driving force for delivering results in 2013. This is embedded in a consistent strategy with Company practice supported by world-class science, well-established brands, and product innovation that will deliver relevant benefits to consumers, both now and in the future. This all contributes to a shareholder value proposition that continues to evolve, but which has a formidable track record of success to you, our shareholders.

In 2013, there were several initiatives which supported the Company's overall achievements with key wins in the areas of manufacturing, development, environment, culture and responsibility. These could not have been achieved, without the commitment and hard work of our dedicated employees who continue to deliver exceptional results in a challenging environment.

DELIVERING IN MANUFACTURING

In January 2013, the Operations' leadership team examined the competitive position of the factory and identified the challenges and critical success factors required to ensure that efficiency and productivity levels were sustainably improved. We proposed a flexible supply chain and established an operational base that is more cost-effective and world-class for the future. Emphasis was placed on harnessing and developing the human potential and standardising ways of work according to the British American Tobacco (BAT) Group's manufacturing excellence practices.

In particular, a critical review of the operations and several "deep-dive" sessions with participation from all levels of the team were conducted to determine the sources of wastage. The Company then rolled out a waste-reduction programme which allowed for corrective actions and resulted in a 1.5 percent reduction level of tobacco waste. This trend is anticipated to continue into 2014.

DELIVERING IN SAFETY AND ENERGY

A recently concluded factory environmental, health and safety (EHS) audit, recognised considerable improvements in the factory and awareness in employees – both in their way of working and in the importance of Management Leadership in safety.

During a one-day session in March 2013, all factory employees attended the launch of the EHS Awareness Campaign branded "Closing the Gap to Zero". The campaign was geared to making safety an integral part of their normal work routine and in so doing become a part of their work behaviour and culture. This experience also enshrined the fundamental elements of awareness, focus, strength, patience, responsibility and thought, leading to positive attitudes and ultimately, safer work habits.

As part of our environmental management system, the Company also embarked on new initiatives for carbon emission reduction, improved levels of recycling, reduction in levels of water consumption and a reducing trend in energy consumption. Improved monitoring and separation processes for recycling continue to yield a reduction in the levels of waste being sent to landfill and we continue to convert all lighting to light-emitting diode (LED) bulbs on a phased basis. Positive results were achieved in a 22 precent reduction in water consumption due to improved monitoring, better responses owing to leakage-correction and improved utilities use. A restroom rainwater system was implemented, combined with the scheduling of air condition units which also contributed to energy conservation. Key initiatives have been identified to further reduce consumption levels in 2014.

DELIVERING IN DEVELOPMENT

The concept of a learning centre where our employees could gain a greater understanding of the business and the industry, led to the establishment of the internal Development Academy Programme. This utilised management representatives as well as non-management experts, from all functions of the business, as facilitators. In addition, emphasis was placed on using adult learning methods to engage employees at various levels within the organisation. Employees participated in simulation exercises and gained a heightened awareness and appreciation for the total business.

DELIVERING IN CULTURE AND COMMUNITY

We recognise that, as a corporate citizen we have a role in investing in economic, social and cultural development and that our various communities can benefit from this. We work with other businesses, agencies and organisations to develop, implement or contribute to social, educational, environmental or cultural programmes focused on communities' needs and aspirations and also to encouraging our employees to play an active role in both their local and business communities. In 2013, the Company continued to support and contribute to the development and sustainability of the arts and culture and, more particularly the national instrument. Scholarships were provided to those with potential which will ensure that the future of the instrument is in good hands.

DELIVERING ON RESPONSIBILITY

Our vision of a sustainable tobacco business is one that manages the impact of its operations and products responsibly today. It also prepares for a future in which it continues to create value for shareholders and other stakeholders.

Responsible marketing has always allowed us to deliver results. We are proud of the way we do business and we aim always to be open and honest about our views and activities within the marketplace while complying with laws and tobacco control measures. Like any business, we guard our market share. Our marketing was restricted to brand preference and information advertising, aimed only at adult smokers, through restricted channels in compliance with the Tobacco- Control Act, 2009.

It is never designed to engage or appeal to the youth sector. We maintained an active in-store Youth Smoking Prevention Programme, which raised both consumers and retailers' awareness of underage smoking. The Programme communication was prominently displayed at most outlets and we have continued to work with our trade outlets to ensure restricted access to product in the trade.

The fight against the black market locally continued to be a focus in 2013. We recognise that this is driven by higher tobacco taxes, particularly when taxes and prices in neighbouring countries are much lower. Weak penalties and poor border controls add to the problem. We see it as vitally important that governments establish workable tax regimes and economic policies that do not create conditions to encourage illicit trade, with strong border controls and effective laws to combat it.

In 2013, we supported the prospect of legislation and sought to ensure some balance in the debates and discussions on these matters. We recognise that we sell a controversial but legal product. As such, we support regulation that has robust evidence to show that it will help achieve the objective of reducing the impacts of tobacco use on public health.

The critical issue in delivering results has not only been the "what" we do, but also the "how" by which these results have been delivered. Our Statement of Business Principles and our Standards of Business Conduct underpin our commitment to high standards of corporate behaviour. Conducting our business with honesty, integrity and transparency is not only the right thing to do, but is also critical to the continuing development of a business that is responsible, successful and sustainable in the long term. The Standards require all staff to act with high standards of business integrity, to comply with all laws and regulations wherever our companies operate and to ensure that our business standards are never compromised for the sake of results.

The Year At A Glance

	2013 $'000	2012 $'000	Change %
Revenue	944,790	868,022	8.8%
Gross Profit	701,002	621,129	12.9%
Total Expenses	(144,693)	(144,909)	-0.1%
Operating Profit	556,309	476,220	16.8%
Interest Income	15	16	-6.3%
Profit Before Taxation	556,324	476,236	16.8%
Taxation	(145,253)	(126,197)	15.1%
Profit for the Year	411,071	350,039	17.4%
Other Comprehensive Loss:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement and post employment benefit obligations	(10,931)	(10,524)	3.9%
Gain on revaluation of land and buildings	2,717	–	
Other Comprehensive Loss – net of tax	(8,214)	(10,524)	-21.9%
Total Comprehensive Income for the Year	402,857	339,515	18.7%

Five Years At A Glance

	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000
Profit and Taxation					
Profit before taxation	352,578	371,877	402,010	476,236	556,324
Taxation	93,903	104,095	111,794	126,197	145,253
Profit after taxation	258,675	267,782	290,216	350,039	411,071
Dividends	257,774	239,242	267,883	321,797	382,449
Effective rate of taxation (%)	26.6	28.0	27.8	26.5	26.1
Balance Sheet					
Shareholders' equity	220,325	144,239	189,870	227,806	281,067
Deferred tax liability	17,898	12,431	10,075	5,536	–
Non-current liabilties	41,457	66,822	75,376	67,503	85,107
Current liabilities	150,222	135,561	107,211	128,776	153,674
Total Funds Employed	429,902	359,053	382,532	429,621	519,848
Property, plant and equipment	221,956	223,838	218,068	215,152	213,241
Deferred income tax asset	–	–	–	–	522
Inventories	48,388	43,196	43,227	48,017	49,646
Cash at bank and in hand	130,719	69,339	100,816	134,787	212,132
Other current assets	28,839	22,680	20,421	31,665	44,307
Total Assets	429,902	359,053	382,532	429,621	519,848
Statistics					
Issued Share Capital ('000)	84,240	84,240	84,240	84,240	84,240
Earnings per ordinary share ($)	3.07	3.18	3.45	4.16	4.88
Dividends per ordinary share ($)	3.06	2.84	3.18	3.82	4.54
Net assets value per ordinary share ($)	2.62	1.71	2.25	2.70	3.34
Share prices at 31 December ($)	32.39	47.81	61.35	85.00	120.00

Financial Statements

Independent Auditor's Report

To the shareholders of
The West Indian Tobacco Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of The West Indian Tobacco Company Limited, which comprise the statement of financial position as at 31 December, 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The West Indian Tobacco Company Limited as at 31 December, 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
21 February 2014
Port of Spain,
Trinidad, West Indies

Statement Of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	31 December 2013 $'000	31 December 2012 $'000
Non-current Assets			
Property, plant and equipment	5	213,241	215,152
Deferred income tax asset	6	522	–
		213,763	215,152
Current Assets			
Inventories	7	49,646	48,017
Trade and other receivables	9	42,393	31,665
Taxation recoverable		1,914	–
Cash and cash equivalents	10	212,132	134,787
		306,085	214,469
Total Assets		519,848	429,621
Shareholders' Equity			
Share capital	11	42,120	42,120
Revaluation surplus	5.1	50,324	48,276
Retained earnings		188,623	137,410
		281,067	227,806
Non-current Liabilities			
Deferred income tax liability	6	–	5,536
Retirement benefit obligation	12	79,057	61,064
Post employment medical benefit obligation	12	6,050	6,439
		85,107	73,039
Current Liabilities			
Trade and other payables	13	109,340	87,336
Due to parent company	20 iv	8,139	10,211
Dividends payable		36,195	26,157
Taxation payable		–	5,072
		153,674	128,776
Total Liabilities		238,781	201,815
Total Equity and Liabilities		519,848	429,621

The notes on pages 33 to 59 are an integral part of these financial statements.

On 21 February 2014, the Board of Directors of The West Indian Tobacco Company Limited authorised these financial statements for issue.

Chairman

Managing Director

Statement Of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year Ended 31 December 2013 $'000	2012 $'000
Gross Turnover – including excise	14	1,184,805	1,107,575
Revenue	14	944,790	868,022
Cost Of Sales	15	(243,788)	(246,893)
Gross Profit		701,002	621,129
Distribution Costs	15	(17,964)	(20,024)
Administrative Expenses	15	(94,570)	(96,490)
Other Operating Expenses	15	(32,815)	(31,387)
Other Income	16	656	2,992
Operating Profit		556,309	476,220
Interest Income		15	16
Profit Before Taxation		556,324	476,236
Taxation	17	(145,253)	(126,197)
Profit For The Year		411,071	350,039
Other Comprehensive Loss:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement and post employment benefit obligations		(10,931)	(10,524)
Gain on revaluation of land and buildings		2,717	–
Other Comprehensive Loss – net of tax		(8,214)	(10,524)
Total Comprehensive Income For The Year		402,857	339,515
Earnings Per Ordinary Share	18	$ 4.88	$ 4.16
Dividends Per Ordinary Share	19	$ 4.54	$ 3.82

The notes on pages 33 to 59 are an integral part of these financial statements.

Statement Of Changes In Shareholders' Equity

(Expressed in Trinidad and Tobago Dollars)

	Note	Share Capital $'000	Revaluation Surplus $'000	Retained Earnings $'000	Shareholders' Equity $'000
Year ended 31 December 2013					
Balance at 1 January 2013		42,120	48,276	137,410	227,806
Comprehensive income					
Profit for the year		–	–	411,071	411,071
Other comprehensive loss					
Remeasurement of retirement and post employment benefit obligations		–	–	(10,931)	(10,931)
Gain on revaluation of land and buildings		–	2,717	–	2,717
Depreciation transfer on buildings – net of tax		–	(669)	669	–
Transactions with owners					
Dividends	19	–	–	(349,596)	(349,596)
Balance at 31 December 2013		42,120	50,324	188,623	281,067
Year ended 31 December 2012					
Balance at 1 January 2012		42,120	48,942	98,808	189,870
Comprehensive income					
Profit for the year		–	–	350,039	350,039
Other comprehensive loss					
Remeasurement of retirement and post employment benefit obligations		–	–	(10,524)	(10,524)
Depreciation transfer on buildings – net of tax		–	(666)	666	–
Transactions with owners					
Dividends	19	–	–	(301,579)	(301,579)
Balance at 31 December 2012		42,120	48,276	137,410	227,806

The notes on pages 33 to 59 are an integral part of these financial statements.

Statement Of Cash Flow

(Expressed in Trinidad and Tobago Dollars)

	Note	Year Ended 31 December 2013 $'000	2012 $'000
Cash Flows From Operating Activities			
Profit before taxation		556,324	476,236
Adjustments for:			
Depreciation		18,082	19,742
(Profit)/loss on disposal of property, plant and equipment		(216)	3,080
Net increase/(decrease) in retirement and other post employment benefit obligations excluding actuarial losses		3,029	(21,906)
Interest income		(15)	(16)
Operating profit before working capital changes		577,204	477,136
Changes in working capital:			
Increase in inventories		(1,629)	(4,790)
Increase in trade and other receivables		(10,728)	(11,244)
Increase/(decrease) in trade payables and accruals		16,931	(362)
Increase in due to related parties		5,073	6,104
(Decrease)/increase in due to parent company		(2,072)	6,562
Cash Generated From Operating Activities		584,779	473,406
Taxation Paid		(154,932)	(128,420)
Net Cash Generated From Operating Activities		429,847	344,986
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(13,242)	(20,081)
Proceeds from sale of property, plant and equipment		283	175
Interest received		15	16
Net Cash Used In Investing Activities		(12,944)	(19,890)
Cash Flows Used in Financing Activity			
Dividends paid		(339,558)	(291,125)
Net Increase In Cash And Cash Equivalents		77,345	33,971
Cash And Cash Equivalents At Beginning Of Year		134,787	100,816
Cash And Cash Equivalents At End Of Year	10	212,132	134,787
Cash at bank and in hand		212,130	134,785
Short-term deposits		2	2
		212,132	134,787

The notes on pages 33 to 59 are an integral part of these financial statements.

Notes To The Financial Statements

31 December 2013

(Expressed in Trinidad and Tobago Dollars)

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.

2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) and under the historical cost convention, as modified by the revaluation of land and buildings at fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The following is a summary of new standards, amendments and interpretations having an impact on the Company in the current year and in the future:

(a) New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Company:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the Company's accounting policies have been as follows: to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

2 Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Company until 1 January 2014.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change owing to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2 Significant Accounting Policies (Continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Trinidad and Tobago dollars which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director and the local management team, which is the team responsible for allocating resources and assessing performance of the operating segments and is also responsible for making strategic decisions.

2.4 Property, plant and equipment

Freehold land and buildings comprise mainly factory and offices and are shown at fair value based on valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Independent valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss, and depreciation based on the asset's original cost is transferred from revaluation surplus to retained earnings.

Notes To The Financial Statements

31 December 2013

(Expressed in Trinidad and Tobago Dollars)

2 Significant Accounting Policies (Continued)

2.4 Property, plant and equipment (continued)

Land is not depreciated. Depreciation is provided at varying rates sufficient to write off the cost/valuation of the assets over their estimated useful lives. Depreciation is provided as follows:

- Freehold buildings at 2.5% per annum on valuation
- Plant and machinery at 7% per annum on cost
- Furniture and equipment at rates varying between 5% and 33% per annum on cost
- Motor vehicles at rates varying between 25% and 33% per annum on cost

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are recognised within other operating expenses in profit or loss.

When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

2.5 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations on buildings and provision for pensions and other post retirement benefits.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Significant Accounting Policies (Continued)

2.7 Inventories

Inventories are stated at the lower of cost or net realisable value, allowance having been made for slow-moving and obsolete items. Cost is determined on the following bases:

- Raw materials are valued at average cost
- Inventories in process are valued at raw materials cost
- Finished goods comprise raw materials plus a portion of labour and production overheads based on normal operating capacity
- Supplies and sundries are valued at average cost
- Goods in transit are valued at suppliers' invoice cost plus freight and insurance as applicable

Cost of inventories excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Financial assets

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 2.9 and 2.10).

Impairment testing of trade and other receivables is described in Note 2.9.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision made for impairment of these receivables. A provision for impairment of trade and other receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within distribution costs. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against distribution costs in profit or loss.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and other short-term, highly liquid investments with original maturities of three months or less.

Notes To The Financial Statements

31 December 2013

(Expressed in Trinidad and Tobago Dollars)

2 Significant Accounting Policies (Continued)

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Employee benefits

(a) Retirement benefit plans

The Company operates two retirement benefit plans, a defined benefit plan and a defined contribution plan.

A defined benefit plan is a pension plan that is not a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The plans are generally funded through employer and employee contributions to insurance companies or trustee-administered funds.

(i) Defined benefit plan

The Company operates a defined benefit plan for its eligible employees. This plan defines an amount of pension that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The funds of the plan are administered by fund managers appointed by the trustees of the plan. The pension plan is generally funded by payments from employees and the Company, taking account of the recommendations of independent qualified actuaries.

The pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan at least every three years (the last valuation was completed as at 1 January 2012). Roll forward valuations, which are less detailed than full valuations are performed annually.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the fair value of plan assets less the present value of the defined benefit obligations at the statement of financial position date, together with adjustments for unrecognised past service costs. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government securities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

During 2011, the defined benefit plan was closed to new entrants.The Company is in the process of establishing a defined contribution plan. This plan will cover all employees joining the Company as of September 2011.

2 Significant Accounting Policies (Continued)

2.12 Employee benefits (continued)

(a) Retirement benefit plans (continued)

(ii) Defined contribution plan

The Plan comprises two deferred annuity schemes for each employee: an individual deferred annuity and a corporate deferred annuity. Employees as well as the Company will contribute to plan for the specific purpose of providing income upon retirement.The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due (Note 15.1). Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Under the terms of the plan, employees as well as the Company will contribute to a defined contribution plan for the specific purpose of providing income upon retirement.

(b) Post employment medical benefit obligation

The Company provides post employment medical benefits for retirees. The entitlement to this benefit is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The method of accounting used to recognise the liability is similar to that for the defined benefit plan. These obligations are valued annually by independent qualified actuaries. The main additional actuarial assumption is the long-term increase in health costs. The charge for the current year is recognised in profit or loss under employee benefit expense (Note 15.1). Actuarial gains and losses arising are charged or credited to other comprehensive income in the period in which they arise.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or whenever an employee accepts voluntary separation in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to terminating employment of current employees according to a formal plan without the possibility of withdrawal.

(d) Bonus plans

The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Liabilities for bonus plans are expected to be settled within 12 months.

(e) Vacation liability

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of service rendered by employees up to the financial position date.

2 Significant Accounting Policies (continued)

2.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Gross turnover represents the net amounts invoiced, including excise duty, net of value added taxes. The Company recognises revenue when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met as follows:

(a) Sale of goods

The Company manufactures and sells cigarettes. Sales of goods are recognised when the Company has delivered products to the customer who has some discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Sale of services

Revenue from fixed-price contracts for consultancy services is generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

(c) Interest income

Interest income is recognised on a time-proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

2 Significant Accounting Policies (Continued)

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss in the period in which they arise.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's directors.

3 Financial Risk Management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Risk management is carried out in line with policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as market risk, credit risk, and the investment of excess liquidity.

(a) Market risk

This comprises foreign exchange risk, cash flow and fair value interest rate risk and price risk.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and British Pound (GBP). Foreign exchange risk arises when recognised financial assets or liabilities are denominated in a currency that is not the entity's functional currency.

If the Trinidad and Tobago (TT) dollar had depreciated/appreciated by 5% against the US dollar, Euro and British Pound with all other variables held constant, profit for the year would have been impacted as follows:

	2013 $'000	2012 $'000
Increase/(decrease) in profit before tax		
Effect of a 5% depreciation of the TT dollar	(637,000)	(531,000)
Effect of a 5% appreciation of the TT dollar	637,000	531,000

The Company prepared the sensitivity analysis above by applying the percentage rate to net foreign currency positions of financial instruments as of the end of the respective years. An analysis of financial instruments by currency is shown in Note 8.1.

Cash flow and fair value interest rate risk

As the Company has no significant interest–bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

The Company is not exposed to price risk as it has no financial interests or investments in equity securities or commodities.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures to customers. The Company has a significant concentration of credit risk however, the Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Credit exposures arise from sales to distributors and retail customers, including outstanding receivables.

The credit quality of customers, their financial position, past experience and other factors are taken into consideration in assessing credit risk and are regularly monitored through the use of credit terms. Management does not expect any losses from non-performance by counterparties.

Cash and deposits are held with a number of reputable financial institutions, with amounts varying between $215,000 and $187,002,000 (2012: $530,000 and $83,962,000). The maximum limit with any one financial institution is $96,000,000 (2012: $96,000,000). Balances in excess of this limit were held temporarily for periods of no more than one week during 2013.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short-term funds and the availability of funding through an adequate number of committed credit facilities. Owing to the dynamic nature of the underlying business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses the Company's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within one year equal their carrying balances as the impact of discounting is not significant.

At 31 December 2013	**Less than one year**
Trade payables and accruals	$ 34,255,000
Amounts due to related parties/parent company	$ 37,662,000
At 31 December 2012	**Less than one year**
Trade payables and accruals	$ 27,138,000
Amounts due to related parties/parent company	$ 34,661,000

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders or issue new shares.

3.3 Fair value estimation

The carrying values of all financial instruments held as of the financial position date are assumed to approximate their fair values, as they are short term in nature.

4 Critical Accounting Estimates And Assumptions

4.1 Financial risk factors

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Pensions and post employment medical benefits

The present value of the pension and medical obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Company considers the interest rates of long-term Government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability.

Other key assumptions for pensions and medical obligations are based in part on current market conditions. These are described in Note 12.

(b) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made. See Notes 6, 17 and 21.

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5 Property, Plant And Equipment

	Freehold land and buildings $'000	Plant and machinery $'000	Furniture and equipment $'000	Motor vehicles $'000	Capital work in progress $'000	Total $'000
Year ended 31 December 2013						
Opening net book amount	82,764	106,840	6,653	290	18,605	215,152
Additions	339	765	101	–	12,037	13,242
Transfers	4,050	7,571	965	–	(12,586)	–
Disposals	–	(55)	(12)	–	–	(67)
Depreciation charge (Note 15)	(1,518)	(14,356)	(2,125)	(83)	–	(18,082)
Revaluation (Note 5.1)	2,996	–	–	–	–	2,996
Closing net book amount	88,631	100,765	5,582	207	18,056	213,241
At 31 December 2013						
Cost/valuation	93,719	226,602	33,653	995	18,056	373,025
Accumulated depreciation	(5,088)	(125,837)	(28,071)	(788)	–	(159,784)
Net book amount	88,631	100,765	5,582	207	18,056	213,241
Year ended 31 December 2012						
Opening net book amount	81,979	101,334	14,939	–	19,816	218,068
Additions	155	3,750	1,778	331	14,067	20,081
Transfers	2,090	19,221	(6,033)	–	(15,278)	–
Disposals	–	(3,203)	(52)	–	–	(3,255)
Depreciation charge (Note 15)	(1,460)	(14,262)	(3,979)	(41)	–	(19,742)
Closing net book amount	82,764	106,840	6,653	290	18,605	215,152
At 31 December 2012						
Cost/valuation	86,333	218,659	34,094	1,948	18,605	359,639
Accumulated depreciation	(3,569)	(111,819)	(27,441)	(1,658)	–	(144,487)
Net book amount	82,764	106,840	6,653	290	18,605	215,152
At 31 December 2011						
Cost/valuation	84,090	209,387	43,706	2,268	19,816	359,267
Accumulated depreciation	(2,111)	(108,053)	(28,767)	(2,268)	–	(141,199)
Net book amount	81,979	101,334	14,939	–	19,816	218,068

5 Property, Plant And Equipment (Continued)

5.1 Revaluation surplus

	2013 $'000	2012 $'000
At beginning of the year	48,276	48,942
Depreciation transfer on buildings – net of tax	(669)	(666)
Gain on revaluation – net of tax	2,717	–
At end of the year	50,324	48,276

The Company's freehold land and buildings were last revalued on 31 December 2013 by Raymond & Pierre, Chartered Valuation Surveyors. The valuation surveyors used the Direct Capital Comparison Method and the Depreciated Replacement Cost Method to determine the values of Land and Buildings respectively.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Fair value measurements as at 31 December 2013 using		
	Quoted prices In active markets for identical assets (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Recurring fair value Measurements			
- Land	–	30,350	–
Building	–	58,281	–

This basis of valuation was used owing to the specialised nature of the properties, derived from the exigencies of the operations. The surplus thus arising was credited to revaluation surplus in shareholders' equity.

There were no transfers between levels 1 and 2 during the year. The valuation surveyors used the Direct Capital Comparison Method and the Depreciated Replacement Cost Method to determine the values of Land and Buildings respectively.

Level 2 fair values of land have been derived using the Direct Capital Comparison Method. Evidence of arm's length open market transactions of similar lands were analysed and the results applied to the subject lands after taking into consideration appropriate adjustments for location, size and other relevant factors. The most significant input into this valuation approach is price per square foot. Level 2 fair value of buildings has been derived using the Depreciated Replacement Cost Method. The gross replacement costs of the buildings were estimated and appropriate deductions were made for economic and functional obsolescence and environmental factors in order to arrive at a net or depreciated replacement cost. Gross replacement costs include the costs of infrastructural works and professional fees. The most significant input into this valuation approach is the construction price per square foot.

5 Property, Plant And Equipment (Continued)

5.2 If the freehold land and buildings were stated on the historical cost basis the amounts would be as follows:

	2013 $'000	2012 $'000
Cost	26,968	22,579
Accumulated depreciation	(8,336)	(7,707)
Net book amount	18,632	14,872

5.3 Depreciation expense is included in profit as follows:

	2013 $'000	2012 $'000
Amount included in cost of sales	15,487	14,990
Amount included in other operating expenses	2,595	4,752
	18,082	19,742

6 Deferred Income Tax

Deferred income taxes are calculated in full on temporary differences under the liability method using the statutory tax rate of 25%. The movement in the deferred income tax account is as follows:

	2013 $'000	2012 $'000
At beginning of the year	5,536	10,075
Tax on actuarial losses recognised in other comprehensive income (Note 6.2)	(3,644)	(3,509)
Tax on revaluation of building recycled in other comprehensive income (Note 6.2)	279	–
Charge for the year (Note 17)	(2,693)	(1,030)
At end of year	(522)	5,536

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority. The offset amounts are as follows:

	2013 $'000	2012 $'000
Deferred Income Tax Asset		
– Retirement benefit obligation (Note 6.1)	(25,528)	(21,765)
– Post retirement medical obligation	(1,513)	(1,610)
	(27,041)	(23,375)
Deferred Income Tax Liability		
– Revaluation on buildings	6,747	6,690
– Accelerated tax depreciation	19,772	22,221
Net Deferred Income Tax (Asset)/Liability	(522)	5,536

6.1 The deferred income tax asset on retirement benefit obligation is attributable to the following:

	2013 $'000	2012 $'000
Retirement benefit obligation, excluding deferred lumpsum contribution	19,765	15,266
Deferred lumpsum contribution	5,763	6,499
	25,528	21,765

6 Deferred Income Tax (Continued)

6.2 The net deferred income tax (asset)/liability in the statement of financial position is attributable to the following:

	Revaluation on Buildings $'000	Accelerated Tax $'000	Retirement Benefit $'000	Post Retirement Medical $'000	Total $'000
As at 31 December 2013					
Balance at beginning of year	6,690	22,221	(21,765)	(1,610)	5,536
(Credit)/charge to profit or loss (Note 17)	(222)	(2,449)	(28)	6	(2,693)
Tax on actuarial (losses)/gains recognised in other comprehensive income	–	–	(3,735)	91	(3,644)
Tax on revaluation of buildings recycled in other comprehensive income	279	–	–	–	279
Balance at end of year	6,747	19,772	(25,528)	(1,513)	(522)
As at 31 December 2012					
Balance at beginning of year	6,912	23,054	(18,125)	(1,766)	10,075
(Credit)/charge to profit or loss (Note 17)	(222)	(833)	40	(15)	(1,030)
Tax on actuarial (losses)/gains recognised in other comprehensive income	–	–	(3,680)	171	(3,509)
Balance at end of year	6,690	22,221	(21,765)	(1,610)	5,536

7 Inventories

	2013 $'000	2012 $'000
Raw materials	27,159	26,306
Goods in transit	10,560	7,217
Supplies and sundries	6,826	6,725
Finished goods	4,115	6,566
Inventories in process	986	1,203
	49,646	48,017

The cost of inventories recognised as expense and included in "cost of sales" amounted to $155,015,000 (2012: $159,701,000).

8 Financial Instruments

8.1 Financial instruments by category and currency

	TTD $'000	USD $'000	Euro $'000	GBP $'000	Total $'000
As at 31 December 2013					
Financial assets					
Trade receivables (excluding prepayments)	20,488	–	–	–	20,488
Due from related parties	319	16,564	–	–	16,883
Cash and cash equivalents	178,679	33,453	–	–	212,132
	199,486	50,017	–	–	249,503
Financial liabilities					
Trade payables and accruals (excluding statutory liabilities)	26,191	4,942	2,504	618	34,255
Due to related parties	314	28,220	388	601	29,523
Due to parent company	5,716	–	–	2,423	8,139
	32,221	33,162	2,892	3,642	71,917
As at 31 December 2012					
Financial assets					
Trade receivables (excluding prepayments)	17,039	–	–	–	17,039
Due from related parties	298	10,229	–	–	10,527
Cash and cash equivalents	96,592	38,195	–	–	134,787
	113,929	48,424	–	–	162,353
Financial liabilities					
Trade payables and accruals (excluding statutory liabilities)	18,265	8,055	856	(38)	27,138
Due to related parties	–	23,481	–	969	24,450
Due to parent company	5,736	–	–	4,475	10,211
	24,001	31,536	856	5,406	61,799

8 Financial Instruments (Continued)

8.2 Maximum exposure to credit risk

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned below.

	Neither past due nor impaired $'000	Past due but not impaired (> 30 days) $'000	Total $'000
As at 31 December 2013			
Trade receivables, excluding prepayments	20,488	–	20,488
Due from related parties	13,011	3,872	16,883
Cash and cash equivalents	195,713	–	195,713
	229,212	3,872	233,084
As at 31 December 2012			
Trade receivables, excluding prepayments	17,039	–	17,039
Due from related parties	10,527	–	10,527
Cash and cash equivalents	123,145	–	123,145
	150,711	–	150,711

The Company does not hold any collateral as security.

8.3 Credit quality of financial assets

Financial assets neither past due nor impaired are held with counterparties without an external credit rating. The credit quality of these can be assessed as follows:

– Trade receivables (excluding prepayments) and due from related parties relate to existing customers (more than six months old) with minimal defaults in the past;

– Cash and cash equivalents are held with reputable financial institutions.

9 Trade And Other Receivables

	2013 $'000	2012 $'000
Trade receivables	20,488	17,039
Prepayments	5,022	4,099
Receivables from related parties: (Note 20)		
– trade	16,685	10,379
– other	198	148
	42,393	31,665

10 Cash And Cash Equivalents

	2013 $'000	2012 $'000
Cash at bank	195,711	123,143
Short-term deposits	2	2
Cash in hand and in transit	16,419	11,642
	212,132	134,787

The effective interest rate on short term deposits was 0.45% (2012: 0.44%). These deposits have an average maturity of three months or less.

	2013 $'000	2012 $'000
The Company has undrawn banking facilities:		
Floating rate – expiring within one year	49,645	49,645

These facilities are annual facilities subject to review at various dates during 2014.

11 Share Capital

Authorised
An unlimited number of ordinary shares of no par value

	2013 $'000	2012 $'000
Issued and fully paid		
84,240,000 ordinary shares of no par value	42,120	42,120

12 Pensions And Other Post Retirement Obligations

Statement of financial position:

	2013 $'000	2012 $'000
Retirement benefit obligation	(79,057)	(61,064)
Post employment medical benefit obligation	(6,050)	(6,439)
Liability in the statement of financial position	(85,107)	(67,503)

(i) Retirement benefits

The amounts recognised in the statement of financial position are as follows:

	2013 $'000	2012 $'000
Fair value of plan assets	203,670	193,272
Present value of funded pension obligation	(282,182)	(253,779)
Deficit of funded plans	(78,512)	(60,507)
Present value of unfunded pension obligation	(545)	(557)
Liability in the statement of financial position	(79,057)	(61,064)

The movement in the defined benefit obligation over the year is as follows:

	2013 $'000	2012 $'000
Net interest cost	2,940	3,274
Current service cost	6,469	5,642
Net pension expense	9,409	8,916

12 Pensions And Other Post Retirement Obligations (Continued)

(i) Retirement benefits (continued)

	2013 $'000	2012 $'000
Remeasurements :		
From plan assets	1,940	8,049
From obligation – funded	(16,859)	(23,241)
From obligation – unfunded	(21)	474
Remeasurement of net liability	(14,940)	(14,718)
Reconciliation of movements in the statement of financial position:		
Net liability recognised as at 1 January	(61,064)	(68,314)
Net pension expense	(9,409)	(8,916)
Remeasurement of net liability	(14,940)	(14,718)
Employer contributions	6,356	30,884
Net liability recognised as at 31 December	(79,057)	(61,064)
Changes in fair value of plan assets:		
Fair value of plan assets as at 1 January	193,272	150,776
Actual return on plan assets:		
– interest income	8,692	8,993
– remeasurement recognised in OCI	1,940	8,049
Company contributions	6,356	30,884
Employee contributions	1,962	2,045
Benefit payments	(8,552)	(7,475)
Fair value of plan assets as at 31 December	203,670	193,272
Changes in present value of the obligation (funded and unfunded):		
Present value of obligation as at 1 January	(254,336)	(219,090)
Interest income	(11,632)	(12,267)
Current service cost – employer	(6,469)	(5,642)
Current service cost – employee	(1,962)	(2,045)
Benefit payments	8,552	7,475
Remeasurement recognised in OCI:		
– financial assumption changes	(16,578)	(27,629)
– experience	(302)	4,862
Present value of obligation as at 31 December	(282,727)	(254,336)

The principal actuarial assumptions were as follows:

	2013 Per annum	2012 Per annum
Discount rate	4.00%	4.50%
Future salary increases	3.50%	4.00%
Future pension increases	3.00%	3.00%
Mortality	GAM94	GAM94

12 Pensions And Other Post Retirement Obligations (Continued)

(i) Retirement benefits (continued)

Expected contributions to post employment benefit plans for the year ending 31 December 2014 are $6,019,000.

Plan assets comprise the following:

	2013		2012	
	$'000	**%**	**$'000**	**%**
Equity investments	75,358	37	71,511	37
Debt instruments	95,725	47	90,838	47
Property	4,073	2	3,865	2
Other	28,514	14	27,058	14
	203,670	100	193,272	100

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

(ii) Post employment medical benefit obligation

	2013 $'000	2012 $'000
The amount recognised in the statement of financial position is as follows:		
Unfunded post retirement health care obligation	6,050	6,439
The movement in the defined benefit obligation over the year is as follows:		
Net interest cost	382	421
Current service cost	123	150
Net post retirement health care expense	505	571
Remeasurements recognised in other comprehensive income:		
From obligations	365	686
Reconciliation of movements in statement of financial position:		
Net liability recognised as at 1 January	(6,439)	(7,062)
Net expense	(505)	(571)
Remeasurement of net liability	365	686
Employer premiums for existing retirees/clinic cost	529	508
Net liability recognised as at 31 December	(6,050)	(6,439)

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12 Pensions And Other Post Retirement Obligations (Continued)

(ii) Post employment medical benefit obligation (continued)

	2013 $'000	2012 $'000
Changes in present value of the obligation:		
Present value of obligation as at 1 January	(6,439)	(7,062)
Interest Income	(382)	(421)
Current service cost	(123)	(150)
Employer premiums for existing retirees/clinic cost	529	508
Remeasurement recognised in OCI:		
– experience	365	686
Present value of obligation as at 31 December	(6,050)	(6,439)
The principal actuarial assumptions were as follows:		
Discount rate	4.00%	4.50%
Premium/clinic cost escalation	3.50%	4.40%
Retiree mortality table	GAM94	GAM94

Expected contributions to post employment benefit plans for the year ending 31 December 2014 are $503,000.

The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase $'000	Decrease $'000
Effect on the aggregate of the current service cost and interest cost	60	38
Effect on the defined benefit obligation	1,127	842

(iii) The Company operates a defined benefit pension plan. This is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The pensions in payment are increased by 3% each year. The majority of benefit payments are from trustee-administered funds; however, a small number of pension payments are met by the Company. Plan assets held in trusts are governed by local regulations and practice. Responsibility for governance of the plan, including investment decisions lies jointly with the Company and the Board of Trustees. The Board of Trustees must be composed of representatives of the Company and plan participants in accordance with the plan's regulations.

The weighted average duration of the defined benefit obligation is 18.6 years.

The weighted average duration of the post employment benefit obligation is 18.8 years.

The Company has taken measures to reduce the pension plan deficit and to date there has been lumpsum injections totalling $31.4m. Based on the recommendation of the actuary, the Company continues its higher contributions, and with additional planned measures, anticipates the elimination of the deficit.

Notes To The Financial Statements

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12 Pensions And Other Post Retirement Obligations (Continued)

(iv) Sensitivity of assumptions:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate:	0.50%	Decrease by 8.3%	Increase by 9.6%
Salary growth rate:	0.50%	Increase by 2.9%	Decrease by 2.6%
Pension growth rate:	0.25%	Increase by 3.0%	Decrease by 2.8%

As at 31 December 2013, if the discount rate had been 0.5% higher or lower with all other variables held constant, the carrying amount of pension obligations would have been $23,566,000 lower or $27,164,000 higher (2012: $20,787,000 lower or $23,996,000 higher).

	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy:	Increase by 3.2%	Decrease by 3.2%

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

(v) The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The defined benefit pension plan and post-employment medical plan are exposed to a number of risks, the most significant of which are detailed below:

Asset volatility:

The plan liabilities are calculated using a discount rate set with reference to Government bond yields (Trinidad and Tobago does not have a deep or liquid market in Government or corporate debt); if plan assets underperform this yield, this will create a deficit. The plan holds a portion of assets in equities (approximately 38% of plan assets), which are expected to outperform Government bonds in the long-term while providing volatility and risk in the short-term.

Changes in bond yields:

A decrease in Government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Inflation risk:

Some of the Company's pension obligations are loosely linked to inflation to the extent that inflation influences salary increases, and higher inflation leads to higher salaries which in turn will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation can also increase the deficit.

13 Trade And Other Payables

	2013 $'000	2012 $'000
Trade payables and accruals	34,255	27,138
Statutory liabilities	45,562	35,748
Due to related parties (Note 20)		
– trade	11,065	5,529
– other	18,458	18,921
	109,340	87,336

14 Gross Turnover

	2013 $'000	2012 $'000
Gross turnover	1,184,805	1,107,575
Less excise	(240,015)	(239,553)
Revenue	944,790	868,022

15 Expenses By Nature

	2013 $'000	2012 $'000
Raw materials and consumables used	155,015	159,701
Technical and advisory services	60,471	63,211
Employee benefit expense (Note 15.1)	60,006	60,514
Other expenses	38,829	36,017
Royalties	37,182	33,467
Depreciation (Note 5)	18,082	19,742
Brand support expenses	11,125	13,179
Corporate social investments	3,085	5,436
Travel and related expenses	2,703	1,963
Changes in inventories of finished goods and work in progress	2,656	1,074
Directors' remuneration	298	310
Net foreign exchange (gains)/losses	(315)	180
Total cost of sales, distribution costs, administrative expenses and other operating expenses	389,137	394,794

15.1 Employee benefit expense

	2013 $'000	2012 $'000
Wages and salaries and other termination benefits	41,229	39,405
Other benefits	8,397	11,264
Pension costs:		
– defined benefit plan (Note 12)	9,409	8,916
– defined contribution plan	466	358
Post employment medical benefits (Note 12)	505	571
	60,006	60,514
Number of employees as at year end	208	199

16 Other Income

	2013 $'000	2012 $'000
Consultancy services	238	2,574
Rental of building	418	418
	656	2,992

17 Taxation

Corporation tax:		
– current year	148,241	129,212
– adjustment to prior year's estimates	(295)	(1,985)
Deferred income tax (Note 6)	(2,693)	(1,030)
	145,253	126,197

The tax on profit before taxation differs from the theoretical amount that would arise using the statutory tax rate of 25% as follows:

Profit before taxation	556,324	476,236
Tax calculated at 25%	139,081	119,059
Expenses not deductible for tax	6,469	10,283
Income/allowances not subject to tax	(2)	(2)
Corporation tax – adjustment to prior year's estimates	(295)	(1,985)
Deferred income tax – adjustment to prior year's estimates	–	(1,158)
	145,253	126,197

18 Earnings Per Share

Basic earnings per ordinary share are calculated by dividing the profit for the year attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

Profit for the year attributable to equity holders	411,071	350,039
Number of ordinary shares in issue ('000)	84,240	84,240
Basic earnings per share	$ 4.88	$ 4.16

19 Dividends Paid On Ordinary Shares

Final dividend – prior year	102,773	82,555
First interim dividend	69,077	57,283
Second interim dividend	87,610	79,186
Third interim dividend	90,136	82,555
	349,596	301,579

A final dividend in respect of 2013 of $1.61 cents per share (2012: $1.22 cents per share) amounting to $135,626,400 (2012: $102,772,800) is to be proposed at the Annual Meeting to be held on 4 April, 2014. If approved, the total dividend for the year will be $4.54, an increase of 18.8% over dividend distribution of $3.82 with respect to 2012.

20 Related Party Transactions

The Company is a subsidiary of British American Tobacco (Investments) Limited which owns 50.13% of the issued share capital. The remaining 49.87% of the shares are widely held. Its ultimate parent company is British American Tobacco p.l.c., a company registered in the United Kingdom.

The following transactions were carried out with related parties:

	2013 $'000	2012 $'000
i. Sale of goods and services		
Sale of goods – related parties	132,985	138,617
Sale of services – related parties	656	2,992
ii. Purchases of goods and services		
Purchases of goods – related parties	70,662	78,105
Purchases of services – related parties	49,612	53,620
Purchases of services – parent company	53,064	51,695

The prices agreed between related parties for sale of manufactured goods are based on normal commercial practices between independent businesses. Charges for royalties, commissions, purchases, services and fees are also based on the principles of normal commercial practice between independent businesses.

	2013 $'000	2012 $'000
iii. Key management compensation		
Salaries and other short–term employee benefits	6,596	6,670
Post retirement medical obligations	7	9
Post retirement benefits	778	874
iv. Year–end balances arising from sales/purchases of goods and services		
Receivables from related parties	16,883	10,527
Payables to related parties	29,523	24,450
Payables to parent company	8,139	10,211

The receivables from related parties arise mainly from sales transactions and are due 30 days after the end of the month in which the invoice is dated. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2012: nil)

The payables to related parties arise mainly from purchase transactions and are due 30 days after the end of the month in which the invoice is dated. The payables bear no interest.

Notes To The Financial Statements

31 December 2013

(Expressed in Trinidad and Tobago Dollars)

21 Contingent Liabilities

(a) Taxation

During the financial year ended 31 December 2011, the Board of Inland Revenue (BIR) conducted an audit of the 2007 tax return and subsequently issued a letter of proposed adjustments. The Company has provided documentary evidence to support its position and is currently engaged in further discussions with the BIR. The Directors, based on these discussions and appropriate professional advice, are satisfied that they can actively defend the matter and as such the Company has not recorded any additional provisions in the financial statements. The adjustments relate to the deductibility of certain expenses amounting to $74,772,830. The tax impact of these adjustments at the statutory tax rate of 25% is $18,693,208.

	2013 $'000	2012 $'000
(b) Customs and immigration bonds	10,975	5,796

22 Commitments

(a) Capital commitments

	2013 $'000	2012 $'000
Authorised and contracted for, and not provided for in the financial statements.	1,796	4,073

(b) Operating lease commitments

The Company leases motor vehicles under non-cancellable operating lease agreements. The lease terms are between one to five years.

The future minimum lease payments under operating lease agreements are as follows:

	2013 $'000	2012 $'000
No later than one year	1,639	862
Later than one year and no later than five years	2,465	563
	4,104	1,425

Operating lease expenses incurred in 2013 amounted to $1,629,098 (2012: $1,327,662)

23 Segment Information

The Company is organised and managed on the basis of two geographic regions, namely the domestic market and 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.

The prices agreed between Group companies for Intra-Group sales of materials, manufactured goods, charges for royalties, commissions, services and fees, are based on normal commercial practices which would apply between independent businesses.

23 Segment Information (Continued)

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.

The segment results for the year are as follows:

	Domestic TT$'000	CARICOM TT$'000	Unallocated TT$'000	Total TT$'000
Year ended 31 December 2013				
Revenue	811,805	132,985	–	944,790
Gross profit	693,275	7,727	–	701,002
Profit or loss for the year includes:				
– Depreciation	–	–	(18,082)	(18,082)
– Taxation	–	–	(145,253)	(145,253)
Year ended 31 December 2012				
Revenue	729,347	138,675	–	868,022
Gross profit	620,509	620	–	621,129
Profit or loss for the year includes:				
– Depreciation	–	–	(19,742)	(19,742)
– Taxation	–	–	(126,197)	(126,197)
Total Segment Assets				
31 December 2013	46,559	45,480	427,809	519,848
31 December 2012	39,533	40,149	349,939	429,621
Total segment assets include additions to property, plant and equipment as follows:				
– 31 December 2013	–	–	13,242	13,242
– 31 December 2012	–	–	20,081	20,081

Management Proxy Circular

REPUBLIC OF TRINIDAD AND TOBAGO

THE COMPANIES ACT, CH.81:01

(Section 144)

1 **Name of Company:**
THE WEST INDIAN TOBACCO COMPANY LIMITED **Company No:** W.17(C)

2 **Particulars of Meeting:**
One Hundred and Ninth Annual Meeting of the West Indian Tobacco Company Limited to be held at the Jade Conference Room, Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad on Friday 4 April 2014 at 10.30 a.m.

3 **Solicitation:**
It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the Shareholder directs otherwise) in favour of all resolutions specified in the Proxy Form sent to the Shareholders with this Circular and, in the absence of a specific direction, in the discretion of the Proxy Holder in respect of any other resolution.

4 **Any Director's statement submitted pursuant to Section 76(2):**
No statement has been received from any Director pursuant to Section 76(2) of the Companies Act, Ch.81:01.

5 **Any Auditor's statement submitted pursuant to Section 171(1):**
No statement has been received from the Auditors of the Company pursuant to Section 171(1) of the Companies Act, Ch.81:01.

6 **Any Shareholder's proposal submitted pursuant to Sections 116(a) and 117(2):**
No proposal has been received from any Shareholder pursuant to Sections 116(a) and 117(2) of the Companies Act, Ch 81:01.

DATE	NAME AND TITLE	SIGNATURE
21February 2014	Danielle F Chow Secretary and Authorised Signatory The West Indian Tobacco Company Limited	

Proxy Form

REPUBLIC OF TRINIDAD AND TOBAGO
THE COMPANIES ACT, CH. 81:01
(Section 143(1))

1 Name of Company:
THE WEST INDIAN TOBACCO COMPANY LIMITED Company No: W.17 (C)

2 Particulars of Meeting:
One Hundred and Ninth Annual Meeting of The West Indian Tobacco Company Limited to be held at The Jade Conference Room, Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad on Friday 4 April 2014 at 10.30 am.

3 I/We ______________________________
(BLOCK LETTERS PLEASE)

of ______________________________

shareholder/s in the above Company appoint the Chairman of the Meeting or failing him

____

of ______________________________

to be my/our proxy to vote for me/us and on my/our behalf at the above meeting and any adjournments thereof in the same manner, to the same extent and with the same powers as if I/we was/were present at the said meeting or such adjournment or adjournments thereof and in respect of the resolutions listed below to vote in accordance with my/our instructions.

Signature/s ______________________________

____

Dated this ______________ day of ______________ 2014.

Please indicate with an "x" in the spaces below and overleaf your instructions on how you wish your votes to be cast. Unless otherwise instructed, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.

Please consider Notes 1 to 6 below for assistance to complete and deposit this Proxy Form.

RESOLUTION		FOR	AGAINST
1	*To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon.*		
2	*To declare a Final Dividend of $1.61 per ordinary share for the financial year ended 31 December 2013.*		
3	*To re-elect Mr Jean-Pierre S du Coudray, who retires in accordance with paragraph 4.7:5 of Bye-Law No.1 of the Company and being eligible, as a Director of the Company in accordance with paragraph 4.7:7 of Bye-Law No.1 for a term from the date of his election until the close of the third Annual Meeting of the Company following his election or until his retirement in accordance with paragraph 4.7:5.*		
4	*To re-elect Mr Oscar M Morales who retires in accordance with paragraph 4.7:5 of Bye-Law No.1 of the Company, as a Director of the Company in accordance with paragraph 4.7:7 of Bye-Law No.1 for a term from the date of his election until the close of the third Annual Meeting of the Company following his election or until his retirement in accordance with paragraph 4.7:5.*		

Proxy Form (CONTINUED)

RESOLUTION		FOR	AGAINST
5	*To re-elect Mr Anthony E Phillip, who retires in accordance with paragraph 4.7:2(g) of Bye-Law No.1 of the Company, as a Director of the Company in accordance with paragraph 4.7:10 of Bye-Law No. 1 for a term from the date of his election until the close of the next Annual Meeting.*		
6	*To re-elect Mr Ranjit R Jeewan, who retires in accordance with paragraph 4.7:2(g) of Bye-Law No.1 of the Company, as a Director of the Company in accordance with paragraph 4.7:10 of Bye-Law No.1 for a term from the date of his election until the close of the next Annual Meeting.*		
7	*To reappoint Messrs PricewaterhouseCoopers as Auditors of the Company to hold office until the close of the next Annual Meeting.*		

NOTES:

1 *A shareholder may appoint a proxy of his/her own choice. If such an appointment is made, delete the words "the Chairman of the Meeting" from the Proxy Form and insert the name and address of the person-appointed proxy in the space provided and initial the alteration.*

2 *IIf the appointor is a corporation, this Proxy Form must be under its common seal or under the hand of an officer of the corporation or attorney duly authorised in that behalf.*

3 *A shareholder who is a body corporate may, in lieu of appointing a proxy, authorise an individual by resolution of its directors or governing body to represent it at this Annual Meeting.*

4 *In the case of joint shareholders, the names of all joint shareholders must be stated on the Proxy Form and all joint shareholders must sign the Proxy Form.*

5 *If the Proxy Form is returned without any indication as to how the person-appointed proxy shall vote, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.*

6 *To be valid, this Proxy Form must be completed and deposited with the Secretary of the Company at the Registered Office of the Company at the address below at least 48 hours before the time appointed for the Annual Meeting.*

Return to: THE SECRETARY
THE WEST INDIAN TOBACCO COMPANY LIMITED
CORNER EASTERN MAIN ROAD AND MOUNT D'OR ROAD
CHAMPS FLEURS
TRINIDAD, WEST INDIES

Design: Sage Corporate Communications & Publications
A Division of Lonsdale Saatchi & Saatchi

Printing: Caribbean Print Technologies

West Indian Tobacco

A member of the British American Tobacco Group