West Indian Tobacco

2016 ANNUAL REPORT

SATISFACTION ASSURED

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.

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NOTICE OF ANNUAL MEETING

Notice is hereby given that the ONE HUNDRED AND TWELFTH ANNUAL MEETING of SHAREHOLDERS of THE WEST INDIAN TOBACCO COMPANY LIMITED ("the Company") will be held at the Jade Conference Room, Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad, on Friday 7 April 2017 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 2016, together with the Reports of the Directors and Auditors thereon.

2. To declare a Final Dividend for the financial year ended 31 December 2016.

3. To re-elect Isha Reuben-Theodore 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 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.

5. 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.

6. To elect Mr Leonel E Bolaños 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.

7. To reappoint 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

21 February 2017

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 20 February 2017, 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

The Company delivered commendable results in 2016 as it continues to achieve its goal of enhancing Shareholder Value, while recognising the interests of Stakeholders.

Total profit before tax was $693.7 million with profit for the year remaining flat over 2015 at $515.5 million. This allowed for total interim dividend payouts of $3.70 per share which, together with the recommended final dividend of $2.18 for approval of Shareholders at the Annual Meeting, would result in total dividends of $5.88, a yield of 4.63% on the stock price at year end.

These results were achieved in the context of a challenging environment. In 2016, the Company continued its focus on the consumer through Brand distinction and excellence in delivery. A consumer-centric approach resulted in the tailoring of our Brand Portfolio to reflect the ever-evolving needs of the consumer in our current economic reality of continuing pressure on consumers' disposal income, legislative constraints and an aggressive competitive environment – both legal and illegal. Added to this, Excise on tobacco products was increased by 15% in October 2016.

The Company's Manufacturing Department also faced new demands in supplying the local and associated companies in 16 other CARICOM countries. The Manufacturing Excellence journey continues its focus on efficiency in execution, increased flexibility and integration of processes. The factory has reliably delivered its portfolio of 124 variants of product, on time, in full and at the specified quality.

All of this has occurred against a backdrop of the impact of the collapse in gas and oil prices on the Trinidad and Tobago economy. The prolonged decline in energy prices has had significant adverse effects on both the labour market and public revenues. This, compounded by factors such as the increased crime rate presents serious future challenges.

Gross Domestic Product contracted by approximately 3% in 2016, while inflation rose to 3.1% and the unemployment level was estimated to be 4.4%. There is probably the need for a more fundamental reengineering of the economy to deal with lower gas and oil revenues. However, 2016 year-end developments in OPEC, with the reduction in global oil production are encouraging and the country's economic prospects are hopeful.

West Indian Tobacco will continue to strive to be the country's best at satisfying consumer moments in tobacco and we will keep a keen eye on developments in the global industry that will allow us to be ready for future consumer needs. Consumers are at the core of everything we do and our success depends on addressing their evolving concerns, needs and choices. We are mindful that our consumers are more sophisticated and discerning and we are uniquely placed to satisfy their needs. Adult consumers are fully aware of the choices that they make and we will defend an individual's right to make informed choices. We will also support initiatives to ensure that all players in the industry operate within the legitimate framework relevant to all aspects of their business.

The 2016 journey for the West Indian Tobacco team and Directors was challenging but satisfying. I wish to thank, Messrs. Alan J Bergin and Rodrigo C Mendonca, two of our Directors who contributed to the 2016 achievements, but who are no longer with the Board. At the same time, I welcome Mr. Leonel E Bolaños who was appointed a Director of the Company with effect from October 2016.

The ability of this Company to survive these more challenging times is based on the foundations upon which its strategy is built and its ability to refocus its activities and constantly review its ways of working. The real key to all of this, however, has been the people who have made it happen and I pay tribute to everyone who has contributed to our success.

Anthony E Phillip
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS 2017

OVERVIEW

In the 2015 review of the Company's performance, we concluded that it was indeed the toughest West Indian Tobacco had experienced in a long time. 2016 was a year that proved this statement wrong as the year was indeed more challenging and increasingly competitive.

The steady decline in the performance of the economy with an increased unemployment rate to 4.4% impacted consumers' purchasing behaviour, forcing them to be highly price conscious. This impacted the business negatively; particularly on the sales of premium and aspirational premium brands, with Dunhill showing a decline after nine consecutive years of growth.

Added to this, there has been a steady increase in potentially illicit brands in certain geographical areas whilst legal competition continues to rebrand itself, improve distribution networks and increase its contacts with the consumer.

This environment did not deter the Company's strategy or approach. As a Company that is committed to delivering shareholders value, measures were taken regarding cost management with a resulting profit before tax of $693.7 million, in line with that of the prior year of $693.5 million.

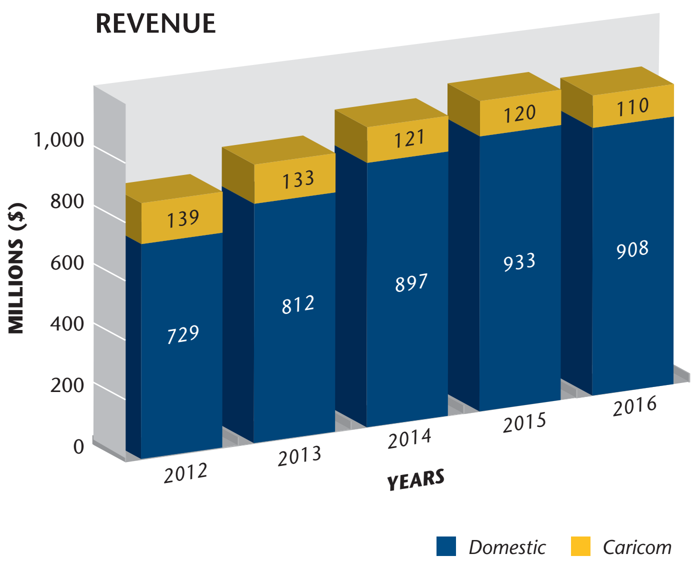
PERFORMANCE AND STRATEGY

The primary initiatives remained consumer-centric and were based on keeping in touch with consumers, retaining them and, where necessary, regaining them. Our strong brand portfolio played a critical role in realising this through its offers of innovation, brand strengthening and affordability. By aligning each brand strategy to the market realities, the Company positioned itself to continue to deliver on its objectives, of creating shareholder value and ensuring the sustainability of the business into 2020 and beyond.

The Operations Unit continued its manufacturing excellence journey with a vision to becoming more efficient in both Primary and Secondary Manufacturing Departments, achieving the benefits of programmes initiated in 2015. Leveraging on these efficiencies contributed to continuous improvement in the management of our cost base.

REVENUES

Prevailing declining economic conditions locally and within the Caribbean Region continued to impact negatively on sales performance for the year. Revenue for 2016 decreased by 3.3% or $35 million when compared to the prior year. The decline was driven by reduced consumer demand and the allure of increasing alternatives of cheaper brands especially from the continued growth in illicit trade. Revenue is calculated as sales value net of excise, as published in the Statement of Comprehensive Income.



COST OF SALES AND OVERHEADS

There was a reduction in Cost of Sales from $231 million to $219 million, a decline of 5.2% or $12 million against prior year. Leaf and wrapping material costs declined in line with reduced volumes. The factory achieved reductions in its manufacturing overheads by focusing and improving on one of its key metrics of Operating Equipment Efficiency (OEE). Royalties paid, on net turnover and included in Cost of Sales also decreased.

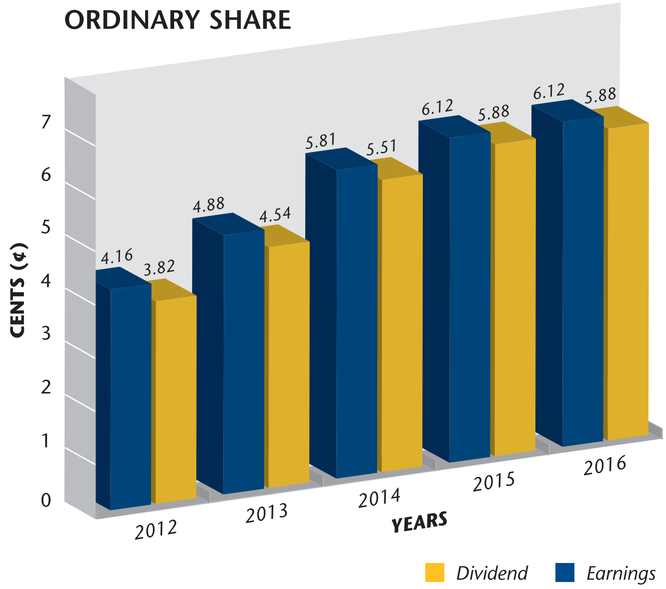
Overheads for 2016 of $106 million were significantly lower by $22 million or 17.2% against the same period last year of $128 million. This was primarily due to the lower costs for technical and advisory services charged by related parties due to the efficiencies gained from the process and system transformation that took place throughout the British American Tobacco Group in 2015. Prior year's overheads also included a non-recurring charge of $6.9 million relating to the impairment of plant and machinery.

PROFIT AND TOTAL COMPREHENSIVE INCOME

Despite the challenges, Profit Before Taxation for 2016 of $693.7 million remained flat versus $693.5 million for 2015. A contributing factor was the increase in interest income arising out of short-term investments. Profit for The Year of $515.5 million was also flat when compared to 2015. Total Comprehensive Income for The Year of $531.9 million up from $521.3 million last year, an increase of $10.6 million or 2.0%.

Total Comprehensive Income for The Year was positively impacted from an actuarial gain following the remeasurement of retirement and post-employment benefit obligations in 2016. As a result of this commendable performance, Dividends per Share for 2016, once the Final Dividend is approved at the Annual Meeting, will be $5.88, maintaining dividend per share as per 2015, despite the recessionary and competitive environment in which we operate.

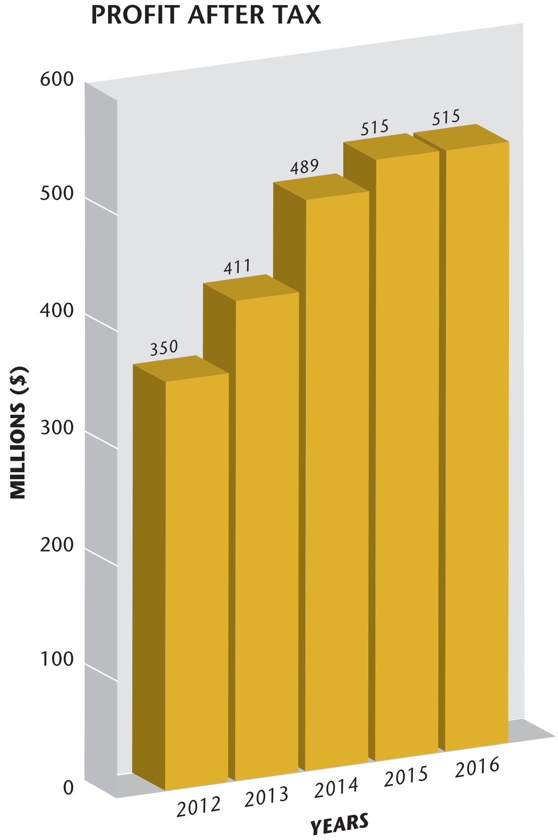
EARNINGS/DIVIDEND PER ORDINARY SHARE



CASH FLOWS

Cash and Cash Equivalents at the end of 2016 were lower than prior year by $17.3 million or 6.0%. Cash generated from Operating activities declined due to lower non-cash adjusting items as a result of a one-off impairment charge incurred in 2015 and a minor reduction in working capital. There were also higher tax payments of $2.7 million and an increase in capital expenditure of $7.3 million. Dividend payout remained the single largest cash outflow for 2016, totalling $488.9 million.

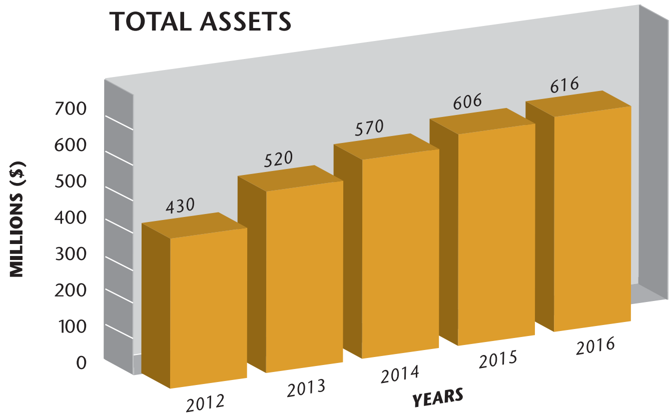
PROFIT AFTER TAX



BALANCE SHEET

Total Assets increased from $606 million to $616 million at the end of December 2016 thus the net assets per share were $4.97 as at the end of the financial year, compared to $4.53 in 2015. The Net Assets position was positively impacted by the remeasurement of retirement and post-employment benefit obligations resulting in a gain of $16.5 million and a reduced Retirement Benefit Obligation accordingly. The increase in Total Assets was primarily due to an increase in Fixed and Current Assets offset by a decline in Cash and Cash Equivalents from $287 million to $269 million.

TOTAL ASSETS



TRANSACTIONS WITH AFFILIATES

The Company is a subsidiary of British American Tobacco (Investments) Limited which holds 50.13% of the issued share capital and whose ultimate parent company 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 Audited Financial Statements.

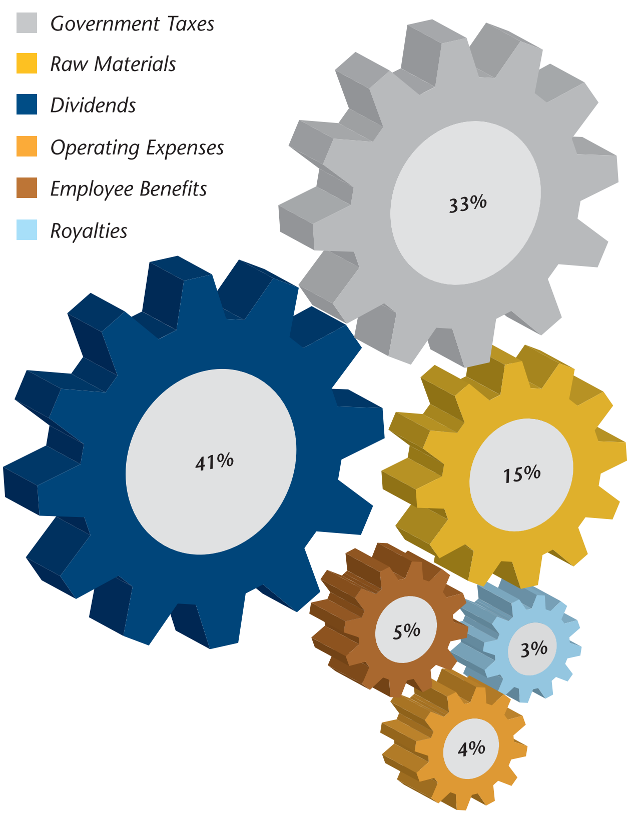
GROWTH

In the past year, the business environment was once again riddled with unparalleled challenges with the issues that defined 2015, continuing into 2016. The effects of a recession continued to negatively impact the economy and the trials which faced our trade customers showed no sign of abating. Consumers became even more cautious with their disposable income which was reflected through their reduced spending patterns.

With customers and consumers becoming even more price sensitive, the tobacco industry was further impacted by an increase in excise initiated in the National Budget. These factors contribute towards the continued growth of suspected illicit trade, and we saw more of brands becoming more prevalent throughout the market.

Given the changing business landscape, 2016 presented both challenges and opportunities for our portfolio. Our premium brand, Dunhill, showed a year-on-year decline for the first time since its launch in 2007. Despite this decline, the Dunhill variant which included capsules within has shown resilience to the pressures of the environment and grew by 20% over 2015.

INCOME DISTRIBUTION



du Maurier continues to be the most popular option in the market and in 2016 the brand experienced innovation and modernity to its consumers with the launch of du Maurier Switch and du Maurier Boost. While still being the market leader, this brand along with Broadway, has shown decline year on year mainly impacted by changing consumer purchasing patterns.

After its reintroduction to the market in 2015, Mt d'or underwent strategic changes during 2016 as we continued to meet our ever-evolving consumer needs. The price point of the brand was adjusted in early 2016 and we focused our efforts on a tactical deployment plan that allowed us to reach these consumers. The brand has showed tremendous growth increasing its share of market in 2016.

Using our strong strategic position to react to the market realities and our ability to tailor our offerings enabled us to meet a number of the core objectives in 2016.

PRODUCTIVITY

In 2016, the Operations team continued its improvement in operational efficiency and improvements in productivity and the way of work. Specifically, the Integrated Work System (IWS) journey, which began in 2015, led to a 5% increase in productivity and improvements in the efficiency of some modules within the Factory. The structure and sustainable process improvements which IWS has created has since been extended to other aspects of Operations, and allowed the Company to increase its flexible, consumer-focused approach.

2016 ended with a 10% reduction in Overtime costs, improved focus on behavioural safety through the Behavior-Based Safety Programme as well as the maintenance of an almost perfect service delivery of manufactured products.

SUSTAINABILITY

The concept of shared value underpins our approach to sustainability and we have been investing in the future for our business and society. Our commendable performance continues to deliver value for our shareholders, while we have also embedded more effective sustainability practices into our day-to-day business including addressing our impacts through stakeholder dialogue and research. This included a focus on marketing practices, retailer relationships, smoking prevention, regulatory engagement, environmental management, supply chain management and health and safety matters. The suspected illicit trade continued to be a significant factor threatening the business in 2016 but the growing awareness of the government and the trade to its threats meant that our focus was being part of the solution. To this end, we provided the services of an international expert resource to persons locally, at a conference of security and protective agencies and as part of informing our own response to this matter.

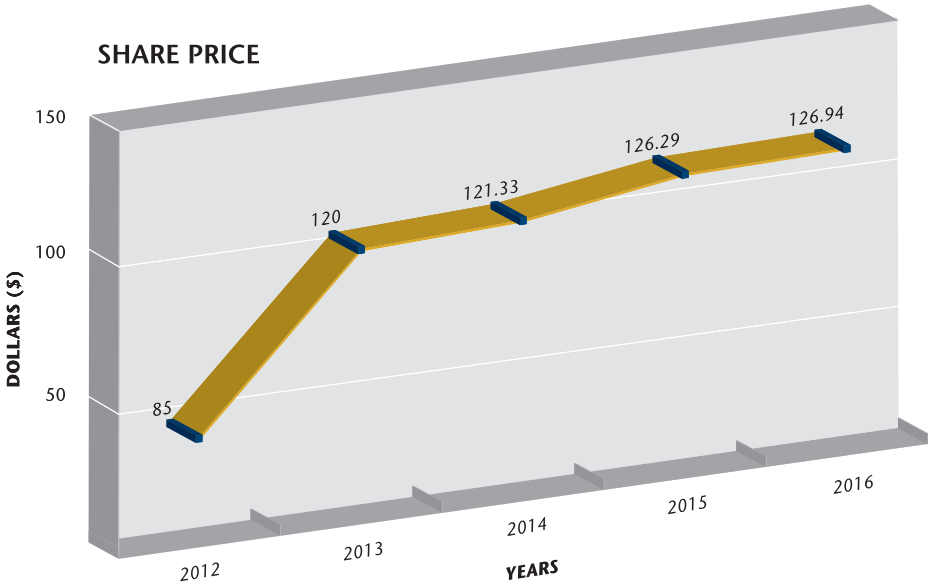
We work to address both our immediate environmental impacts and the likely environmental pressures on the business in the future. This involves risk assessments, performance management and making our operations more efficient. We have had a comprehensive Environmental, Health and Safety (EHS) management system for many years and we monitor and reduce our direct environmental impacts, making our operations more efficient.

Effective governance has been a critical part to ensuring that we manage our sustainability impacts, and our wider business responsibly. We are committed to operating to the highest standards of corporate conduct and transparency, benefiting governments, consumers, the environment and our people.

WINNING ORGANISATION

At West Indian Tobacco, talent is our key competitive advantage. Nurturing and growing our leaders and teams are critical to ensuring that we continuously drive high performance and sustainability in this rapidly evolving industry. We value diversity and entrepreneurial behaviour where our employees act as owners. Our teams are challenged to own their careers and encouraged to constantly learn not only in a classroom setting but also to develop their skills by leading on the job. While we commit to filling most of our vacancies internally, when we recruit externally we are passionate about taking the time to attract those who fit our culture and who will be future leaders in our winning organisation. Our teams are tasked with delivering on their commitments and driving for results, and we will ensure that the right capabilities are in place to support this.

The way we operate is personified in our four Guiding Principles: Enterprising Spirit, Freedom Through Responsibility, Open Minded and Strength from Diversity, which are showcased in how we lead our teams and deliver our strategy.



LOOKING AHEAD

In looking ahead at 2017, we anticipate that the market dynamics will continue to be challenging, particularly considering the economic climate, changes in consumer patterns, volume attrition and the legislative environment. The Company, however, will continue to leverage on the strength of its brands, in a manner consistent with creating value and satisfying consumers' needs. As part of our efforts to ensure continued satisfaction by our consumers, customers, shareholders, employees and regulators we will continue to strive to remain at the forefront of best practice in our approaches to responsible marketing, combatting smuggling and corporate governance.

JEAN-PIERRE S DU COUDRAY
Managing Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

Anthony E Phillip, Chairman
Jean-Pierre S du Coudray, Managing Director
Leonel E Bolaños
Danielle F Chow
Ranjit R Jeewan
Ingrid L-A Lashley
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, Asst. Secretary

REGISTERED OFFICE

Corner Eastern Main Road
and Mount D'Or Road
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Republic of Trinidad and Tobago
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Facsimile No. (868) 663-5451
Email: west_indian_tobacco@bat.com
Website: www.westindiantobacco.com

REGISTRAR AND TRANSFER OFFICE

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Facsimile No. (868) 625-6243
Email: : tt-trustee@rbc.com

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AUDITORS

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Telephone No. (868) 623-1081
Facsimile No. (868) 623-1084
Email: kpmg@kpmg.co.tt

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

DIRECTORS' REPORT

Dear Shareholder,

The Board of Directors, being collectively responsible to shareholders of the Company for its performance and the Company's strategic direction, values and governance, places considerable emphasis on the need for the business to be sustainable for the long term in order to meet the expectations of stakeholders and inform the Company's commitments to society. Sustainability continues to be a key focus area of the strategy and guides behaviours and activities, helping us to maintain an approach that will guarantee the future as a 21st century tobacco business.

One of the key objectives of the Board to this end has always been establishing and driving clear and transparent systems of corporate governance which meet regulatory requirements and best practice. The Company has clear policies and principles in place that set the standard for the way that it does business, including issues of employment, marketing of products, health and safety, and human rights. All of its employees are required to comply with these. Further, in 2016, the practice with our business partners was amended with the launch of a Supplier Code of Conduct, which is intended to safeguard human rights in our supply chain. As a Company, we adhere to the highest standards of corporate behaviour and transparency and Directors remain committed to ensuring that our governance processes and culture continue to reflect the standards you expect.

Five critical areas of good corporate governance and the concepts that encapsulate its foundations are detailed below together with the Company's performance in these areas:

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-Law 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.

In furtherance of this and at the April 2017 Annual Meeting:

- In accordance with paragraph 4.7:5 of Bye-Law No. 1 of the Company, Mrs Isha Reuben-Theodore retires from the Board of Directors and, being eligible, offers herself 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 Leonel E Bolaños who was appointed to the Board with effect from 27 July 2016, in accordance with paragraph 4.7:5 of Bye-Law No. 1 of the Company, 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 Alan Bergin, resigned from the Board of Directors with effect from 1 November 2016.

It should be noted that in accordance with paragraph 4.7:2 (f) of Bye-Law No. 1 of the Company Mr Rodrigo C Mendonca who was appointed to the Board with effect from 29 October 2015 ceased to be a Director with effect from 28 January 2017.

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 seven (7) Directors of whom four (4) 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.

The Chairman is responsible to lead the Board to ensure effectiveness and robust shareholder engagement. Based on the strategy and policies set by the Board, the Managing Director is responsible for overseeing the implementation of these strategies, which creates the framework or day-to-day operations. Directors oversee the Company's strategy, review management proposals, monitor performance, bring an external and specialist perspective and effective challenge to Board members.

The current Board consists of:

ANTHONY E PHILLIP
Chairman

Anthony E 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 (1994-1998) 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.

Anthony E Phillip

JEAN-PIERRE S DU COUDRAY
Managing Director

Jean-Pierre S 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 holds a Bachelor of Arts Degree in Economics from the University of Western Ontario, Canada and is a member of the Board of the Trinidad and Tobago Chamber of Industry and Commerce.

Jean-Pierre S du Coudray

INGRID L-A LASHLEY

Ingrid L-A 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, Certified Public Accountant and Chartered Accountant. Ms Lashley is currently the Chairman of the Bourse Group and National Enterprises Limited, in which capacity she sits on the Boards of the Investee Companies. She also holds directorships in the Eco-Industrial Development Company of Tobago Limited and the CL Financial Group. Ms. Lashley serves as a member of the Quality Assurance Committee of the Institute of Chartered Accountants of Trinidad and Tobago.

Ingrid L-A Lashley

LEONEL E BOLAÑOS

Leonel E Bolaños was appointed a Director in July 2016. He was awarded a degree in Chemical Engineering from the Universidad Centroamericana "José Simeón Cañas" (UCA) in El Salvador and has worked in the British American Tobacco (BAT) Group over the last 20 years. He has managed teams in the manufacturing environment in Central America and within the Supply Chain function in the United Kingdom and Brazil. Mr Bolaños was BAT Regional Supply Chain Manager for the Americas before his current appointment in May 2016 as the Head of Operations for British American Tobacco's interests in the Caribbean and Central America.

Leonel E Bolaños

DANIELLE F CHOW

Danielle F 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 within BAT Group's interest in the Caribbean. She was appointed the Chairman of the Board of Trustees for the Company's Pension Plan in 2007 and currently heads the Legal and External Affairs Function in West Indian Tobacco. She holds a Bachelor of Laws from The University of the West Indies and a Legal Education Certificate from the Hugh Wooding Law School. She has been a member of the local Bar since 1985 and is a member of the Caribbean Corporate Governance Institute. In March 2016, Mrs Chow was appointed a Commissioner of the Elections and Boundaries Commission of Trinidad and Tobago.

Danielle F Chow

Ranjit R Jeewan

RANJIT R JEEWAN

Ranjit R 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 a Director of the Trinidad and Tobago Central Depository and the Trinidad and Tobago Stock Exchange.

Isha P Reuben-Theodore

ISHA P REUBEN-THEODORE

Isha P Reuben-Theodore was appointed a Director in November 2014. She is a Fellow of the Association of Chartered Certified Accountants, with 20 years' experience and a proven track record in financial management, accounting and auditing. She holds memberships in the Institute of Chartered Accountants of Trinidad and Tobago and the Caribbean Corporate Governance Institute. Mrs Reuben-Theodore currently heads the Finance function at West Indian Tobacco with 13 years' operating in the tobacco industry both locally and within the BAT Group's interest in the Caribbean. She is also the Secretary to the Board of Trustees of the Company's Pension Plan.

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 and attendance and participation at meetings of the Board are considered a critical part of the role of a Director. In 2016, seven (7) Board of Directors meetings and four (4) Audit Committee meetings were held as scheduled and in accordance with required protocols.

LOYALTY AND INDEPENDENCE

The Directors act with integrity 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 apply to all employees, managers and Directors and reflect the Company's commitment to always act with high standards of integrity. 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.

Interests of Directors, Senior Officers and Connected Persons

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 2016.

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 Leonel E Bolaños	NIL	NIL
Mrs Danielle F Chow	NIL	NIL
Mr Ranjit R Jeewan	18,000	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 2017, 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 Amy V Lazarri	NIL	NIL
Mrs Isha P Reuben-Theodore	NIL	NIL
Ms Solmer Thom	50	NIL

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 and 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)

At no time during the current financial year has any Director or Officer been a Director or Officer that is party to a material contract with the Company.

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.

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 2017.

British American Tobacco (Investments) Limited	42,227,652
Home Mortgage Bank	6,455,461
Republic Bank Limited – All Accounts	5,990,129
RBC Trust Limited – All Accounts	5,499,280
Colonial Life Insurance Co. (T'dad) Ltd	4,548,712
Trintrust Limited – All Accounts	2,238,428
First Citizens Trust and Asset Management – All Accounts	2,204,058
Tatil Life Assurance – All Accounts	1,446,413
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 37,505,650 as at 31 January 2017.

ACCOUNTABILITY

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

The Board's Audit Committee meets at least three (3) times a year, including immediately prior to the publication of the full year's audited financial statements and interim results of the Company to monitor the integrity of the financial statements of the Company; and review, and, when appropriate, make recommendations to the West Indian Tobacco Board of Directors on business risks, internal controls and compliance. The Committee also reviews the financial reporting, audit process, risks and internal controls as the Company's risk management and internal control processes strike the balance between fostering entrepreneurship within the Company's business model and safeguarding shareholders' investments and the Company's 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 audited by the independent auditors, comply with International Financial Reporting Standards (IFRS) and represent a true and fair view for the respective reporting period.

The Audit Committee is a sub committee of the Board of Directors and comprises of Ms Ingrid L-A Lashley, Chair and Messrs Anthony E Phillip and Ranjit R Jeewan as members.

The Auditors, Messrs KPMG, retire and have expressed their willingness to be re-appointed as Auditors at the April 2017 Annual Meeting. Messrs KPMG are practising members of the Institute of Chartered Accountants of Trinidad and Tobago and are eligible for appointment as auditors of the Company under the rules of the said institute.

2016 FINANCIAL HIGHLIGHTS

		2016
	$'000	**$'000**
Gross Turnover (including excise)		**1,236,943**
Revenue		1,018,365
Cost of Sales		(219,150)
Gross Profit		**799,215**
Distribution Costs		(12,125)
Administrative Expenses		(71,001)
Other Operating Expenses		(23,312)
Operating Profit		**692,777**
Interest Income		879
Profit Before Taxation		693,656
Taxation		(178,161)
Profit for the year		**515,495**
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurement of retirement and post-employment benefit obligations		16,487
Other Comprehensive Income – net of tax		16,487
Total Comprehensive Income for The Year		**531,982**
Dividends		
Interim – 1st – $1.00 per ordinary share paid on 31 May 2016	84,240	
Interim – 2nd – $1.26 per ordinary share paid on 10 August 2016	106,142	
Interim – 3rd – $1.44 per ordinary share paid on 24 November 2016	121,306	
Proposed Final – $2.18 per ordinary share to be paid on 10 May 2017	183,643	
	495,331	

FINANCIAL CALENDAR

REPORTS	
Interim Financial Statement for First Quarter ending 31 March 2017	May 2017
Interim Financial Statement for Second Quarter ending 30 June 2017	August 2017
Interim Financial Statement for Third Quarter ending 30 September 2017	November 2017
Preliminary Announcement for the year to 31 December 2017	February 2018
Annual Financial Statements for the period ending 31 December 2017	March 2018

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

Final 2016	May 2017
First Interim 2017	May 2017
Second Interim 2017	August 2017
Third Interim 2017	November 2017
Final 2017	May 2018

By Order of the Board

Danielle F Chow
Secretary
21 February 2017

MANAGEMENT TEAMS
Marketing

Vijay Singh

Blaire Superville

Marlene-Ann Valere

Avinash Lalloo

MANAGEMENT TEAMS
Manufacturing

Solmer Thom

Marlon Rattan

Ryan Besai

Taran Persad

Liselle Walters

Raewyn Maxime

Hector Martinez

Rajiv Singh

Giselle Siu

MANAGEMENT TEAMS
Operations Support

Gina Ferguson

Sheldon Dukharan

Shalini Singh

Joetta Graham

Luke Gittens

MANAGEMENT TEAMS
Corporate Services

Isha Reuben-Theodore

Amy Lazzari

Danielle Chow

Ernest Soto

Rowan Brathwaite

Allyson Charles

Angelique Howell

Bernadette Rattan

SATISFACTION ASSURED

For West Indian Tobacco, the satisfaction of our stakeholders is crucial to securing the future of our business and creates shared value for consumers, our trade partners, our shareholders and all our other stakeholders.

A critical objective of the Company is to always manufacture and market superior quality cigarettes that satisfy adult consumers, while complying with regulatory requirements and addressing societal expectations about how a responsible tobacco company should operate within Trinidad and Tobago. At the same time, however, we acknowledge the importance of the consumer and the key role that the consumer plays in the continued delivery of sustainable growth for the business and by extension, our shareholders. This consumer-centric approach has resulted in, the tailoring of our brand portfolio, the optimisation of our distribution footprint, the constant review and updating of our manufacturing processes, and the prioritisation of the equipping of our human resources.

Satisfying the adult tobacco consumer

The success of our brand portfolio is based on sound consumer insights, which allow us to position our brands to satisfy a wide array of adult consumer preferences. Consumers are at the core of everything we do and our success depends on addressing their evolving concerns, needs and behaviours.

The current brand portfolio is a strategic mix of five main segments: Super Premium represented by *Dunhill Capsules*; Premium represented by *Dunhill Core*; Aspirational Premium represented by *du Maurier;* Value for Money represented by *Broadway*; and Low Price represented by *Mt d'or*. This allows the Company the benefit of being able to provide a product/brand offering in each relevant consumer segment in the local market.

Our premium internationally recognised brand, *Dunhill*, continues to lead the way in the premium segment as the number one Brand in this category locally. The success of *Dunhill*, since its launch in 2007, has been as a direct result of maintaining a high-quality product, as well as a constant stream of innovations over the years that has certainly differentiated *Dunhill* and has increased brand loyalty more than any other brand in the market.

In Satisfaction of our consumers' preferences, in 2016, the Company introduced capsule filter technology to our main brand – *du Maurier*. This capsule technology is recognised globally as a leading innovation in the Tobacco Industry and we worked relentlessly to bring this benefit to our market so our *du Maurier* Consumers could enjoy this new and exciting experience.

Broadway continued to remain relevant to those consumers who maintained a preference for the more traditionally designed cigarette.

The Company, in response to the economic environment and the continued presence of Low Priced Brands entering the market, relaunched the *Mt d'or* brand in April 2016 to satisfy our consumers who desired a product in this new price-driven segment.

As a Company, we believe in the power of an informed consumer, and we therefore believe that it is imperative that we provide clear and meaningful information about the risk profiles of our products to help consumers make informed choices. The Company acknowledges that all tobacco products pose risks to health and has taken steps to ensure that consumers know the facts about the ingredients used in the manufacture of cigarettes. We want our stakeholders to know that we do not add nicotine to our tobacco products and that, in fact, it occurs naturally in tobacco. We also want our stakeholders to know that ingredients are not added to make our products appeal to children. For centuries, ingredients have simply been added to tobacco to control moisture, maintain quality and balance the natural tobacco taste.

In recognition and acknowledgement of the health risks posed by tobacco products, the Company, made efforts to ensure that our marketing was consistent and responsible. Today, in addition to adhering to the requirements of our current legislation, we ensure that all aspects of our marketing is not geared to mislead consumers about the risks of smoking; will not try to influence anyone to smoke or increase their smoking habits; and that it is aimed only at adult smokers.

In addition to maintaining a relevant brand portfolio, the Company also sought to ensure that members of our marketing team were equipped to excel in our regulated market. Internationally recognised and e-training programmes were offered to our customer-facing employees to build their capabilities in educating retailers on the benefits of our proposals; developing strong commercial thinking, and effective retailer management; and effective trading with retailers to achieve mutually beneficial commercial agreements.

These training sessions, allowed our trade team to apply the latest techniques in supporting the retailer to drive growth and ensure that consumers had the products they desired.

Notwithstanding our determination to satisfy consumers' expectations, the challenging economic conditions have resulted in further growth in the number of suspected smuggled products in our market.

While smuggled goods are difficult to locate, and identify, it is estimated that the market share of these illicit brands is as high as 10% in some parts of the country. This has grown quickly as the market share was estimated at 1% only three years ago, thereby negatively affecting the legal industry. The number of brands and variants on the market continues to grow and in a challenging economic environment with an increased excise, the opportunity for a rise in smuggled product is highly likely.

The Company continued its engagement with the authorities to help stem the influx of these suspected smuggled products and we were pleased to note that the Customs and Excise Division committed to making an intensified effort to reduce the incidence of smuggling and black market sales.

In 2016, we also embarked on an awareness programme with Crime Stoppers Trinidad and Tobago to ensure that consumers were made aware of the issue. Billboards communicated in a clear manner that the sale of smuggled cigarettes is a serious crime, while providing a positive message to the consumer and customer that right-minded citizens can make a difference and contribute towards solving part of this nation's crime problem.

Unlike West Indian Tobacco, the persons trading in black market cigarettes are not concerned about providing a high-quality product. In fact, poor or non-existent quality control means that some of these smuggled cigarettes can contain higher than declared levels of tar and carbon monoxide compared to legitimate products as well as some other unpleasant substances. Laboratory tests conducted on some of the suspected cigarettes currently on our market revealed some appalling contents. Contaminants such as droppings, insect carcasses, grit, feathers, plastics, synthetic material, animal hair and non-tobacco plant material were found, making it clear that these products do not follow or comply with a quality process of production.

Satisfaction in Manufacturing

Our objective remains the provision of superior products manufactured with the highest standards and guided by industry best practice of delivery on time and in full.

The increasingly challenging economic, regulatory and market conditions faced in Trinidad and Tobago and the Caribbean Community (CARICOM) underscore and highlight the need for increased efficiency in the factory to remain competitive and sustainable.

Capital and human investments were made in 2016 to ensure the final product satisfied the consumers' evolving demands while improving productivity and managing overheads. This included essential equipment being acquired for the manufacture of capsules in *du Maurier*, as well as the acquisition of equipment to facilitate innovation for the introduction of tube filter technology in *Dunhill* in 2017. The Company also continued to respond to the needs of its Caribbean markets by introducing capsule technology to three other Caribbean markets and manufacturing, for the first time in CARICOM, a make-your own-product for the Jamaican market.

With a focus on the fundamentals, the factory expanded its Integrated Work System (IWS) with the launch of the Compelling Business Need (CBN) Plan – a three-year strategy plan. At its core, CBN accentuated the foundational elements that remain essential to keep the factory moving forward. Recognising that real competitive advantage and sustainability are borne by the people who maintain and improve the systems in the organisation, our leadership team focused on developing our human capital and taking the organisation to the next level. The refocused energies ensured that the metrics selected were in line with the most critical targets for the factory, focusing primarily on waste reduction and service delivery.

A Satisfied Community

The Company remained committed to contributing to activities that go beyond its commercial and legal obligations, and that contribute to the economic, social and environmental sustainability of the country and community in which we operate. We approach our investments in society as an end in itself, rather than as a way to promote ourselves. We believe that our contributions should be meaningful and aim to enrich public and community life, including supporting the arts and educational institutions, and restoring public spaces.

For more than half a century, we have supported the national instrument and its potential to improve the lives of the national community. In particular, we continued to support National Panorama Champions and the community of Laventille. This significant achievement of music and might continues to bolster the sense of pride and fulfilment not only in the members of the steel orchestra, but also the people of Laventille.

Of particular importance to the Company is its Youth Smoking Prevention Programme. It is our belief that tobacco products should only be utilised by informed adult consumers. We do not want children to smoke our products and we understand the importance of ensuring that our marketing practices do not undermine the efforts to combat underage smoking. As part of this programme, the Company engaged with the trade to ensure that proper signage was installed at their retail outlets and the message of "no sale to minors" was reinforced on our cigarette dispensers and by our trade representatives.

We want to ensure that all our business activities reflect our commitment to act as a responsible corporate citizen.

Satisfied Employees

Our employment strategy continues to value the diversity of our employees; encourage and reward entrepreneurial behaviour; create an engaging culture where individuals and teams can be successful; drive high performance; and develop the next generation of leaders.

Our guiding principles of Enterprising Spirit, Freedom Through Responsibility, Open Mindedness and Strength from Diversity, identifies how we deliver our business strategy and were critical to our success in 2016 when West Indian Tobacco became certified as a Great Place to Work in Trinidad and Tobago.

The Great Place to Work Survey examined what makes great workplaces from an employees' perspective, and how companies can improve their workplaces. The survey found that West Indian Tobacco was committed to and provided opportunities for constant learning and best practice in most functions; for employees to set their own plan for the accomplishment of Company objectives; exposure to global ideals and practices which helped facilitate growth among employees; and for employees to develop new ideas and ways of thinking in our evolving environment.

This is truly an indication that we employ great people, develop great teams and thus ultimately created a great place to work.

Satisfied Shareholder

We are committed to good corporate governance and achieving our business objectives in an honest, transparent and accountable way. We regard corporate governance as a key element, underpinning the sustainable growth of our business.

Despite tough market conditions, the strengths of our business and our people brought good results to our shareholders. Our proven strategy, sound corporate governance, strong presence, powerful brands, talented people, and continued focus on effectiveness and efficiencies, delivered value to our shareholders. The Company's performance has effectively ensured its spot as one of the high-performing stocks on the Trinidad and Tobago Stock Exchange in 2016.

As a tobacco company, we are aware of our responsibilities and the importance of operating at the highest standards of corporate conduct and transparency. The Company's policy on Standards of Business Conduct expresses the standards of business integrity required from all employees and in 2016, we took the step to introduce a new Supplier Code of Conduct. The Code seeks to ensure a greater level of commitment from our wider supply chain on the issues of respect for human rights, avoiding bribery and corruption and ensuring that suppliers have no direct or indirect involvement in, or support for the illicit trade in the Company's products.

We have listened to our stakeholders, and enabled growth by understanding their varied needs. We always work to remain at the forefront of best practice in responsibly manufacturing and marketing tobacco products and build upon our approach to meet new challenges and opportunities. Acting responsibly and with integrity underpins our whole approach and forms the foundation of our culture and values as a company which allows us to continue to develop as a responsible, successful and sustainable business, assuring the satisfaction of our stakeholders.

THE YEAR AT A GLANCE

	2016 $'000	2015 $'000	Change %
Revenue	1,018,365	1,052,924	-3.3%
Gross Profit	799,215	821,676	-2.7%
Total Expenses	(106,438)	(128,180)	-17.0%
Operating Profit	692,777	693,496	-0.1%
Interest Income	879	30	2,830.0%
Profit Before Taxation	693,656	693,526	0.0%
Taxation	(178,161)	(178,043)	0.1%
Profit for the Year	515,495	515,483	0.0%
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement and post-employment benefit obligations – net of tax	16,487	5,853	181.7%
Other Comprehensive Income – net of tax	16,487	5,853	181.7%
Total Comprehensive Income for the Year	531,982	521,336	2.0%

FIVE YEARS AT A GLANCE

	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000
Profit and Taxation					
Profit before taxation	476,236	556,324	655,115	693,526	693,656
Taxation	126,197	145,253	165,920	178,043	178,161
Profit after taxation	350,039	411,071	489,195	515,483	515,495
Dividends	321,797	382,449	464,163	495,331	495,331
Effective rate of taxation (%)	26.5	26.1	25.3	25.7	25.7
Balance Sheet					
Shareholders' equity	227,806	281,067	335,345	381,567	418,879
Deferred tax liability	5,536	–	–	–	5,264
Non-current liabilities	67,503	85,107	91,252	88,841	70,101
Current liabilities	128,776	153,674	142,957	135,565	121,921
Total Funds Employed	429,621	519,848	569,554	605,973	616,165
Property, plant and equipment	215,152	213,241	204,326	196,625	203,416
Deferred income tax asset	–	522	1,352	3,663	–
Inventories	48,017	49,646	41,768	37,741	43,603
Cash at bank and in hand	134,787	212,132	272,267	286,778	269,483
Other current assets	31,665	44,307	49,841	81,166	99,663
Total Assets	429,621	519,848	569,554	605,973	616,165
Statistics					
Issued Share Capital ('000)	84,240	84,240	84,240	84,240	84,240
Earnings per ordinary share ($)	4.16	4.88	5.81	6.12	6.12
Dividends per ordinary share ($)	3.82	4.54	5.51	5.88	5.88
Net assets value per ordinary share ($)	2.70	3.34	3.98	4.53	4.97
Share prices at 31 December ($)	85.00	120.00	121.33	126.29	126.94

WEST INDIAN TOBACCO

2016 ANNUAL REPORT

Financial Statements

SATISFACTION ASSURED

Independent Auditors' Report

To the Shareholders of The West Indian Tobacco Company Limited

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statements of The West Indian Tobacco Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

- **The risk** – Revenue is recognised when the risks and rewards of products have been to the customer. The Company operates in a competitive industry and in markets where volume growth is constrained as a result of reducing disposable incomes and illicit trade. Under ISAs, there is a presumed risk that revenue may be overstated because of fraud resulting from the pressure on management to achieve performance targets for the year. The Board of the Company focuses on product volumes and revenues as key performance measures, which could create an incentive for premature revenue recognition.

- **Our response** – Our audit procedures included a detailed review of contracts with distributors to determine the terms of trade and in particular the transfer of the risks and rewards to the distributors. We also reviewed and tested the operating effectiveness of the controls over recording of sales transactions. Furthermore, we assessed sales transactions taking place on either side of the reporting date as well as credit notes issued after the reporting date to assess whether that revenue was recognised in the correct period.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Report on the Audit of the Financial Statement (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Report on the Audit of the Financial Statement (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The financial statements of the Company for the year ended 31 December 2015 were audited by another auditor, who expressed an unqualified audit opinion on the financial statements on 23 February 2016.

The engagement partner on the audit resulting in this independent auditors' report is Christopher Hornby.

KPMG

Port of Spain
Trinidad, West Indies
21 February, 2017

Statement of Financial Position

31 December 2016
(Expressed in Trinidad and Tobago Dollars)

	Notes	2016	2015
		$'000	$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	203,416	196,625
Deferred income tax asset	6	–	3,663
		203,416	200,288
Current assets			
Inventories	7	43,603	37,741
Trade and other receivables	9	93,078	78,682
Taxation recoverable		6,585	2,484
Cash and cash equivalents	10	269,483	286,778
		412,749	405,685
Total assets		616,165	605,973
EQUITY			
Share capital	11	42,120	42,120
Revaluation surplus	5 (a)	48,194	48,893
Retained earnings		328,565	290,554
Total equity		418,879	381,567
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	6	5,264	–
Retirement benefit obligation	12	65,530	83,369
Post-employment medical benefit obligation	12	4,571	5,472
		75,365	88,841
Current liabilities			
Trade and other payables	13	90,389	102,043
Due to parent company	19(d)	2,335	7,181
Dividends payable		29,197	23,447
Taxation payable		–	2,894
		121,921	135,565
Total liabilities		197,286	224,406
Total equity and liabilities		616,165	605,973

The notes on pages 39 to 76 are an integral part of these financial statements.

On 21 February 2017, the Board of Directors of The West Indian Tobacco Company Limited authorised these financial statements for issue.

_______________ Chairman _______________ Managing Director

Statement of Comprehensive Income

For the year ended 31 December 2016
(Expressed in Trinidad and Tobago Dollars)

	Notes	2016	2015
		$'000	$'000
Gross turnover – including excise	14	1,236,943	1,277,198
Revenue	14	1,018,365	1,052,924
Cost of sales	15	(219,150)	(231,248)
Gross profit		799,215	821,676
Expenses			
Distribution costs	15	(12,125)	(13,567)
Administrative expenses	15	(71,001)	(81,167)
Other operating expenses	15	(23,312)	(33,446)
Operating profit		692,777	693,496
Interest income		879	30
Profit before taxation		693,656	693,526
Taxation	16	(178,161)	(178,043)
Profit for the year		515,495	515,483
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement and post-employment benefit obligations		16,487	5,853
Other comprehensive income – net of tax		16,487	5,853
Total comprehensive income for the year		531,982	521,336
Earnings per ordinary share	17	$ 6.12	6.12

The notes on pages 39 to 76 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2016
(Expressed in Trinidad and Tobago Dollars)

	Note	Share Capital $'000	Revaluation Surplus $'000	Retained Earnings $'000	Shareholders' Equity $'000
Year ended 31 December 2016					
Balance at 1 January 2016		42,120	48,893	290,554	381,567
Comprehensive income					
Profit for the year		–	–	515,495	515,495
Other comprehensive income					
Remeasurement of retirement and post-employment benefit obligations – net of tax		–	–	16,487	16,487
Depreciation transfer on buildings – net of tax		–	(699)	699	–
Transactions with owners					
Dividends	18	–	–	(495,331)	(495,331)
Write back of unclaimed dividends	18	–	–	661	661
Balance at 31 December 2016		42,120	48,194	328,565	418,879
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 income					
Remeasurement of retirement and post-employment benefit obligations – net of tax		–	–	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

The notes on pages 39 to 76 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2016
(Expressed in Trinidad and Tobago Dollars)

	Note	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		693,656	693,526
Adjustments for:			
Depreciation		18,293	18,539
Impairment on plant and equipment		–	6,972
Profit on disposal of property, plant and equipment		(3)	(35)
Net increase in retirement and other post-employment benefit obligations excluding actuarial losses		4,809	5,393
Interest income		(879)	(30)
Operating profit before working capital changes		715,876	724,365
Changes in working capital:			
(Increase)/decrease in inventories		(5,862)	4,027
Increase in trade and other receivables		(14,396)	(31,325)
Increase/(decrease) trade payables and accruals		10,414	(3,740)
(Decrease)/increase in due to related parties		(22,068)	19,941
Decrease in due to parent company		(4,846)	(4,484)
Cash generated from operating activities		679,118	708,784
Taxation paid		(183,290)	(180,561)
Net cash from operating activities		495,828	528,223
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(25,084)	(17,810)
Proceeds from sale of property, plant and equipment		3	35
Interest received		879	30
Net cash used in investing activities		(24,202)	(17,745)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid		(488,921)	(495,967)
Net (decrease)/increase in cash and cash equivalents		(17,295)	14,511
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		286,778	272,267
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	269,483	286,778
Represented by:			
Cash at bank and in hand		219,391	286,776
Short-term deposits		50,092	2
		269,483	286,778

The notes on pages 39 to 76 are an integral part of these financial statements.

1. General Information

The West Indian Tobacco Company Limited (the Company) 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.

2. Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

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

The following amendments to standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2016:

- 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 amendment is effective for annual periods beginning on or after 1 January 2016.

  Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 are not material to the Company.

(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 2016 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.

2. Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

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

- 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.

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.

(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 remeasured. 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.

2. Significant Accounting Policies (continued)

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

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

2. Significant Accounting Policies (continued)

(d) Property, plant and equipment (continued)

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 apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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.

2. Significant Accounting Policies (continued)

(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.

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).

2. Significant Accounting Policies (continued)

(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.

(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.

2. Significant Accounting Policies (continued)

(l) Employee benefits (continued)

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

(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 present value of the defined benefit obligations at the statement of financial position date less the fair value of plan assests, 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 other comprehensive income in the period in which they arise.

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.

2. Significant Accounting Policies (continued)

(l) Employee benefits (continued)

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

(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.

(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.

2. Significant Accounting Policies (continued)

(l) Employee benefits (continued)

(iv) Short-term obligations (continued)

(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.

(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.

2. Significant Accounting Policies (continued)

(o) Revenue recognition (continued)

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.

3. Financial Risk Management

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 depreciates/appreciates 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:

	2016 $'000	2015 $'000
Increase/(decrease) in profit before taxation		
Effect of a 5% depreciation of the TT dollar	(5,337)	(3,901)
Effect of a 5% appreciation of the TT dollar	5,337	3,901

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 or liabilities, 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)

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 $196,400,000 (2015: $153,000 and $250,820,000). The maximum limit with any one financial institution is $265,355,000 (2015: $261,312,000). Balances in excess of this limit were held temporarily for periods of no more than one week during 2016 and 2015.

(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.

	Less than one year
	$
At 31 December 2016	
Trade payables and accruals	27,641,000
Amounts due to related parties/parent company	10,659,000
At 31 December 2015	
Trade payables and accruals	26,940,000
Amounts due to related parties/parent company	37,573,000

3. Financial Risk Management (continued)

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.

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.

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.

5. Property, Plant and Equipment

	Freehold land and buildings	Plant and machinery	Furniture and equipment	Motor vehicles	Capital work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 31 December 2016						
Opening net book amount	89,183	82,525	4,850	41	20,026	196,625
Additions	–	339	847	–	23,898	25,084
Transfers	338	22,976	2,008	–	(25,322)	–
Depreciation charge (Note 15)	(1,823)	(14,474)	(1,955)	(41)	–	(18,293)
Closing net book amount	87,698	91,366	5,750	–	18,602	203,416
At 31 December 2016						
Cost/valuation	98,121	248,831	31,752	774	18,602	398,080
Accumulated depreciation	(10,423)	(157,465)	(26,002)	(774)	–	(194,664)
Net book amount	87,698	91,366	5,750	–	18,602	203,416

5. Property, Plant and Equipment (continued)

	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	–	(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

	2016 $'000	2015 $'000
(a) ***Revaluation surplus***		
At beginning of the year	48,893	49,641
Depreciation transfer on buildings – net of tax	(699)	(748)
At end of the year	48,194	48,893

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.

5. **Property, Plant and Equipment** (continued)

(a) ***Revaluation surplus*** (continued)

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 2016 using:

	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	$'000	**$'000**	**$'000**
Recurring fair value measurements			
Land	–	–	30,350
Buildings	–	–	57,348

	Fair value hierarchy	**Fair value as at January 1, 2016**	**Additions/ disposals**	**Depreciation/ impairment**	**Transfers from capital work in progress**	**Fair value carried forward**
		$	**$**	**$**	**$**	**$**
Land	Level 3	30,350	–	–	–	30,350
Buildings	Level 3	58,833	–	(1,823)	338	57,348
		89,183	–	(1,823)	338	87,698

5. **Property, Plant and Equipment** (continued)

(a) ***Revaluation surplus*** (continued)

Fair value measurements as at 31 December 2015 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$'000	$'000	$'000
Recurring fair value measurements			
Land	–	–	30,350
Buildings	–	–	58,833

	Fair value hierarchy	Fair value as at January 1, 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
		90,601	–	(1,808)	390	89,183

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 most recent valuation report;
- holds discussions with the independent valuator.

5. Property, Plant and Equipment (continued)

(a) ***Revaluation surplus*** (continued)

Transfers between Levels 2 and 3 (continued)
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.

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.

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.

5. Property, Plant and Equipment (continued)

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

	2016	**2015**
	$'000	**$'000**
Cost	31,372	31,033
Accumulated depreciation	(10,678)	(9,853)
Net book amount	20,694	21,180

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

Amount included in cost of sales	16,111	16,316
Amount included in other operating expenses	2,182	2,223
	18,293	18,539

6. Deferred Income Tax

Deferred income taxes are calculated in full on temporary differences under the liability method using the statutory tax rate of 30% for 2016 (25% for 2015). The movement in the deferred income tax account is as follows:

At beginning of the year	(3,663)	(1,352)
Tax on actuarial gains recognised in other comprehensive income (Note 6(b))	7,065	1,951
Charge for the year (Note 16)	1,862	(4,262)
At end of year	5,264	(3,663)

6. Deferred Income Tax (continued)

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:

	2016 $'000	2015 $'000
Deferred income tax asset		
– Retirement benefit obligation (Note 6(a))	(23,930)	(25,135)
– Post-retirement medical obligation	(1,371)	(1,369)
	(25,301)	(26,504)
Deferred income tax liability		
– Revaluation on buildings	7,200	6,249
– Accelerated tax depreciation	23,365	16,592
Net deferred income tax liability/(asset)	5,264	(3,663)

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

Retirement benefit obligation, excluding deferred lumpsum contribution	19,659	20,841
Deferred lumpsum contribution	4,271	4,294
	23,930	25,135

(b) *The net deferred income tax liability/(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 2016					
Balance at beginning of year	6,249	16,592	(25,136)	(1,368)	(3,663)
Effect of increase in tax rate	1,250	3,318	(5,027)	(274)	(733)
(Credit)/charge to profit or loss (Note 16)	(299)	3,455	(633)	72	2,595
Tax on actuarial gains recognised in OCI	–	–	6,866	199	7,065
Balance at end of year	7,200	23,365	(23,930)	(1,371)	5,264

6. Deferred Income Tax (continued)

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

	Revaluation on buildings	Accelerated tax depreciation	Retirement benefit	Post-retirement medical	Total
	$'000	$'000	$'000	$'000	$'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 recognised in Other Comprehensive Income	–	–	1,969	(18)	1,951
Balance at end of year	6,249	16,592	(25,136)	(1,368)	(3,663)

7. Inventories

	2016	2015
	$'000	$'000
Raw materials	21,057	24,688
Goods in transit	6,702	1,313
Supplies and sundries	4,122	4,037
Finished goods	10,696	6,865
Inventories in process	1,026	838
	43,603	37,741

The cost of inventories recognised as expense and included in "cost of sales" amounted to $129,090,998 (2015: $140,911,945).

A provision was made against supplies and sundries in the amount of $8,156,963 (2015: $8,179,911) relating to spares.

8. Financial Instruments

(b) ***Financial instruments by category and currency***

	TTD $'000	USD $'000	Euro $'000	GBP $'000	Total $'000
As at 31 December 2016					
Financial assets					
Trade receivables	56,847	–	–	–	56,847
Due from related parties	–	10,070	–	–	10,070
Cash and cash equivalents	157,606	111,877	–	–	269,483
	214,453	121,947	–	–	336,400
Financial liabilities					
Trade payables and accruals	22,160	3,550	805	1,126	27,641
Due to related parties	1,040	1,575	–	5,709	8,324
Due to parent company	–	–	–	2,335	2,335
	23,200	5,125	805	9,170	38,300
As at 31 December 2015					
Financial assets					
Trade receivables	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	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

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 2016			
Trade receivables	56,847	–	56,847
Due from related parties	10,070	–	10,070
Cash at bank	269,483	–	269,483
	336,400	–	336,400
As at 31 December 2015			
Trade receivables	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

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 (6) months old) with minimal defaults in the past;

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

Notes to the Financial Statements

31 December 2016
(Expressed in Trinidad and Tobago Dollars)

	2016	2015
	$'000	$'000
9. Trade and Other Receivables		
Trade receivables	56,847	39,932
Prepayments	26,161	17,729
Receivables from related parties: (Note 19)		
– trade	9,961	20,771
– other	109	250
	93,078	78,682

10. Cash and cash equivalents

	2016	2015
Cash at bank	198,003	251,196
Short-term deposits	50,092	2
Cash in hand and in transit	21,388	35,580
	269,483	286,778

The effective interest rate on short-term deposits was 0.75% (2015: 0.10%). These deposits have an average maturity of three (3) months or less.

	2016	2015
The Company has undrawn banking facilities:		
Floating rate – expiring within one (1) year	–	9,645

These facilities are annual facilities subject to review at various dates during 2017.

11. Share Capital

	2016	2015
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

	2016 $'000	2015 $'000
Statement of Financial Position:		
Retirement benefit obligation	(65,530)	(83,369)
Post-employment medical benefit obligation	(4,571)	(5,472)
Liability in the statement of financial position	(70,101)	(88,841)

(i) **Retirement benefits**

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

	2016 $'000	2015 $'000
Fair value of plan assets	197,525	196,812
Present value of funded pension obligation	(262,620)	(279,694)
Deficit of funded plans	(65,095)	(82,882)
Present value of unfunded pension obligation	(435)	(487)
Liability in the statement of financial position	(65,530)	(83,369)
Net interest cost	3,503	3,614
Current service cost	5,681	6,130
Net pension expense	9,184	9,744
Remeasurements:		
From plan assets	(3,396)	(12,908)
From obligation – funded	26,269	20,797
From obligation – unfunded	13	(9)
Remeasurement of net liability	22,886	7,880
Reconciliation of movements in the statement of financial position:		
Net liability recognised as at January 1	(83,369)	(85,661)
Net pension expense	(9,184)	(9,744)
Remeasurement of net asset	22,886	7,880
Employer contributions	4,137	4,156
Net liability recognised as at December 31	(65,530)	(83,369)

12. Pensions and Other Post-Retirement Obligations (continued)

Statement of Financial Position: (continued)

(i) **Retirement benefits** (continued)

	2016 $'000	2015 $'000
Changes in fair value of plan assets:		
Fair value of plan assets as at January 1	196,812	204,907
Actual return on plan assets:		
– interest income	7,799	8,130
– remeasurement recognised in Other Comprehensive Income	(3,396)	(12,908)
Company contributions	4,137	4,156
Employee contributions	1,236	1,280
Benefit payments	(9,063)	(8,753)
Fair value of plan assets as at December 31	197,525	196,812
Changes in present value of the obligation (funded and unfunded):		
Present value of obligation as at 1 January	(280,181)	(290,568)
Interest cost	(11,302)	(11,744)
Current service cost – employer	(5,681)	(6,130)
Current service cost – employee	(1,236)	(1,280)
Benefit payments	9,063	8,753
Remeasurement recognised in Other Comprehensive Income:		
– financial assumption changes	32,714	–
– experience	(6,432)	20,788
Present value of obligation as at 31 December	(263,055)	(280,181)

The principal actuarial assumptions were as follows:

	2016 Per annum	2015 Per annum
Discount rate	5.00%	4.00%
Future salary increases	5.00%	4.00%
Future pension increases	3.00%	3.00%
Mortality	GAM94	GAM94

12. Pensions and Other Post-Retirement Obligations (continued)

(i) **Retirement benefits** (continued)

Expected contributions to post-employment benefit plans for the year ending 31 December 2017 are $4,363,000.

Plan assets comprise the following:

		2016			2015	
		$'000	%		$'000	%
Equity investments						
Local	53,485			59,204		
Foreign	36,120	89,605	45	3,776	62,980	32
Debt instruments						
Local	71,188			71,281		
Foreign	25,088	96,276	49	50,742	122,023	62
Property						
Local		296	0		1,968	1
Other						
Local		11,348	6		9,841	5
		197,525	100		196,812	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**

The amount recognised in the statement of financial position is as follows:

	2016	2015
	$'000	$'000
Unfunded post-retirement health care obligation	4,571	5,472
The movement in the defined benefit obligation over the year is as follows:		
Interest cost	211	217
Current service cost	46	77
Post-retirement health care expense	257	294

12. Pensions and Other Post-Retirement Obligations (continued)

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

Remeasurements recognised in other comprehensive income:

	2016 $'000	2015 $'000
From obligations	663	(75)
Reconciliation of movements in statement of financial position:		
Net liability recognised as at 1 January	(5,472)	(5,591)
Net expense	(257)	(294)
Remeasurement of net liability	663	(75)
Employer premiums for existing retirees/clinic cost	495	488
Net liability recognised as at 31 December	(4,571)	(5,472)
Changes in present value of the obligation:		
Present value of obligation as at 1 January	(5,472)	(5,591)
Interest cost	(211)	(217)
Current service cost	(46)	(77)
Employer premiums for existing retirees/clinic cost	495	488
Remeasurement recognised in Other Comprehensive Income:		
– experience	663	(75)
Present value of obligation as at 31 December	(4,571)	(5,472)
The principal actuarial assumptions were as follows:		
Discount rate	5.00%	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 2017 are $473,000.

12. Pensions and Other Post-Retirement Obligations (continued)

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

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	21	(14)
Effect on the defined benefit obligation	649	(508)

(iii) **Defined benefit pension plan:**

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 18.9 years.

The weighted average duration of the post-employment benefit obligation is 17.9 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.

12. Pensions and Other Post-Retirement Obligations (continued)

(iii) **Defined benefit pension plan:** (continued)
The Company has taken measures to reduce the pension plan deficit and to date there has been lumpsum injections totalling $31.4 million during the period 2008 to 2012. Based on the recommendation of the actuary, the Company continues its higher contributions, and with additional planned measures, anticipates the elimination of the deficit.

(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 7.6%	Increase by 8.7%
Salary growth rate:	0.50%	Increase by 2.6%	Decrease by 2.4%
Pension growth rate:	0.25%	Increase by 2.6%	Decrease by 2.5%

As at 31 December 2016, 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 $19,961,000 lower or $22,811,000 higher (2015: $23,237,000 lower or $26,726,000 higher).

	Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy:	Increase by 2.9%	Decrease by 3.0%

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.

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.**

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

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government bond yields (Trinidad and Tobago does not have a deep or liquid market in Government or corporate debt); if plan assets underperform this yield, this will create a deficit. The plan holds a portion of assets in equities (approximately 45% of plan assets), which are expected to outperform Government bonds in the long term while providing volatility and risk in the short term.

Changes in bond yields

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

Inflation risk

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

13. Trade and Other Payables

	2016 $'000	2015 $'000
Trade payables and accruals	27,641	26,940
Statutory liabilities	54,424	44,711
Due to related parties (Note 19)		
– trade	4,177	17,806
– other	4,147	12,586
	90,389	102,043

	2016 $'000	2015 $'000

14. Gross Turnover

	2016 $'000	2015 $'000
Gross turnover	1,236,943	1,277,198
Less excise	(218,578)	(224,274)
Revenue	1,018,365	1,052,924

15. Expenses by Nature

	2016 $'000	2015 $'000
Raw materials and consumables used	129,091	140,912
Technical and advisory services	32,368	45,689
Employee benefit expense (Note 15(a))	59,874	59,513
Other expenses	39,708	33,120
Royalties	41,397	44,262
Depreciation (Note 5)	18,293	18,539
Brand support expenses	12,276	8,702
Impairment expenses	–	6,972
Travel and related expenses	1,871	2,009
Corporate social investments	907	879
Changes in inventories of finished goods and work in progress	(5,179)	(480)
Directors' remuneration	381	229
Net foreign exchange gains	(5,399)	(918)
Total cost of sales, distribution costs, administrative expenses and other operating expenses	325,588	359,428

(a) Employee benefit expense

	2016 $'000	2015 $'000
Wages and salaries and other termination benefits	43,592	39,725
Other benefits	5,991	8,819
Pension costs:		
defined benefit plan (Note 12)	9,184	9,744
– defined contribution plan	850	931
Post-employment medical benefits (Note 12)	257	294
	59,874	59,513

Number of employees as at year end – 186 (2015: 186).

16. Taxation

	2016 $'000	2015 $'000
Corporation tax:		
– current year	175,598	179,573
– adjustment to prior year's estimates	701	2,732
Deferred income tax (Note 6)	1,862	(4,262)
	178,161	178,043

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

	2016 $'000	2015 $'000
Profit before taxation	693,656	693,526
Tax calculated at 25%	173,413	173,381
Expenses not deductible for tax	3,366	1,936
Effect of increase in tax rate	733	–
Income/allowances not subject to tax	(52)	(6)
Corporation tax – adjustment to prior year's estimates	701	2,732
	178,161	178,043

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.

	2016 $'000	2015 $'000
Profit for the year attributable to equity holders	515,495	515,483
Number of ordinary shares in issue ('000)	84,240	84,240
Basic earnings per share	$6.12	$6.12

	2016	2015
	$'000	$'000

18. Dividends Paid on Ordinary Shares

	2016 $'000	2015 $'000
Final dividend – prior year	183,643	163,426
First interim dividend	84,240	84,240
Second interim dividend	106,142	106,142
Third interim dividend	121,306	121,306
	495,331	475,114

A final dividend in respect of 2016 of $2.18 cents per share (2015: $2.18 cents per share) amounting to $183,643,200 (2015: $183,643,200) is to be proposed at the Annual Meeting to be held on April 7, 2017. If approved, the total dividend for the year will be $5.88, the same as the dividend distribution of $5.88 with respect to 2015.

The Company's Bye-Laws allow for the forfeiture of dividends unclaimed after a period of 12 years. In 2016, 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 $661,771 for periods 2003 and 2004 was written back to the retained earnings in equity. The next review is scheduled to take place in 2017.

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:

	2016 $'000	2015 $'000
(a) Sale of goods and services		
Sale of goods – related parties	109,909	120,269
(b) Purchases of goods and services		
Purchases of goods – related parties	60,936	63,769
Purchases of services – related parties	34,573	31,529
Purchases of services – parent company	56,731	61,395

19. Related Party Transactions and Balances (continued)

(b) *Purchases of goods and services* (continued)

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.

	2016 $'000	2015 $'000
(c) Key management compensation		
Salaries and other short-term employee benefits	5,907	6,861
Post-retirement medical obligations	4	5
Post-retirement benefits	1,188	1,078
(d) Receivable from related parties (Note 9)	10,070	21,021
Payable to related parties (Note 13)	8,324	30,392
Payable to parent company	2,335	7,181

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 (2015: 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	15,900	16,036

	2016	2015
	$'000	$'000

21. Commitments

	2016 $'000	2015 $'000
(a) Capital commitments		
Authorised and contracted for, and not provided for in the financial statements.	3,684	10,357

(b) Operating lease commitments

The Company leases motor vehicles under non-cancellable operating lease agreements. The lease terms are between one (1) to five (5) years.

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

	2016 $'000	2015 $'000
No later than one (1) year	1,895	1,479
Later than one (1) year and no later than five (5) years	2,018	1,614
	3,913	3,093

Operating lease expenses incurred in 2016 amounted to $1,944,181 (2015: $1,808,268).

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.

22. Segment Information (continued)

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 2016				
Revenue	908,456	109,909	–	1,018,365
Gross profit	791,430	7,785	–	799,215
Profit or loss for the year includes:				
Depreciation	–	–	(18,293)	(18,293)
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)
Total segment assets				
31 December 2016	102,739	33,942	479,484	616,165
31 December 2015	59,887	35,407	510,679	605,973

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

	Domestic TT$'000	CARICOM TT$'000	Unallocated TT$'000	Total TT$'000
31 December 2016			25,084	25,084
31 December 2015	–	–	17,810	17,810

REPUBLIC OF TRINIDAD AND TOBAGO

THE COMPANIES ACT, CH.81:01 s.144

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

2 **Particulars of Meeting:**
One Hundred and Twelfth Annual Meeting of the West Indian Tobacco Company Limited to be held at the Jade Conference Room, Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad on Friday 7 April 2017 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
21 February 2017	Danielle F Chow Secretary and Authorised Signatory The West Indian Tobacco Company Limited	

Notes

Proxy Form

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

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

2 Particulars of Meeting:
One Hundred and Twelfth Annual Meeting of The West Indian Tobacco Company Limited to be held at the Jade Conference Room , Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad on Friday 7 April 2017 at 10.30 a.m.

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.

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

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

RESOLUTION		FOR	AGAINST
1	*To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.*		
2	*To declare a Final Dividend for the financial year ended 31 December 2016.*		
3	*To re-elect Mrs Isha Reuben-Theodore 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 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.*		

Proxy Form (CONTINUED)

RESOLUTION		FOR	AGAINST
5	*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.*		
6	*To elect Mr Leonel E Bolaños 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.*		
7	*To re-appoint Messrs KPMG as Auditors of the Company to hold office until the close of the next Annual Meeting.*		

Signature/s of Shareholder/s ______________________________

____

Dated this ________________ *day of* ________________ *2017.*

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
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West Indian
Tobacco

A member of the British American Tobacco Group