West Indian Tobacco

2015 Annual Report

Given the increasing number of suspected smuggled products on the market, the issue of authenticity and quality to the consumer is paramount. The symbol of the "marked stamp" represents the authenticity of our Company, our products and our people, which manifests itself in the way we transact our business.

Our Mission

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

Our Business Principles

In our bid to satisfy consumer moments in tobacco and beyond, three principles guide our standards of conduct and aim to cover all the issues which we must balance across the business.

The Principle of Mutual Benefit...

is the basis on which we build relationships with our stakeholders. We are primarily in business to build long-term shareholder value and we believe the best way to do this is to seek to understand and take account of the needs of all our stakeholders.

The Principle of Good Corporate Conduct...

is the basis on which all of our business should be managed. Business success brings with it an obligation for high standards of behaviour and integrity in everything we do and wherever we operate. These standards should not be compromised for the sake of results.

The Principle of Responsible Product Stewardship...

is the basis on which we meet consumer demand for a legal product that is generally accepted as a cause of serious diseases. Therefore, our products and brands should be developed, manufactured and marketed in a responsible manner.

Our Guiding Principles

Enterprising Spirit

We have the confidence to passionately pursue growth and new opportunities whilst accepting the considered entrepreneurial risk that comes with them. We are bold and strive to overcome challenges. This is the cornerstone of our success.

Freedom Through Responsibility

We always strive to do the right thing, exercising our responsibility to society and other stakeholders. We use our freedom to take decisions and act in the best interest of consumers.

Open-Minded

We are forward looking and anticipate consumer needs, winning with innovative, high-quality products. We listen to and genuinely consider other perspectives and changing social expectations. We are open to new ways of doing things.

Strength From Diversity

We respect and celebrate each other's differences and enjoy working together. We harness diversity – of our people, cultures, viewpoints, brands, markets and ideas – to strengthen our business. We value what makes each of us unique.

Contents

Notice of Annual Meeting

Notice is hereby given that the ONE HUNDRED AND ELEVENTH ANNUAL MEETING OF SHAREHOLDERS OF THE WEST INDIAN TOBACCO COMPANY LIMITED (“the Company”) will be held at The Regency Ballroom IV-VI, Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad, on Thursday 7 April 2016 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 2015, together with the Reports of the Directors and Auditors thereon.

2. To declare a Final Dividend for the financial year ended 31 December 2015.

3. To re-elect Mrs Danielle F Chow, 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 her election until the close of the third Annual Meeting of the Company following her election or until her retirement in accordance with paragraph 4.7:5.

4. 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.

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 elect Mr Alan J Bergin as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No. 1 of the Company, 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.

8. To elect Mr Rodrigo C Mendonca as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No. 1 of the Company, 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.

9. To appoint Messrs KPMG 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 F Chow
Secretary
Corner Eastern Main Road and Mount D'Or Road
Champs Fleurs
TRINIDAD

23 February 2016

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 Monday 22 February 2016, 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.

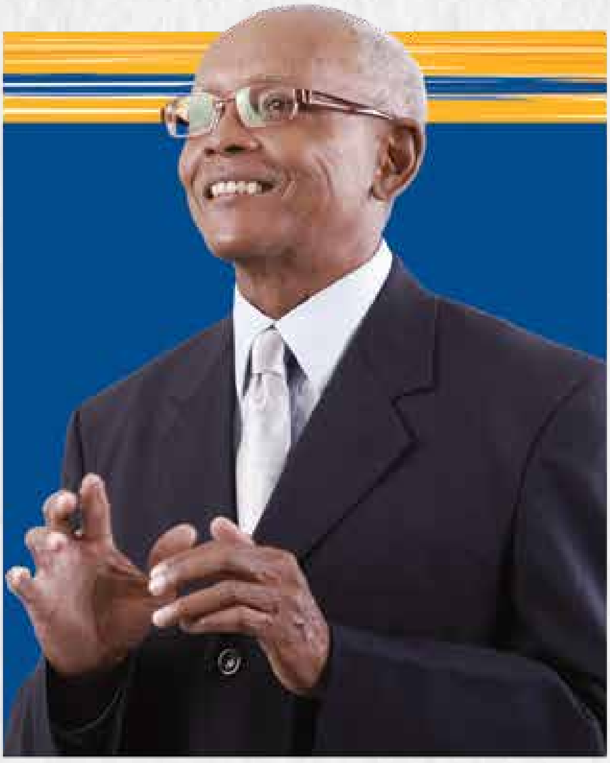
4. A shareholder who is a body corporate, may, in lieu of appointing a proxy, authorise an individual by resolution of its directors or governing body to represent it at the Annual Meeting.

Chairman's Report

I am pleased to report that our Company in 2015 delivered a Profit Before Taxation of $693.5 million. Profit For The Year was $515.5 million, an increase of 5.4% over 2014. This solid performance was underpinned by efficient cost management and has facilitated the payment of three interim dividends to date, which total $3.70 per share. This, together with the proposed final dividend of $2.18 per share, will bring the total dividends payable for 2015, to $5.88 per ordinary share. The share price during the period ranged from $121.33 to $126.29.

This achievement was set against the backdrop of the country's current economic challenges resulting mainly from a decline in Gross Domestic Product (GDP) and to date, the economy remains vulnerable to low energy prices and declines in production levels. In December 2015, the Central Bank Governor confirmed that the economy was in recession, having had four consecutive quarters of negative growth. The fall in petroleum revenues outstripped the decline in expenditures, and the increase in the fiscal deficit was estimated at 1.7% of Gross Domestic Product (GDP). Oil and gas prices dropped below the estimated sum utilised in the national budget; dipping below US$35 per barrel and US$2.75 per MMBtu respectively.

In 2015, the trading environment remained challenging and, not unexpectedly, there was reduced consumer spending. The Company continued to supply 25 brands in 137 variants to both the local market and regionally to 16 contract markets. Our employees pride themselves on their roles in the manufacture and sale of these top quality products, with guaranteed authenticity. Sales in the local market, however, experienced, some level of contraction with the entry of potentially illicit products.



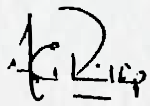
Anthony E Phillip – Chairman

It should be noted that there is a trend globally towards the commoditisation of tobacco products, which has opened the door to the rise in illicit products. Illegal cigarettes are estimated at 23.77% of total consumption in the Central American and Caribbean region and generate losses of millions of dollars in unpaid taxes which should accrue to the region's governments. At the same time, this funding is fuelling other criminal activities across the region. Panama's Free Trade Zones are reputed to be the second largest source of illegal cigarette flows to the Americas, with an impact mainly concentrated in Central America and Colombia. Trinidad and

Tobago and the wider Caribbean must take steps to confront and avoid breaches in border control which contribute to illegal activity.

We acknowledge that the tobacco industry is a controversial one. Nonetheless, we operate with assurance given that we run our business in a responsible manner, ensuring that we comply with our Business and Guiding Principles and values as well as the laws of Trinidad and Tobago. Sound regulation is important and, where it is developed with all stakeholders involved, can help to ensure an orderly marketplace that serves the interests of both consumers and governments. Unintended consequences of flawed regulation in the form of retail display bans and plain packaging must be avoided as these measures can result in consumers switching to inferior and illegally trafficked products. As a Company, we are willing to support government in enacting tougher anti-smuggling laws, creating special anti-contraband task forces and ensuring stronger enforcement, which will lead to more seizures, arrests and convictions.

In closing, I wish to welcome two new Directors, Messrs Alan J Bergin and Rodrigo C Mendonca, who were appointed as Directors of the Company with effect from 27 July 2015 and 29 October 2015 respectively. Both hold senior positions in the British American Tobacco Caribbean and Central American Group, leading the Finance and Operations functions. I also take the opportunity to thank the Directors for their steadfastness in these challenging times as well as our Managers, Employees, Business Partners and Suppliers for their ongoing contribution to the success of your Company.



Anthony E Phillip
Chairman

Management Discussion and Analysis

SUMMARY

In looking back and taking a comprehensive review of 2015, last year was indeed the toughest West Indian Tobacco has seen in a long time. The slowdown in the economy continued to provide a challenging environment in which to operate and build a sustainable business.

Several changes impacted the market including; a change in government at the general election, the effects of the continued decline of oil and gas prices – a key contributor to our economy – and the effects of the global economy. Additionally, last year's performance was impacted by an increase in the ultra-low-priced product and suspected illicit brands. While the general outlook is one of great challenge, we are committed to delivering value to our shareholders.

Despite all these factors, we were still able to deliver a growth in Profit For The Year of 5.4% or $26.3 million, over 2014. Contributing factors to this growth included the robust brand portfolio, a focused marketing strategy, one of the most efficient distribution platforms and a highly talented resource pool which allowed us to surpass the performance of 2014. We continue to undertake to market our products in a responsible manner, with an emphasis on providing authentic and fresh quality products.

Our strategic Business Pillars of Growth, Productivity, Sustainability and a Winning Organisation provide a roadmap for continued long-term success which allows us to navigate the turbulent economic times ahead. Transparency and good governance underpins the issue of guaranteed authenticity.

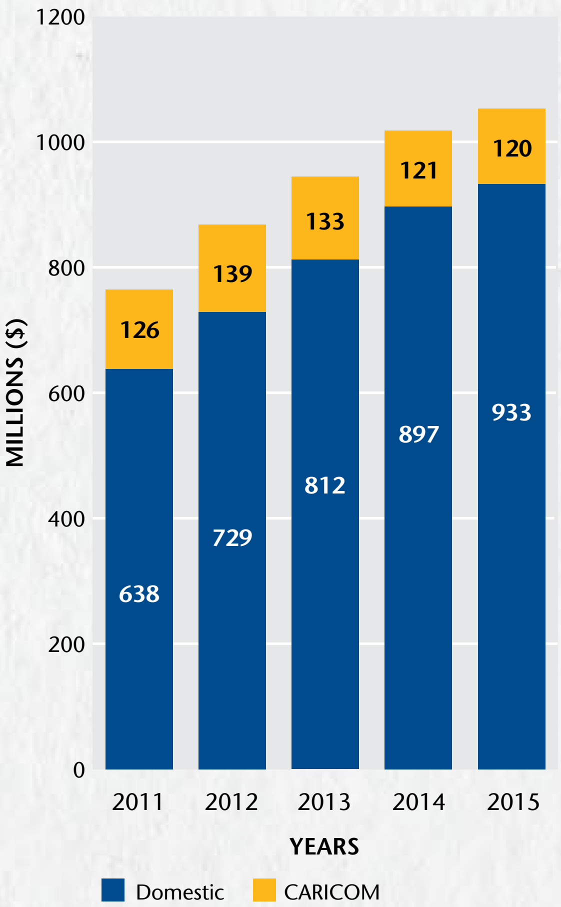
Jean-Pierre S du Coudray – Managing Director

PERFORMANCE AND STRATEGY

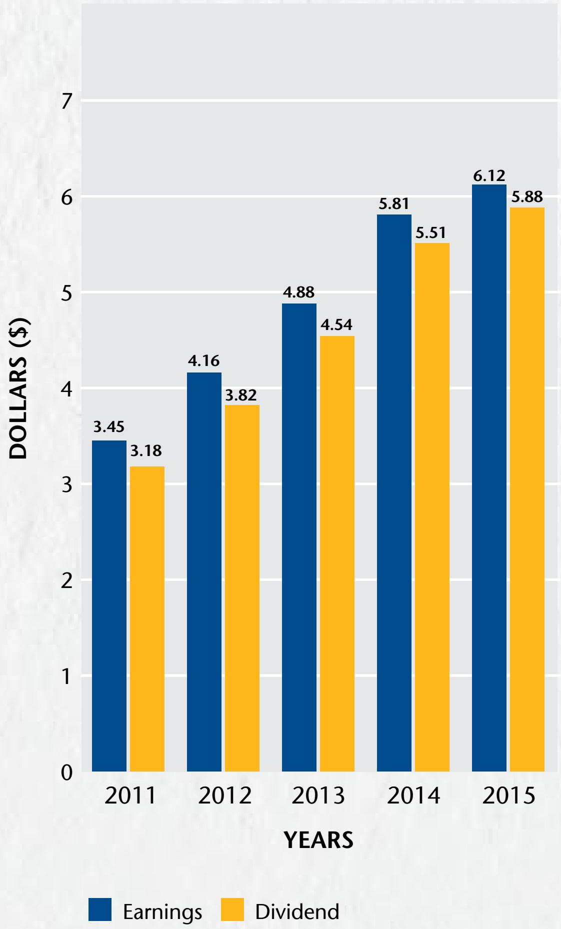
West Indian Tobacco continues to champion its vision of ensuring that it is the preferred choice for consumers. This strategy is supported by the Business Pillars and ensures a sustainable tobacco business which creates value growth for its stakeholders'.

Our marketing strategy is consumer centric and excites consumers to buy and customers to sell. This is supported by our dynamic portfolio which continues to allow us to maintain our leadership position in the market. Our manufacturing focus is based on creating value through increased efficiencies and employee engagement, utilising the best quality tobacco and delivering on time and in full for both the local and export markets. This ultimately contributes positively to shareholders' returns.

REVENUES



EARNINGS/DIVIDEND PER ORDINARY SHARE



REVENUES

The Company has recorded Revenue for the year 2015 of $1,053 million, representing a growth of 3.5% against prior year's revenue of $1,017 million. Revenue is calculated as sales value net of excise, as published in the Statement of Comprehensive Income.

Sales performance for 2015 was directly impacted by the prevailing economic conditions locally and within the Caribbean region. In spite of this, the Company's Share of Market remains strong and the Premium Sector continues to grow.

COST OF SALES AND OVERHEADS

Cost of Sales for the year totalled $231 million, a decline of $2.6 million or 1% against prior year. Increased direct material leaf cost of 5% was offset by procurement savings initiatives for wrapping materials. The factory maintained its focus on reducing waste and achieved a reduction in production overheads of 4.2% largely by building on the foundation of Manufacturing Excellence systems which had been established in the prior year and thereby achieving significant efficiencies from the new way of working.

Total overheads of $128.2 million, remained flat against 2014. Included in total overheads, however, is a one-off amount of $6.9 million, representing the impairment of plant and machinery as the Company invests in the upgrade of its fixed assets. Total overheads excluding the impairment declined by 5.6% year on year as cost management is an important element in the manner in which we conduct our business.

PROFIT AND TOTAL COMPREHENSIVE INCOME

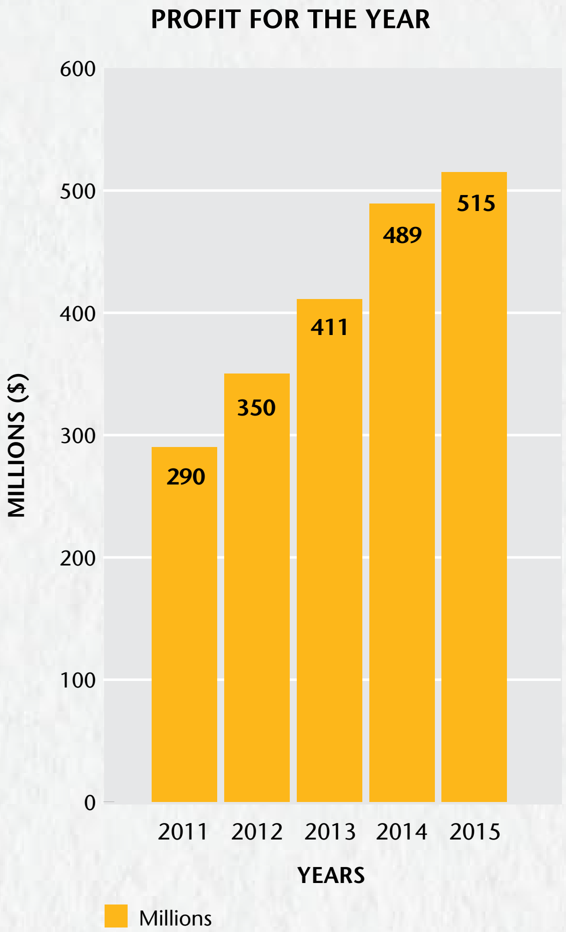
The Company recorded a Profit Before Taxation of $693.5 million, representing an increase of 6% over the corresponding period in 2014. Profit For The Year of $515.5 million was an increase of 5.4% over the prior year with a Total Comprehensive Income For The Year of $521.3 million.

Total Comprehensive Income For The Year was positively impacted from an actuarial gain following the remeasurement of retirement and post-employment benefit obligations in 2015. As a result of this commendable performance, Earnings per Share grew by 5.3% over 2014 and Dividends per Share for 2015, once the Final Dividend is approved at the Annual Meeting, will be $5.88, representing a 6.7% growth over 2014.

The profit growth is a reflection of sound strategies implemented to achieve sales levels and maintain market share whilst managing costs with the focus on generating shareholders' wealth.

CASH FLOWS

Net Cash Flows generated from operating activities increased by $45 million to end the year at $708.8 million. Working capital continues to be closely managed and the year-end net cash position increased by $14.5 million, despite higher levels of taxation being paid in line with increased profitability, a steady rewarding dividend pay-out and an increase in capital expenditure of $6.5 million, over 2014.



BALANCE SHEET

Total assets increased from $570 million to $606 million at the end of December 2015 and the net assets per share were $4.53 as at the end of the financial year, compared to $3.98 in 2014. The increase in total assets was primarily due to an increase in Cash and Cash Equivalents from $272 million to $287 million, largely due to the increase in operating profits.

TRANSACTIONS WITH AFFILIATES

The Company is a subsidiary of British American Tobacco (Investments) Limited (BAT (Investments) Ltd) which holds 50.13% of the issued share capital. The ultimate parent company of BAT (Investments) Ltd is British American Tobacco p.l.c., a company registered in the United Kingdom.

The Company sells cigarettes to related parties as well as purchases materials and other services from related parties. The prices agreed between related parties for the 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.

ACCOUNTING POLICIES

The Company's principal accounting policies conform to International Financial Reporting Standards (IFRS). Developments related to these standards are actively monitored and all significant accounting policies are disclosed under Note 2 of the Notes to the Financial Statements.

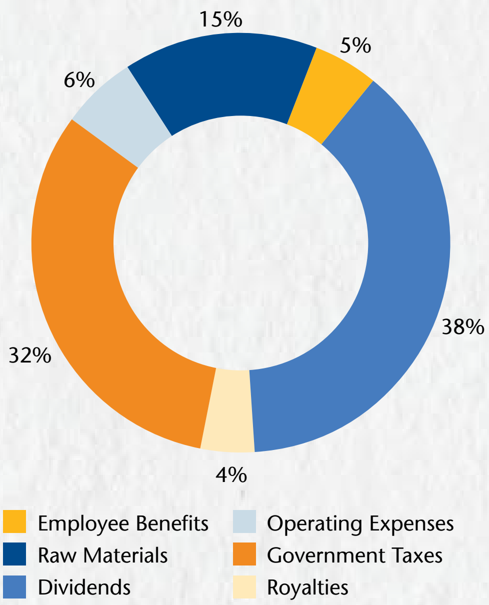
GROWTH

2015 proved to be a year of unprecedented challenges within the market, with signs of the economic recession appearing long before the official announcement was made by the government. It was clear that our trade customers found it harder to sell while consumers became more cautious with their disposable income.

The economic environment became an almost perfect incubator for an upsurge in the illicit trade of cigarettes. We support all initiatives by the authorities to stop this black market trade as it not only negatively impacts the economy but will encourage bad practices, including dumping, tax evasion, youth smoking and organised criminal activity. As a responsible entity, we continue to work closely with the relevant authorities to aid in stemming this issue as we recognise that the social and economic implications are far reaching.

Despite these challenges, our strong brand portfolio allowed us to emerge in good standing to take us through 2016 and beyond. Each of our brands plays a crucial role in creating value and satisfying our consumer preferences. Dunhill, our premium brand has consistently delivered value growth and is truly synonymous with quality and innovation. Our Capsule Range, Dunhill Switch and Dunhill Release, has seen tremendous growth in the market, increasing the share of our super-premium segment. du Maurier continues to be relevant as our strong national brand and the main driver of our volumes. Broadway continues to satisfy the lower-price segment of the market and remains steady in its performance. In July 2015, Mt. d'or was reintroduced to the market as we continued to tailor our brand portfolio to reflect the ever-evolving needs of the consumer and the overall market. 2015 dictated that achieving our objectives required alignment with market realities and a consumer focus to best leverage our strategic position.

INCOME DISTRIBUTION



PRODUCTIVITY

The year was one of continued improvement in the productivity of our people and the operational efficiency of our machines. An Integrated Work System (IWS) was introduced in 2015 and has directed everyone's focus in a structured way by prioritising all activities to make process improvements more sustainable. IWS has allowed the factory to increase its flexible, consumer-focused approach in light of changes in the legislative environments and our operational alignment.

We ended 2015 with a record 917 days of no loss work cases. Additionally, we showed an 18% improvement in wrapping material waste and maintained an almost perfect service delivery. In 2016, we expect further improvements to our efficiency through building on the IWS foundation whilst maintaining our manufacturing cost base.

SUSTAINABILITY

Sustainability continues to be a strategic focus area of the Company's strategy which guides behaviours and activities, helping us to maintain a sustainable approach that will guarantee our future as a 21st century tobacco business. This agenda aims to build value for our shareholders and other stakeholders by addressing our social, environmental and economic impacts. Our Business Principles and our Standards of Business Conduct are an integral part of this as they set out what is required of our Company and our employees in terms of responsible corporate behaviour and personal integrity. Our governance processes ensure we live up to these principles and standards.

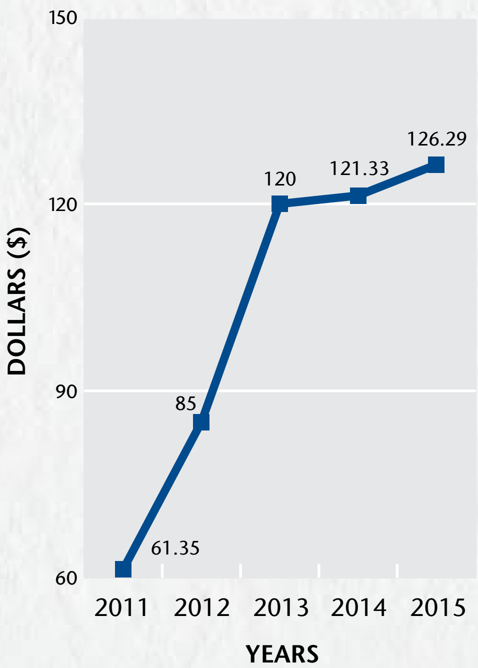
We continue to seek to address our impacts and through stakeholder dialogue and research, we have identified that corporate behaviour, including marketing practices, youth smoking prevention, regulatory engagement, anti-illicit trade, environmental management and health and safety has the greatest significance to our business and our stakeholders. These have been, therefore, key areas for us.

WINNING ORGANISATION

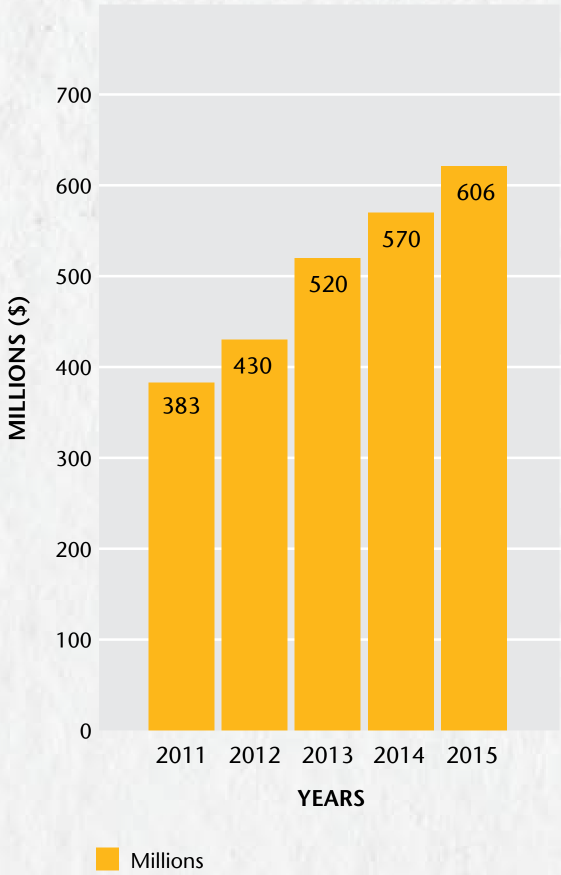
The Company focused on building a winning organisation culture, ensuring that we remain agile and resilient in addressing future changes in our industry while continuing to deliver exceptional results in a consistent and sustainable manner.

Our people are our greatest asset and we aim to maintain an environment which nurtures and develops high performing teams and individuals. This is done through the attraction of the right people with the required skills and experience to build a legacy of leaders, as we continuously develop a pool of next generation leaders.

SHARE PRICE



TOTAL ASSETS



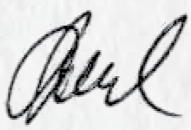
At a time when we expect all our team members to go beyond in delivering results, our winning organisation culture will support through the development of critical skills, capabilities and best practice in performance management.

All of this is centred on our Guiding Principles which guide us in our behaviour and represent what the Company stands for: Open-Mindedness, Enterprising Spirit, Freedom through Responsibility and Strength from Diversity.

LOOKING AHEAD

We continue to fully support regulators, governments and international organisations in seeking to eliminate all forms of illicit tobacco trade and ensuring that the quality of products reaching the consumer is guaranteed. As part of the effort to combat the illicit trade of tobacco, it is vitally important that governments establish workable tax regimes and economic policies which discourage illicit trade, facilitate strong border controls and effective laws to target and fight the black market.

The loyalty and commitment of management and staff contributed to this year's performance and I am grateful for their outstanding commitment to and sacrifice for the organisation. The continued high performance could not happen without the sound guidance from the Board of Directors and I thank them. We are all thankful to our distributors, consumers and the shareholders for the support and belief in the Company and its team.



Jean-Pierre S du Coudray
Managing Director

Corporate Information

BOARD OF DIRECTORS

Anthony E Phillip, Chairman
Jean-Pierre S du Coudray, Managing Director
Alan J Bergin
Danielle F Chow
Ranjit R Jeewan
Ingrid L-A Lashley
Rodrigo C Mendonca
Isha P Reuben-Theodore

AUDIT COMMITTEE

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

COMPANY SECRETARY

Danielle F Chow, Company Secretary
Rowan M Brathwaite,
Assistant Company Secretary

REGISTERED OFFICE

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

CONTACT INFORMATION

Telephone No. (868) 662-2271/4
Facsimile No. (868) 663-5451
Email: west_indian_tobacco@bat.com
Website: www.westindiantobacco.com

REGISTRAR AND TRANSFER OFFICE

RBC Trust (Trinidad & Tobago) Limited
55 Independence Square
Port of Spain
Republic of Trinidad and Tobago
Email: tt-trustee@rbc.com

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

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

Board of Directors

ANTHONY E PHILLIP
Chairman

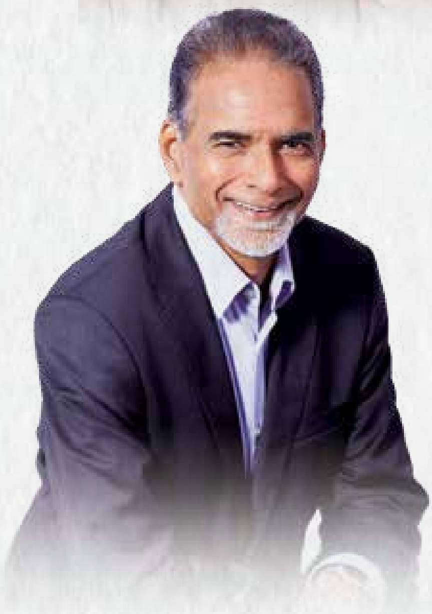
Anthony Phillip joined West Indian Tobacco in 1973 as a manager in its Production Department and was appointed Production Manager/Director in 1984 after completing a period of secondment to British American Tobacco Kenya Limited. He was appointed Managing Director in 1998 and following his retirement in 2006, became Chairman in 2007. He was also Chairman and Managing Director of British American Tobacco (Malawi) Limited from 1994 to 1998 and currently sits on the Board of Directors of the ANSA McAL Group of Companies. Mr Phillip, who began his career as an Industrial Chemist at Caroni Limited, 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 led the Company's Trade Marketing and Distribution Department before going on assignment to lead the Trade Marketing Services of British American Tobacco (BAT) Group's interests in the Caribbean. Mr du Coudray is a member of the Board of the Trinidad and Tobago Chamber of Industry and Commerce and sits on the Board of several companies in the First Citizens Group. Mr du Coudray holds a Bachelor of Arts Degree in Economics from the University of Western Ontario, Canada.

INGRID L-A LASHLEY

Ingrid Lashley is the Managing Director and Chief Executive Officer of Trinidad and Tobago Mortgage Finance Company Limited. Ms Lashley was appointed a Director in August 2008 and the Chairman of the Audit Committee in March 2009. An experienced banker, Ms Lashley is the holder of a Masters in Business Administration in Accounting and Finance from McGill University in Montreal, Canada and also carries the designations of Certified Management Accountant and Chartered Accountant. Ms Lashley is currently the Chairman of Bourse Securities and Bourse Brokers, and holds directorships in the Trinidad and Tobago Hospitality and Training Institute and Eco-Industrial Development Company of Tobago Limited. She also serves as a member of the Quality Assurance Committee of the Institute of Chartered Accountants of Trinidad and Tobago.



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 the United Kingdom and Singapore. Mr Jeewan is currently the Chairman of the Trinidad and Tobago Central Depository and holds a Directorship in the Trinidad and Tobago Stock Exchange.

DANIELLE F CHOW

Danielle Chow was appointed a Director in July 2004 and additionally 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 in West Indian Tobacco and within the BAT Group's interest in the Caribbean. She currently heads the Legal and External Affairs Function in West Indian Tobacco. Mrs Chow, an Attorney-at-Law, holds a Bachelor of Laws from The University of the West Indies and a Legal Education Certificate from the Hugh Wooding Law School. She was admitted to the local Bar in 1985.

ALAN J BERGIN

Alan Bergin was appointed a Director in July 2015. Mr Bergin has over 17 years' experience in the tobacco industry within Audit, Finance, Mergers & Acquisitions and the commercial Finance functions in the United Kingdom, Russia, Africa, and the Middle East. He is currently the Head of the Finance Function for the BAT Group's interest in the Caribbean and Central America and holds directorships in British American Tobacco Central America S.A., Carreras Limited and BAT Caribbean S.A. Mr Bergin is a Chartered Management Accountant and holds a Masters in Business Administration from Imperial College, London.

ISHA P REUBEN-THEODORE

Isha Reuben-Theodore was appointed a Director in November 2014. She has 11 years' experience in the tobacco industry within the audit and main finance functions both in West Indian Tobacco and within the BAT Group's interest in the Caribbean. She currently heads the Finance Function in West Indian Tobacco. Mrs Reuben-Theodore is a Fellow of the Chartered Association of Certified Accountants and a member of the Institute of Chartered Accountants of Trinidad and Tobago, with over 20 years' experience.

RODRIGO C MENDONCA

Rodrigo Mendonca was appointed a Director in October 2015. He has over 20 years' experience in the tobacco industry within the Operations function. He led the manufacturing, maintenance and Leaf Operations in Brazil, before taking up the position of Head of Operations for the BAT Group's interest in the Caribbean and Central America. Mr Mendonca is a mechanical engineer and holds a Masters Degree in Finance.

Directors' Report

The Directors take pleasure in submitting their report for the year ended 31 December 2015.

FINANCIAL HIGHLIGHTS		2015
	$'000	$'000
Gross Turnover (including excise)		1,277,198
Revenue		1,052,924
Cost of Sales		(231,248)
Gross Profit		**821,676**
Distribution Costs		(13,567)
Administrative Expenses		(81,167)
Other Operating Expenses		(33,446)
Operating Profit		**693,496**
Interest Income		30
Profit Before Taxation		**693,526**
Taxation		(178,043)
Profit for the year		**515,483**
Other Comprehensive Profit:		
Items that will not be reclassified to profit or loss		
Remeasurement of Retirement and Post-Employment benefit obligations		5,853
Total Comprehensive Income for The Year		**521,336**
Dividends		
Interim – 1st - $1.00 per ordinary share paid on 11 May 2015	84,240	
Interim – 2nd - $1.26 per ordinary share paid on 26 August 2015	106,142	
Interim – 3rd - $1.44 per ordinary share paid on 30 November 2015	121,306	
Proposed Final – $2.18 per ordinary share to be paid on 06 May 2016	183,643	
		(495,331)
Retained Earnings Transferred To Revenue Reserves		**26,005**

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 2015.

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
Mr Alan J Bergin	NIL	NIL
Mrs Danielle F Chow	NIL	NIL
Mr Ranjit R Jeewan	28,000	NIL
Ms Ingrid L-A Lashley	NIL	NIL
Mr Rodrigo C Mendonca	NIL	NIL
Mrs Isha P Reuben-Theodore	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 31 January 2016, 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 Mc Lachlan-Avey	NIL	NIL
Mrs Isha P Reuben-Theodore	NIL	NIL
Ms Solmer Thom	50	NIL

SUBSTANTIAL INTEREST/LARGEST SHAREHOLDERS

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 shareholders with the ten (10) largest blocks of shares in the Company as at 31 January 2016.

British American Tobacco (Investments) Limited	42,227,652
Home Mortgage Bank	6,455,461
Republic Bank Limited – All Accounts	6,137,552
Colonial Life Insurance Co. (T'dad) Ltd	4,548,712
RBC Trust Limited – All Accounts	5,523,291
Trintrust Limited – All Accounts	2,238,428
First Citizens Trust and Asset Management	2,156,056
Tatil Life Assurance – All Accounts	1,496,413
National Insurance Board	1,132,605
T. Geddes Grant – All Accounts	780,000

The Trinidad and Tobago Central Depository holds the legal interest in shares for and on behalf of several beneficial owners totalling 37,169,740 as at 31 January 2016.

DISCLOSURE OF INTEREST OF DIRECTORS AND OFFICERS IN ANY MATERIAL CONTRACTS WITH THE COMPANY (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.

DISCLOSURE OF DIRECTORS OR OFFICERS WHO ARE DIRECTORS OR OFFICERS OF COMPANIES THAT ARE A PARTY TO MATERIAL CONTRACTS WITH THE COMPANY (pursuant to Section 93(1)(b) of the Companies Act Ch. 81:01)

Mr Alan J Bergin, Non-Executive Director is a Director of affiliated Companies, British American Tobacco Central America S.A. in Panama, Carreras Limited in Jamaica and BAT Caribbean S.A. in Panama.

DIRECTORS

In accordance with paragraph 4.7:5 of Bye-Law No. 1 of the Company, Mrs Danielle F Chow, and Mr Jean-Pierre S du Coudray 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.

Mr Alan J Bergin was appointed to the Board with effect from July 27, 2015. In accordance with paragraph 4.7:5 of Bye-Law No. 1 of the Company, Mr Bergin retires from the Board of Directors and, being eligible, offers himself for election.

Mr Rodrigo C Mendonca was appointed to the Board with effect from October 29, 2015. In accordance with paragraph 4.7:5 of Bye-Law No.1 of the Company, Mr Mendonca retires from the Board of Directors and, being eligible, offers himself for election.

In accordance with the Companies Act, Chapter 81:01 Section 74, Mr Oscar Morales and Mrs Amanda J Cavill de Zavaley, resigned from the Board of Directors with effect from 29 May 2015 and 27 July 2015 respectively.

AUDITORS

Messrs KPMG have expressed their willingness to be appointed as Auditors. Messrs KPMG are practicing 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.

CORPORATE GOVERNANCE

West Indian Tobacco is committed to the principles of good corporate governance and the concepts that encapsulate its foundations. These concepts include the following:

Framework for Effective Governance

The Company is headed by a Board of Directors which is collectively responsible for the long-term success of the Company.

The roles and responsibilities of Directors are set out in the Company's Bye-Laws and are governed by the Companies Act. The Directors exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Composition and Performance of Board

The balance of independence and diversity of skill, knowledge, experience, perspectives and gender among the Directors allows for the Board to work effectively.

The Board of Directors currently comprises eight (8) Directors of whom five (5) are Non-Executive Directors. Of the Non-Executive Directors, three (3) are independent. The Board is diversified by nationality and gender and represents a strong team with a broad range of professional backgrounds and styles.

All Non-Executive Directors receive an induction upon their appointment to the Board, which covers such matters as the operation of the Company, activities of the Board, the role of the Board and Management and the Board's governance policies and practices.

Non-Executive Directors are paid a retainer fee as well as an additional fee for attendance at Board and Committee meetings. Executive Directors and Directors who are employees of British American Tobacco or any of its affiliates are not paid fees. All fees are approved by the shareholders.

The Company's Board of Directors meet at least quarterly. They also meet in December each year to approve the Company's Plan and budget for the following year.

Loyalty and Independence

The Directors act honestly and in good faith and in the best interest of the Company ahead of all other interests.

The Chairpersons of the Board and of the Audit Committee are independent Non-Executive Directors. This balance of Non-Executive to Executive Directors ensures that the Board is able to exercise independent judgement with sufficient management information to enable proper and objective assessment of issues. The Board is not aware of any relationships or circumstances affecting the Directors' independent judgement.

All Directors are candidates for re-election by shareholders at intervals of no more than three (3) years, subject to continued satisfactory performance. Directors who have attained the age of sixty-five (65) are candidates for re-election by the shareholders every year.

The Company's Standards of Business Conduct reflect the Company's commitment to always act with high standards of integrity and these standards apply to all employees, managers and Directors. In accordance with the Company's Policy and the Companies Act, all Directors are required to declare whether they have any material interest in any transaction or matter directly affecting the Company.

Accountability

The Board of Directors presents an accurate, timely, balanced and understandable assessment of the Company's performance, position and prospects.

The Board's Audit Committee meets quarterly to review the financial reporting, audit process, risks and internal controls. The Company's risk management and internal control processes strike the balance between fostering entrepreneurship within the Company's business model and safeguarding shareholder's investments and Company assets. The Audit Committee assesses the suitability and independence of external auditors and follows up on recommendations made by internal and external auditors. Its members also ensure that the Company's Financial Statements, as prepared by the independent auditors, comply with International Financial Reporting Standards (IFRS) and represent a true and fair view for the respective reporting period.

Relationship with Shareholders

The Board promotes constructive relationships with all shareholders that facilitate the exercise of their ownership rights and encourage their engagement with the Company.

The Board is committed to facilitating the ownership rights of all shareholders including minority shareholders. Provision is made at Annual Meetings for shareholders to have the opportunity to engage with the Directors and Management.

FINANCIAL CALENDAR

REPORTS

Interim Financial Statement for First Quarter ending 31 March 2016	May 2016
Interim Financial Statement for Second Quarter ending 30 June 2016	August 2016
Interim Financial Statement for Third Quarter ending 30 September 2016	November 2016
Preliminary Announcement for the year to 31 December 2016	February 2017
Annual Financial Statements for the period ending 31 December 2016	March 2017

PROPOSED DIVIDEND PAYMENT DATES
(Payable in accordance with paragraph 16 of Bye-Law No. 1)

Final 2015	May 2016
First Interim 2016	May 2016
Second Interim 2016	August 2016
Third Interim 2016	November 2016
Final 2016	May 2017

By Order of the Board

Danielle F Chow
Secretary
23 February 2016

Management Teams

MARKETING

Management Teams

MANUFACTURING

Management Teams

OPERATIONS SUPPORT

Siti Jones Gordon
Sheldon Dukharan
Joetta Graham
Bernadette Rattan
Shalini Singh

Management Teams

CORPORATE SERVICES

"The toxic and corrosive nature of illicit trade and organised transnational crime harms economic growth and job creation, challenges the rule of law, robs governments of needed revenue and threatens human rights and quality of life, and thus requires a strong, internationally coordinated response."

Kunio Mikuriya, Secretary General
World Customs Organisation

Cigarettes are among the most commonly traded products on the black market due to their high profit margin, relative ease of production, movement and low detection rates. The general public is often unaware of the wider impact of the illegal cigarette trade as its shadowy nature makes the scale difficult to estimate. Research, however, indicates that globally up to 600 billion cigarettes a year can be considered illegal – smuggled, counterfeit or tax-evaded in other ways and in the Caribbean and Central American Region, it is estimated that 24% of total consumption is smuggled. It is often impossible to tell the difference between counterfeit products and the real thing when criminals mimic an original design, with some changes, deliberately trying to fool those who are less discerning.

This black market trade is big business. It involves organised criminal gangs acquiring products, usually through cross-border smuggling. As a result, large-scale tax evasion with poor quality, unregulated product reaches the consumer with a cost to governments, the business sector and wider society. Where illegal activity is allowed to flourish, quality is unreliable. According to the *World Customs Organisation Illicit Trade Report 2014*, the illicit trade in cigarettes aims to circumvent tobacco control measures implemented by governments, resulting in public health and safety being undermined. Those most affected by this illegal enterprise are those with poor border controls. As a responsible company, we welcome any initiatives to stamp out this scourge.

In Trinidad and Tobago, with the challenging economic environment, there is evident growth in the number of suspected illicit brands of various products and that number seems to be growing rapidly. Illicit traders create an illusion of a competitive advantage, as they seek to avoid taxes, whilst depriving the government from its legitimate revenue. Legitimate retailers on the other hand, often small or family businesses, are damaged, as smugglers and criminals steal their trade and the public is disadvantaged when rules on advertising and packaging and labelling are undermined by illegal under-the-counter sales as the affected industries continue to highlight their concerns to the authorities. Illicit product and actions are not authentic.

Quality Guaranteed

The Company's assurance that we operate our business in a responsible and sustainable manner, underpins the authenticity of our Company, our products and our people and manifests itself in the way we transact our business.

We aim to respect the law and encourage our customers to sell only to adults over the age of 18. Illegal traders, however, are not concerned about who ultimately purchases their product.

We are concerned about quality and compliance to regulations and standards. Illegally traded products tend to be of poor quality with no concern for compliance to either regulation or standards.

We conscientiously pay all our taxes, whereas the illegal cigarette trade involves the evasion of taxes and duties payable to the governments.

In 2015, we worked to raise awareness and remind persons that the illegal trade in tobacco is not a victimless crime, and this work will continue in 2016 and beyond. Within our own business operations, we require our employees and business partners to play their part and support only legitimate trade in our products.

Through our 'Know Your Customer' guidelines and procedures, we try to ensure that the volume of tobacco products we supply is consistent with legitimate demand. It is our policy to stop doing business with customers or suppliers who we find to be complicit in illicit trade.

Quality Guaranteed in Manufacturing

Our factory-made product instills a sense of pride among our employees, due to its fresh quality … a guarantee of authenticity to our consumers.

Throughout the organisation, we aim for the highest standards and are guided by best-practice methods in the industry, striving for excellence in every step of the manufacturing process.

The preferences of adult consumers guide the mix of tobaccos that we use and we work to ensure these grades are available for the long term to keep the tastes of our products consistent. We also work to ensure that the standards in our factory are aligned to environmental, occupational health and safety standards. At each stage of manufacture, there is quality control and testing; before raw materials enter the factory; after the tobacco leaves are steamed and cut; and at each stage of the automated cigarette production, including up to the final packaging of the product.

Quality is always top priority. Each cigarette is automatically quality controlled to ensure that it meets every aspect of its specification.

The guarantee of quality of our products was further solidified with the introduction of an Integrated Work System (IWS) in 2015 in the Manufacturing Department. This organisational, capability-building strategy is aimed at achieving and sustaining breakthrough business results through 100% employee ownership with a zero loss mindset.

In 2015, we also sought to maintain our work safety record which now stands at more than 900 days accident free, over the last three years. The journey for improvement is a continuous one and, we continued to engage with our factory operators to be part of this process.

Quality Guaranteed in Distribution

Our approach to the sale and distribution of our products supports our guarantee of authenticity. We believe in: -

- Responsible marketing of our products, as well as providing clear and meaningful information about their risk profiles;
- Working with retailers to prevent children from gaining access to tobacco products;
- Engaging openly on regulatory issues, offering constructive solutions and being transparent; and
- Fighting the illicit tobacco trade by securing the supply chain and working alongside law enforcement agencies.

In addition to the legal framework within which we exist, we maintain four core principles which we believe are at the heart of responsible tobacco marketing:

- We will not mislead anyone about the risks of smoking;

- We will only market our products to adult smokers;
- We will not seek to influence the consumers' decision about whether or not to smoke, nor how much to smoke; and
- It should always be clear to our consumers that our advertising originates from a tobacco company and that it is intended to promote the sale of our tobacco brands.

In 2015, our marketing team successfully conducted the "POSITIVE" workshop with tobacco managers and supervisors from the distribution companies to further ensure our products were marketed in line with the law and our Marketing Principles. The Company recognises the need to ensure our trade representatives have a "Future Fit" capability to bring our Marketing Principles to life.

The participants were very enthusiastic to apply the learnings in their roles and it is anticipated to have a significant impact on the overall Trade Marketing and Distribution operations.

In 2015, the Company also continued to take steps to remind retailers of the need to ensure children do not have access to cigarettes. The Company continued its Youth Smoking Prevention Campaign and assisted retailers by providing them with the legally required signage.

Quality Guaranteed in Culture

The Company believes arts and culture have the potential to illuminate our lives and enrich our communities and for the past 50 years, West Indian Tobacco has supported the national instrument in fulfilment of this dream. As a Company, we continue to support and ensure sustainable improvement of one of the most iconic steelbands in Trinidad, which extends not only to the players, but to the disenfranchised Laventille community in which they reside. Authenticity and hard work has built a proven track record of success and we look forward to the celebration of the 11th win at the 2016 Panorama Competition to cement their place as the country's most celebrated steel orchestra.

Quality Guaranteed in Our Employees

The Company is dedicated to excellence in relation to its employees. Our employment principles embrace our core values and challenge our employees to strive to passionately pursue growth and new opportunities, respect and celebrate each other's differences, embrace new ways of working and constantly strive to do the right thing.

As we work hard, we play hard! We are a team that sets high standards, appreciates the sense of conquering challenges, and achieves continuous improvement. We love to win and we enjoy looking back and saying, "We made it happen!"

This is what makes us unique; that we enjoy building our teams, not only through work, but through our corporate initiatives, our recognition programmes and our team activities.

Our team-building activities help to build and maintain this winning organisation which is the responsibility of each one of us and we all play a part in making West Indian Tobacco a Great Place to Work!

TaO

Accelerating the Growth Agenda

In 2015, our continuous drive to improve our business as a whole, saw the adoption of a new integrated business platform for improved efficiency and productivity (TaO). Inherent in this system is the ability to have integrated up-to-date information which will give us better business insight, a better integrated supply chain which will enable us to manage our inventory more effectively, improving customer service and delivery, on time and in full, and better visibility of performance which will allow focused trade/customer investment. All in all…a better business…guaranteed authentic.

WEST INDIAN TOBACCO

Financial Information

The Year At A Glance

	2015 $'000	2014 $'000	Change %
Revenue	1,052,924	1,017,368	3.5%
Gross Profit	821,676	783,566	4.9%
Total Expenses	(128,180)	(128,476)	-0.2%
Operating Profit	693,496	655,090	5.9%
Interest Income	30	25	20.0%
Profit Before Taxation	693,526	655,115	5.9%
Taxation	(178,043)	(165,920)	7.3%
Profit for the Year	515,483	489,195	5.4%
Other Comprehensive Profit/(Loss):			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement and post-employment benefit obligations	5,853	(360)	-1725.8%
Other Comprehensive Profit/(Loss) – net of tax	5,853	(360)	-1725.8%
Total Comprehensive Income for the Year	521,336	488,835	6.6%

Five Years At A Glance

	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000
Profit and Taxation					
Profit before taxation TT$	402,010	476,236	556,324	655,115	693,526
Taxation	111,794	126,197	145,253	165,920	178,043
Profit after taxation TT$	290,216	350,039	411,071	489,195	515,483
Dividends	267,883	321,797	382,449	464,163	495,331
Effective rate of taxation (%)	27.8	26.5	26.1	25.3	25.7
Balance Sheet					
Shareholders' equity	189,870	227,806	281,067	335,345	381,567
Deferred income tax liability	10,075	5,536	–	–	–
Non-current liabilties	75,376	67,503	85,107	91,252	88,841
Current liabilities	107,211	128,776	153,674	142,957	135,565
Total Funds Employed	382,532	429,621	519,848	569,554	605,973
Property, plant and equipment	218,068	215,152	213,241	204,326	196,625
Deferred income tax asset			522	1,352	3,663
Inventories	43,227	48,017	49,646	41,768	37,741
Cash at bank and in hand	100,816	134,787	212,132	272,267	286,778
Other current assets	20,421	31,665	44,307	49,841	81,166
Total Assets	382,532	429,621	519,848	569,554	605,973
Statistics					
Issued Share Capital ('000)	84,240	84,240	84,240	84,240	84,240
Earnings per ordinary share ($)	3.45	4.16	4.88	5.81	6.12
Dividends per ordinary share ($)	3.18	3.82	4.54	5.51	5.88
Net assets value per ordinary share ($)	2.25	2.70	3.34	3.98	4.53
Share prices at 31 December ($)	61.35	85.00	120.00	121.33	126.29

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 2015, 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 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
23 February 2016
Port of Spain,
Trinidad, West Indies

Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	31 December 2015 $'000	2014 $'000
Assets			
Non-current assets			
Property, plant and equipment	5	196,625	204,326
Deferred income tax asset	6	3,663	1,352
		200,288	205,678
Current assets			
Inventories	7	37,741	41,768
Trade and other receivables	9	78,682	47,357
Taxation recoverable		2,484	2,484
Cash and cash equivalents	10	286,778	272,267
		405,685	363,876
Total assets		605,973	569,554
Shareholders' equity			
Share capital	11	42,120	42,120
Revaluation surplus	5 a.	48,893	49,641
Retained earnings		290,554	243,584
Total equity		381,567	335,345
Liabilities			
Non-current liabilities			
Retirement benefit obligation	12	83,369	85,661
Post-employment medical benefit obligation	12	5,472	5,591
		88,841	91,252
Current liabilities			
Trade and other payables	13	102,043	85,842
Due to parent company	19 d.	7,181	11,665
Dividends payable		23,447	44,300
Taxation payable		2,894	1,150
		135,565	142,957
Total liabilities		224,406	234,209
Total equity and liabilities		605,973	569,554

The notes on pages 41 to 74 are an integral part of these financial statements.

On 23 February 2016, 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 2015 $'000	2014 $'000
Gross turnover – including excise	14	1,277,198	1,252,058
Revenue	14	1,052,924	1,017,368
Cost of sales	15	(231,248)	(233,802)
Gross profit		821,676	783,566
Distribution costs	15	(13,567)	(12,776)
Administrative expenses	15	(81,167)	(89,289)
Other operating expenses	15	(33,446)	(26,550)
Other income		–	139
Operating profit		693,496	655,090
Interest income		30	25
Profit before taxation		693,526	655,115
Taxation	16	(178,043)	(165,920)
Profit for the year		515,483	489,195
Other comprehensive profit/(loss):			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement and post-employment benefit obligations		5,853	(360)
Other comprehensive profit/(loss): – net of tax		5,853	(360)
Total comprehensive income for the year		521,336	488,835
Earnings per ordinary share	17	$6.12	$5.81
Dividends per ordinary share	18	$5.88	$5.51

The notes on pages 41 to 74 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 2015					
Balance at 1 January 2015		42,120	49,641	243,584	335,345
Comprehensive income					
Profit for the year		–	–	515,483	515,483
Other comprehensive loss					
Remeasurement of retirement and post-employment benefit obligations		–	–	5,853	5,853
Depreciation transfer on buildings – net of tax		–	(748)	748	–
Transactions with owners					
Dividends	18	–	–	(475,114)	(475,114)
Balance at 31 December 2015		42,120	48,893	290,554	381,567
Year ended 31 December 2014					
Balance at 1 January 2014		42,120	50,324	188,623	281,067
Comprehensive income					
Profit for the year		–	–	489,195	489,195
Other comprehensive loss					
Remeasurement of retirement and post-employment benefit obligations		–	–	(360)	(360)
Depreciation transfer on buildings – net of tax		–	(683)	683	–
Transactions with owners					
Dividends	18	–	–	(436,363)	(436,363)
Write back of unclaimed dividends	18	–	–	1,806	1,806
Balance at 31 December 2014		42,120	49,641	243,584	335,345

The notes on pages 41 to 74 are an integral part of these financial statements.

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Note	Year ended 31 December 2015 $'000	2014 $'000
Cash flows from operating activities			
Profit before taxation		693,526	655,115
Adjustments for:			
Depreciation		18,539	18,912
Impairment on plant and equipment		6,972	–
(Profit)/loss on disposal of property, plant and equipment		(35)	1,208
Net increase in retirement and other post-employment benefit obligations excluding actuarial losses		5,393	5,665
Interest income		(30)	(25)
Operating profit before working capital changes		724,365	680,875
Changes in working capital:			
Decrease in inventories		4,027	7,878
Increase in trade and other receivables		(31,325)	(4,964)
Decrease in trade payables and accruals		(3,740)	(4,426)
Increase/(decrease) in due to related parties		19,941	(19,072)
(Decrease)/increase in due to parent company		(4,484)	3,526
Cash generated from operating activities		708,784	663,817
Taxation paid		(180,561)	(166,050)
Net cash generated from operating activities		528,223	497,767
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,810)	(11,262)
Proceeds from sale of property, plant and equipment		35	57
Interest received		30	25
Net cash used in investing activities		(17,745)	(11,180)
Cash flows used in financing activity			
Dividends paid		(495,967)	(426,452)
Net increase in cash and cash equivalents		14,511	60,135
Cash and cash equivalents at beginning of year		272,267	212,132
Cash and cash equivalents at end of year	10	286,778	272,267
Cash at bank and in hand		286,776	272,265
Short-term deposits		2	2
		286,778	272,267

The notes on pages 41 to 74 are an integral part of these financial statements.

Notes to the Financial Statements

31 December 2015
(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.

a. *Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of land and buildings at fair value through other comprehensive income and the defined benefit pension plan assets measured at fair value.

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.

(i) *New standards, amendments and interpretations adopted by the Company*

The following standard has been adopted by the Company for the first time for the financial year beginning on or after 1 January 2015:

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subject to significant levies so the impact on the Company is not material.

  Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Company.

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

2 **Significant accounting policies (continued)**

a. *Basis of preparation (continued)*

(ii) *New standards, amendments and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Company. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

- IFRS 15, 'Revenue from contracts with customers' deals with the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach, entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The standard is effective for annual periods beginning on or after 1 January 2018 and the Company is assessing the impact of IFRS 15.

- IAS 1, 'Presentation of Financial Statements'. Amendments made in December 2014 clarify that additional subtotals must:
  - be comprised of items that are recognised and measured in accordance with IFRS.
  - be presented and labelled such that they are clear and understandable.
  - be consistent from period to period.
  - not be displayed with more prominence than the mandatory subtotals and totals.

  The amendments apply to annual reporting periods commencing on or after 1 January 2016.

- IAS 16, 'Property, Plant and Equipment'. The IASB has amended IAS 16 'Property, Plant and Equipment' to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. The standard is effective for annual periods beginning on or after 1 January 2016.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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31 December 2015

(Expressed in Trinidad and Tobago Dollars)

2 **Significant accounting policies (continued)**

b. *Foreign currency translation*

(i) *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.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. 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.

c. *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director and the local management team, who have been identified as the chief operating decision-makers. This team is responsible for allocating resources and assessing performance of the operating segments and for making strategic decisions.

d. *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. 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. 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. 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 the statement of comprehensive income during the financial period in which they are incurred.

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

2 **Significant accounting policies (continued)**

d. *Property, plant and equipment (continued)*

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 the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

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 6.7% 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 income and operating expenses respectively in the statement of comprehensive income.

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

e. *Current and deferred income tax*

The tax expense for the year comprises current and deferred income tax. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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 be applied when the related deferred income tax asset is realised or

2 Significant accounting policies (continued)

e. *Current and deferred income tax (continued)*

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

f. *Impairment of non-financial assets*

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

2 Significant accounting policies (continued)

g. *Inventories (continued)*

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

h. *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 i. and 2 j.).

Impairment testing of trade and other receivables is described in Note 2 i.

i. *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 the statement of comprehensive income.

j. *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.

k. *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 **Significant accounting policies (continued)**

l. *Employee benefits*

(i) *Long-term employee benefits – 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.

(a) *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 28 September 2015). 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.

2 **Significant accounting policies (continued)**

l. *Employee benefits (continued)*

(i) *Long-term employee benefits – Retirement benefit plans (continued)*

(a) *Defined benefit plan*

Past-service costs are recognised immediately in the statement of comprehensive income, 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.

(b) *Defined contribution plan*

The Plan covers all employees joining the Company as of September 2011 and 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 the 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 a.). 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.

(ii) *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 a.). Actuarial gains and losses arising are charged or credited to other comprehensive income in the period in which they arise.

(iii) *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.

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

2 **Significant accounting policies (continued)**

l. *Employee benefits (continued)*

(iv) *Short-term obligations*

a. *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.

b. *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 statement of financial position date.

m. *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 estimated reliably. Provisions are not recognised for future operating losses.

Where there are 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

n. *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. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

2 **Significant accounting policies (continued)**

o. *Revenue recognition*

Revenue is measured at 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 measured reliably, it is probable that future economic benefits will flow to the entity and specific criteria have been met as follows:

(i) *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.

(ii) *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.

(iii) *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.

p. *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 the statement of comprehensive income in the period in which they arise.

q. *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.

r. *Rounding of amounts*

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand dollars unless otherwise stated.

Notes to the Financial Statements

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(Expressed in Trinidad and Tobago Dollars)

3 **Financial risk management**

a. *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.

(i) *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:

	2015 $'000	**2014 $'000**
Increase/(decrease) in profit before tax		
Effect of a 5% depreciation of the TT Dollar	(3,901)	(2,424)
Effect of a 5% appreciation of the TT Dollar	3,901	2,424

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 a.

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)**

a. *Financial risk factors (continued)*

(ii) *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 $153,000 and $250,820,000 (2014:$114,000 and $233,077,000). The maximum limit with any one financial institution is $261,701,000 (2014: $254,800,000). Balances in excess of this limit were held temporarily for periods of no more than one week during 2015 and 2014.

(iii) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and short-term funds and the availability of funding through an adequate amount of committed credit facilities. Due 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 2015	**Less than one year**
Trade payables and accruals	$26,940,000
Amounts due to related parties/parent company	$37,573,000

At 31 December 2014	**Less than one year**
Trade payables and accruals	$26,856,000
Amounts due to related parties/parent company	$22,116,000

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

3 **Financial risk management (continued)**

b. *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 amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

c. *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**

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.

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

4 **Critical accounting estimates and assumptions (continued)**

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 and 16.

Notes to the Financial Statements

31 December 2015
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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 2015						
Opening net book amount	90,601	94,031	5,255	124	14,315	204,326
Additions	–	65	1,168	–	16,577	17,810
Transfers	390	10,114	362	–	(10,866)	–
Depreciation charge (Note 15)	(1,808)	(14,713)	(1,935)	(83)	–	(18,539)
Impairment (Note 5 d.)	–	(6,972)	–	–	–	(6,972)
Closing net book amount	89,183	82,525	4,850	41	20,026	196,625
At 31 December 2015						
Cost/valuation	97,783	225,516	28,899	774	20,026	372,998
Accumulated depreciation	(8,600)	(142,991)	(24,049)	(733)	–	(176,373)
Net book amount	89,183	82,525	4,850	41	20,026	196,625
Year ended 31 December 2014						
Opening net book amount	88,631	100,765	5,582	207	18,056	213,241
Additions	197	289	450	–	10,326	11,262
Transfers	3,477	9,221	1,369	–	(14,067)	–
Disposals	–	(1,227)	(38)	–	–	(1,265)
Depreciation charge (Note 15)	(1,704)	(15,017)	(2,108)	(83)	–	(18,912)
Closing net book amount	90,601	94,031	5,255	124	14,315	204,326
At 31 December 2014						
Cost/valuation	97,393	231,693	33,560	883	14,315	377,844
Accumulated depreciation	(6,792)	(137,662)	(28,305)	(759)	–	(173,518)
Net book amount	90,601	94,031	5,255	124	14,315	204,326
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

Notes to the Financial Statements

31 December 2015
(Expressed in Trinidad and Tobago Dollars)

5 **Property, plant and equipment (continued)**

a. *Revaluation surplus*

	2015 $'000	2014 $'000
At beginning of the year	49,641	50,324
Depreciation transfer on buildings – net of tax	(748)	(683)
At end of the year	48,893	49,641

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.

This basis of valuation was used due 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.

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 2015 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
Buildings	–	–	58,833

	Fair value hierarchy	Fair value as at 1 January 2015 $	Additions/ disposals $	Depreciation/ impairment $	Transfers from capital work in progress $	Fair value carried forward $
Land	Level 3	30,350	–	–	–	30,350
Buildings	Level 3	60,251	–	(1,808)	390	58,833
Carrying value as at 31 December 2015		90,601	–	(1,808)	390	89,183

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

5 **Property, plant and equipment (continued)**

a. *Revaluation surplus (continued)*

	Fair value hierarchy	Fair value as at 1 January 2014 $	Additions/ disposals $	Depreciation/ impairment $	Transfers from capital work in progress $	Fair value carried forward $
Land	Level 3	30,350	–	–	–	30,350
Buildings	Level 3	58,281	197	(1,704)	3,477	60,251
Carrying value as at 31 December 2014		88,631	197	(1,704)	3,477	90,601

There were no transfers between levels 1 and 2 during the year.

Transfers between levels 2 and 3

The Company's management annually reviews the latest valuations performed by the independent valuator for financial reporting purposes.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report
- assesses property valuation movements when compared to the prior year valuation report
- holds discussions with the independent valuator

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. Changes in Level 2 and 3 fair values are analysed at each reporting date. As part of this assessment, the team reviews the reasons for the fair value movements.

In the current year, the classification was changed to Level 3 as there is no observable market data for the assumptions used by the external valuator.

The main Level 3 inputs used by the Company are derived and evaluated as follows:

Land:

The direct comparable method was used. In using this method, evidence of arm's length open market transactions of similar lands are analysed and the results applied to the subject lands after taking into consideration appropriate adjustments for location, size and other relevant factors.

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

5 **Property, plant and equipment (continued)**

a. *Revaluation surplus (continued)*

Buildings:

Buildings are valued using the depreciated replacement cost method. Under this method, the gross replacement cost of the buildings and other sites works are then estimated, from which appropriate deductions are then made to allow for the age, condition and obsolescence (economic and functional) of the buildings in site works. The total net replacement cost is then added to the estimated value of the land.

Inputs considered in the valuation:

(i) Location and neighbourhood – the property easily lends itself to a wide pool of skilled and unskilled labour and facilitates easy access to main highways. The general neighbourhood is characterised by light industrial users.

(ii) Measurements and condition – The square footage of the site is taken into consideration in the valuation. Based on the valuation, the buildings also appeared to be structurally sound and in fair to good decorative condition.

The inputs above have not varied significantly in the past and as such, the impact of movements in the variables are not considered significant.

b. *If the freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:*

	2015 $'000	2014 $'000
Cost	31,033	30,643
Accumulated depreciation	(9,853)	(9,043)
Net book amount	21,180	21,600

c. *Depreciation expense is included in the statement of comprehensive income as follows:*

	2015	2014
Amount included in cost of sales	16,316	16,454
Amount included in other operating expenses	2,223	2,458
	18,539	18,912

d. *Impairment of machinery*

During the year, the King Size Hinge Lid 10's maker and packer machinery was replaced and the remaining useful life was reduced from five (5) years to six (6) months when the new asset was commissioned. This resulted in an impairment charge of $6,972,147 included in other operating expenses in the statement of comprehensive income.

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

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:

	2015 $'000	2014 $'000
At beginning of the year	(1,352)	(522)
Tax on actuarial gains/(losses) recognised in other comprehensive income (Note 6 b.)	1,951	(120)
Charge for the year (Note 16)	(4,262)	(710)
At end of year	(3,663)	(1,352)

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:

Deferred income tax asset		
– Retirement benefit obligation (Note 6 a.)	(25,135)	(26,444)
– Post-retirement medical obligation	(1,369)	(1,398)
	(26,504)	(27,842)
Deferred income tax liability		
– Revaluation on buildings	6,249	6,498
– Accelerated tax depreciation	16,592	19,992
Net deferred income tax asset	(3,663)	(1,352)

a. *The deferred income tax asset on retirement benefit obligation is attributable to the following:*

Retirement benefit obligation, excluding deferred lumpsum contribution	20,841	21,415
Deferred lumpsum contribution	4,294	5,029
	25,135	26,444

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

6 **Deferred income tax (continued)**

b. *The net deferred income tax asset in the statement of financial position is attributable to the following:*

	Revaluation on buildings $'000	Accelerated tax depreciation $'000	Retirement benefit $'000	Post retirement medical $'000	Total $'000
As at 31 December 2015					
Balance at beginning of year	6,498	19,992	(26,444)	(1,398)	(1,352)
(Credit)/charge to profit or loss (Note 16)	(249)	(3,400)	(661)	48	(4,262)
Tax on actuarial gains/ (losses) recognised in other comprehensive income	–	–	1,970	(19)	1,951
Balance at end of year	6,249	16,592	(25,135)	(1,369)	(3,663)
As at 31 December 2014					
Balance at beginning of year	6,747	19,772	(25,528)	(1,513)	(522)
(Credit)/charge to profit or loss (Note 16)	(249)	220	(732)	51	(710)
Tax on actuarial (losses)/ gains recognised in other comprehensive income	–	–	(184)	64	(120)
Balance at end of year	6,498	19,992	(26,444)	(1,398)	(1,352)

7 **Inventories**

	2015 $'000	2014 $'000
Raw materials	24,688	25,815
Goods in transit	1,313	4,924
Supplies and sundries	4,037	4,486
Finished goods	6,865	5,774
Inventories in process	838	769
	37,741	41,768

The cost of inventories recognised as expense and included in "cost of sales" amounted to $140,911,945 (2014: $147,958,000).

A provision was made against supplies and sundries in the amount of $8,179,911 (2014: $8,139,296) relating to spares.

Notes to the Financial Statements

31 December 2015
(Expressed in Trinidad and Tobago Dollars)

8 Financial instruments

a. Financial instruments by category and currency

	TTD $'000	USD $'000	Euro $'000	GBP $'000	Total $'000
As at 31 December 2015					
Financial assets					
Trade receivables (excluding prepayments)	39,932	–	–	–	39,932
Due from related parties	–	21,021	–	–	21,021
Cash and cash equivalents	203,796	82,982	–	–	286,778
	243,728	104,003	–	–	347,731
Financial liabilities					
Trade payables and accruals (excluding statutory liabilities)	10,470	12,367	453	1,072	24,362
Due to related parties	24,721	5,671	–	–	30,392
Due to parent company	4,747	–	–	2,434	7,181
	39,938	18,038	453	3,506	61,935
As at 31 December 2014					
Financial assets					
Trade receivables (excluding prepayments)	33,297	–	–	–	33,297
Due from related parties	–	10,379	–	–	10,379
Cash and cash equivalents	213,488	58,779	–	–	272,267
	246,785	69,158	–	–	315,943
Financial liabilities					
Trade payables and accruals (excluding statutory liabilities)	23,048	3,298	474	36	26,856
Due to related parties	17	9,937	686	(189)	10,451
Due to parent company	7,473	–	–	4,192	11,665
	30,538	13,235	1,160	4,039	48,972

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

8 Financial instruments (continued)

b. *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 2015			
Trade receivables, excluding prepayments	39,932	–	39,932
Due from related parties	18,723	2,298	21,021
Cash at bank	251,198	–	251,198
	309,853	2,298	312,151
As at 31 December 2014			
Trade receivables, excluding prepayments	33,297	–	33,297
Due from related parties	8,746	1,633	10,379
Cash at bank	236,021	–	236,021
	278,064	1,633	279,697

The Company does not hold any collateral as security.

c. *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

	2015 $'000	2014 $'000
Trade receivables	39,932	33,297
Prepayments	17,729	3,681
Receivables from related parties: (Note 19)		
– trade	20,771	10,239
– other	250	140
	78,682	47,357

10 Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank	251,196	236,019
Short-term deposits	2	2
Cash in hand and in transit	35,580	36,246
	286,778	272,267

The effective interest rate on short-term deposits was 0.10% (2014: 0.20%). These deposits have an average maturity of three months or less.

The Company has undrawn banking facilities:		
Floating rate – expiring within one year	9,645	49,645

These facilities are annual facilities subject to review at various dates during 2016.

11 Share capital

Authorised		
An unlimited number of ordinary shares of no par value		
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:

Retirement benefit obligation	(83,369)	(85,661)
Post-employment medical benefit obligation	(5,472)	(5,591)
Liability in the statement of financial position	(88,841)	(91,252)

(i) *Retirement benefits*

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

Fair value of plan assets	196,812	204,907
Present value of funded pension obligation	(279,694)	(290,053)
Deficit of funded plans	(82,882)	(85,146)
Present value of unfunded pension obligation	(487)	(515)
Liability in the statement of financial position	(83,369)	(85,661)

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

Net interest cost	3,614	3,390
Current service cost	6,130	7,016
Net pension expense	9,744	10,406

Notes to the Financial Statements

31 December 2015
(Expressed in Trinidad and Tobago Dollars)

12 **Pensions and other post-retirement obligations (continued)**

(i) *Retirement benefits (continued)*

	2015 $'000	2014 $'000
Remeasurements:		
From plan assets	(12,908)	(972)
From obligation – funded	20,797	244
From obligation – unfunded	(9)	(6)
Remeasurement of net liability	7,880	(734)
Reconciliation of movements in the statement of financial position:		
Net liability recognised as at 1 January	(85,661)	(79,057)
Net pension expense	(9,744)	(10,406)
Remeasurement of net asset/(liability)	7,880	(734)
Employer contributions	4,156	4,536
Net liability recognised as at 31 December	(83,369)	(85,661)
Changes in fair value of plan assets:		
Fair value of plan assets as at 1 January	204,907	203,670
Actual return on plan assets:		
– interest income	8,130	8,030
– remeasurement recognised in OCI	(12,908)	(972)
Company contributions	4,156	4,536
Employee contributions	1,280	1,831
Benefit payments	(8,753)	(12,188)
Fair value of plan assets as at 31 December	196,812	204,907
Changes in present value of the obligation (funded and unfunded):		
Present value of obligation as at 1 January	(290,568)	(282,727)
Interest income	(11,744)	(11,420)
Current service cost – employer	(6,130)	(7,016)
Current service cost – employee	(1,280)	(1,831)
Benefit payments	8,753	12,188
Remeasurement recognised in OCI:		
– financial assumption changes	–	(7,159)
– experience	20,788	7,397
Present value of obligation as at 31 December	(280,181)	(290,568)

The principal actuarial assumptions were as follows:

	2015 Per annum	2014 Per annum
Discount rate	4.00%	4.00%
Future salary increases	4.00%	4.00%
Future pension increases	3.00%	3.00%
Mortality	GAM94	GAM94

Notes to the Financial Statements

31 December 2015

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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 2016 are $4,261,000.

Plan assets comprise the following:

		2015			2014	
		$'000	**%**		**$'000**	**%**
Equity investments						
Local	59,204			84,750		
Foreign	3,776	62,980	32	5,410	90,160	44
Debt instruments						
Local	71,281			60,242		
Foreign	50,742	122,023	62	40,162	100,404	49
Property						
Local	1,968	1,968	1	2,049	2,049	1
Other						
Local	9,841	9,841	5	12,294	12,294	6
		196,812	100		204,907	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*

	2015 $'000	2014 $'000
The amount recognised in the statement of financial position is as follows:		
Unfunded post-retirement health care obligation	5,472	5,591
The movement in the defined benefit obligation over the year is as follows:		
Net interest cost	217	239
Current service cost	77	88
Net post-retirement health care expense	294	327
Remeasurements recognised in other comprehensive income:		
From obligations	(75)	382
Reconciliation of movements in statement of financial position:		
Net liability recognised as at 1 January	(5,591)	(6,050)
Net expense	(294)	(327)
Remeasurement of net liability	(75)	382
Employer premiums for existing retirees/clinic cost	488	404
Net liability recognised as at 31 December	(5,472)	(5,591)

12 Pensions and other post-retirement obligations (continued)

(ii) *Post-employment medical benefit obligation (continued)*

	2015 $'000	2014 $'000
Changes in present value of the obligation:		
Present value of obligation as at 1 January	(5,591)	(6,050)
Interest income	(217)	(239)
Current service cost	(77)	(88)
Employer premiums for existing retirees/clinic cost	488	404
Remeasurement recognised in OCI:		
– experience	(75)	382
Present value of obligation as at 31 December	(5,472)	(5,591)
The principal actuarial assumptions were as follows:		
Discount rate	4.00%	4.00%
Premium/clinic cost escalation	3.50%	3.50%
% married	90%	90%
Retiree mortality table	GAM94	GAM94

Expected contributions to post-employment medical benefit plans for the year ending 31 December 2016 are $466,000.

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	37	(25)
Effect on the defined benefit obligation	920	(699)

12 **Pensions and other post-retirement obligations (continued)**

(iii) The Company operates a defined benefit pension plan regulated by the Insurance Act 1980 of Trinidad and Tobago. 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 trust 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 18.1 years.

The weighted average duration of the post-employment benefit obligation is 18.4 years.

In the case of the funded plan, the Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

The Company has taken measures to reduce the pension plan deficit and to date, there have been lumpsum injections totalling $31.4 million. 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

31 December 2015
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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:

		Impact on defined benefit obligation	
Change in assumption		**Increase in assumption**	**Decrease in assumption**
Discount rate:	0.50%	Decrease by 8.3%	Increase by 9.5%
Salary growth rate:	0.50%	Increase by 2.6%	Decrease by 2.4%
Pension growth rate:	0.25%	Increase by 2.9%	Decrease by 2.8%

As at 31 December 2015, 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 $23,237,000 lower or $26,726,000 higher (2014: $24,044,000 lower or $27,681,000 higher).

	Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy:	Increase by 3.3%	Decrease by 3.3%

The majority of the plan's 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's 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 32% 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.

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

12 **Pensions and other post-retirement obligations (continued)**

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

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**

	2015 $'000	**2014 $'000**
Trade payables and accruals	26,940	26,856
Statutory liabilities	44,711	48,535
Due to related parties (Note 19)		
– trade	17,806	9,130
– other	12,586	1,321
	102,043	85,842

14 **Gross turnover**

Gross turnover	1,277,198	1,252,058
Less excise	(224,274)	(234,690)
Revenue	1,052,924	1,017,368

Notes to the Financial Statements

31 December 2015
(Expressed in Trinidad and Tobago Dollars)

15 Expenses by nature

	2015 $'000	2014 $'000
Raw materials and consumables used	140,912	147,958
Technical and advisory services	45,689	42,258
Employee benefit expense (Note 15 a.)	59,513	65,805
Other expenses	33,120	32,452
Royalties	44,262	40,916
Depreciation (Note 5)	18,539	18,912
Brand support expenses	8,702	11,471
Impairment expenses	6,972	–
Travel and related expenses	2,009	1,560
Corporate social investments	879	1,744
Changes in inventories of finished goods and work in progress	(480)	(1,430)
Directors' remuneration	229	333
Net foreign exchange (gains)/losses	(918)	438
Total cost of sales, distribution costs, administrative expenses and other operating expenses	359,428	362,417

a. *Employee benefit expense*

	2015 $'000	2014 $'000
Wages and salaries and other termination benefits	39,725	40,047
Other benefits	8,819	14,344
Pension costs:		
– defined benefit plan (Note 12)	9,744	10,406
– defined contribution plan	931	684
Post-employment medical benefits (Note 12)	294	324
	59,513	65,805
Number of employees as at year end	186	191

16 Taxation

	2015 $'000	2014 $'000
Corporation tax:		
– current year	179,573	167,199
– adjustment to prior year's estimates	2,732	(569)
Deferred income tax (Note 6)	(4,262)	(710)
	178,043	165,920

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 and an associated tax liability. In March 2015, the Company settled the matter and paid an amount of $3,328,881 under the recently concluded tax amnesty. In addition, an adjustment was made in the current year to account for the prior year's estimate which amounted to $597,248.

Notes to the Financial Statements

31 December 2015

(Expressed in Trinidad and Tobago Dollars)

16 **Taxation (continued)**

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

	2015 $'000	**2014 $'000**
Profit before taxation	693,526	655,115
Tax calculated at 25%	173,381	163,779
Expenses not deductible for tax	1,936	2,716
Income/allowances not subject to tax	(6)	(6)
Corporation tax – adjustment to prior year's estimates	2,732	(569)
	178,043	165,920

17 **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	$515,483	489,195
Number of ordinary shares in issue ('000)	84,240	84,240
Basic earnings per share	$6.12	$5.81

18 **Dividends paid on ordinary shares**

Final dividend – prior year	163,426	135,626
First interim dividend	84,240	82,555
Second interim dividend	106,142	101,088
Third interim dividend	121,306	117,094
	475,114	436,363

Notes to the Financial Statements

31 December 2015

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18 **Dividends paid on ordinary shares (continued)**

A final dividend in respect of 2015 of $2.18 cents per share (2014: $1.94 cents per share) amounting to $183,643,200 (2014: $163,425,600) is to be proposed at the Annual Meeting to be held on 7 April 2016. If approved, the total dividend for the year will be $5.88, an increase of 6.7% over dividend distribution of $5.51 with respect to 2014.

The Company's Bye-Laws allow for the forfeiture of dividends unclaimed after a period of twelve (12) years. In 2014, the Company undertook to conduct due diligence to ensure that any shareholder who is entitled to dividend payments receive same prior to its forfeiture. The unclaimed dividends of $1,805,670 for periods prior to 2002 was written back to the retained earnings in equity. The next review is scheduled to take place in 2016.

19 **Related party transactions and balances**

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:	**2015 $'000**	**2014 $'000**
a. *Sale of goods and services*		
Sale of goods – related parties	120,269	120,783
Sale of services – related parties	–	139
b. *Purchases of goods and services*		
Purchases of goods – related parties	63,769	62,671
Purchases of services – related parties	31,529	26,441
Purchases of services – parent company	61,395	59,625

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.

Notes to the Financial Statements

31 December 2015

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19 **Related party transactions and balances (continued)**

c. *Key management compensation*

	2015 $'000	2014 $'000
Salaries and other short-term employee benefits	6,861	7,614
Post-retirement medical obligations	5	5
Post-retirement benefits	1,078	1,053

	2015 $'000	2014 $'000
d. *Receivable from related parties (Note 9)*	21,021	10,379
Payable to related parties (Note 13)	30,392	10,451
Payable to parent company	7,181	11,665

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 (2014: 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.

20 **Contingent liabilities**

Customs and immigration bonds	16,036	15,975

21 **Commitments**

a. *Capital commitments*

Authorised and contracted for, and not provided for in the financial statements.	10,357	1,100

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:

No later than one year	1,479	1,964
Later than one year and no later than five years	1,614	2,557
	3,093	4,521

Operating lease expenses incurred in 2015 amounted to $1,808,268 (2014: $1,689,365).

Notes to the Financial Statements

31 December 2015

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22 **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.

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 2015				
Revenue	932,655	120,269	–	1,052,924
Gross profit	813,196	8,480	–	821,676
Profit or loss for the year includes:				
Depreciation			(18,539)	(18,539)
Impairment			(6,972)	(6,972)
Taxation			(178,043)	(178,043)
Year ended 31 December 2014				
Revenue	896,585	120,783	–	1,017,368
Gross profit	777,641	5,925	–	783,566
Profit or loss for the year includes:				
Depreciation	–	–	(18,912)	(18,912)
Taxation	–	–	(165,920)	(165,920)
Total segment assets				
31 December 2015	59,887	35,407	510,679	605,973
31 December 2014	55,496	33,629	480,429	569,554

Total segment assets include additions to property, plant and equipment as follows:

31 December 2015			17,810	17,810
31 December 2014			11,262	11,262

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 Eleventh Annual Meeting of The West Indian Tobacco Company Limited to be held at the Regency Ballroom IV-VI, Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad on Thursday 7 April 2016 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
23 February 2016	Danielle F Chow Secretary and Authorised Signatory The West Indian Tobacco Company Limited	Danielle Chow

Notes

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 Eleventh Annual Meeting of The West Indian Tobacco Company Limited to be held at Regency Ballroom IV-VI, Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad on Thursday 7 April 2016 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 ______________ 2016.

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 Holder 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 2015 together with the Reports of the Directors and Auditors thereon.*		
2	*To declare a Final Dividend for the financial year ended 31 December 2015.*		
3	*To re-elect Mrs Danielle F Chow, 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 her election until the close of the third Annual Meeting of the Company following her election or until her retirement in accordance with paragraph 4.7:5.*		
4	*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 her 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 elect Mr Alan J Bergin as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No. 1 of the Company 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.*		
8	*To elect Mr Rodrigo C Mendonca as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No. 1 of the Company, 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.*		
9	*To appoint Messrs KPMG 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 *If 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
Email: danielle_chow@bat.com
rowan_brathwaite@bat.com

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WEST INDIAN TOBACCO

A member of the British American Tobacco Group