WEST INDIAN
TOBACCO

ANNUAL REPORT
2017

To Endure We Evolve

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.

Contents

Notice of Annual Meeting

Notice is hereby given that the ONE HUNDRED AND THIRTEENTH 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 6 April 2018 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 2017, together with the Reports of the Directors and Auditors thereon.

2. To declare a Final Dividend for the financial year ended 31 December 2017.

3. To re-elect Mrs Danielle F Chow who retires in accordance with paragraph 4.7:5 of Bye-Law No.1 of the Company, as a Director of the Company in accordance with paragraph 4.7:7 of Bye-Law No.1 for a term from the date of her election until the close of the third Annual Meeting of the Company following her election or until her retirement in accordance with paragraph 4.7:5.

4. To re-elect Mr 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 Mrs Maria G Rincon Bravo 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 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.

7. To elect Mr Claudio C Wulf as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No. 1 of the Company, for a term from the date of his election until the close of the third Annual Meeting of the Company following his election or until his retirement in accordance with paragraph 4.7:5.

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

B OTHER BUSINESS

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

BY ORDER OF THE BOARD

Danielle Chow

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

21 February 2018

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 Tuesday 20 February 2018, 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.

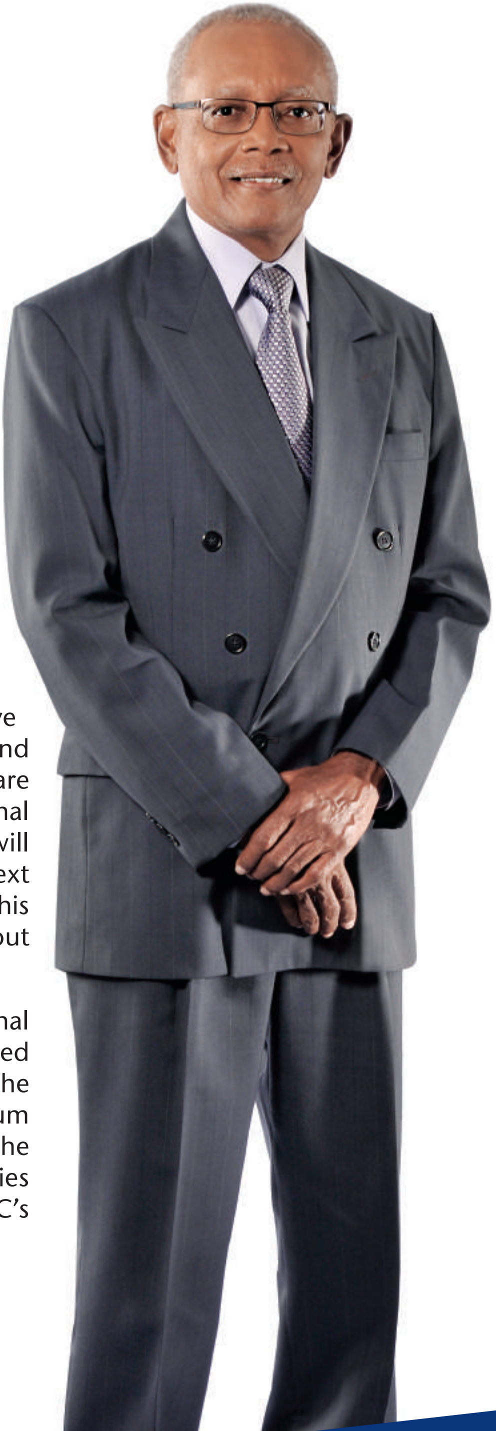
4. A shareholder who is a body corporate, may, in lieu of appointing a proxy, authorise an individual by resolution of its directors or governing body to represent it at the Annual Meeting.

Chairman's Report

2017 was a year of significant economic adjustment in Trinidad and Tobago and the performance of several local companies have reflected this. Nevertheless, I am pleased to report that despite challenging trading conditions and increased evidence of illicit cigarette trade, West Indian Tobacco delivered total Profit Before Tax of $549.7 million and Trading Profit for the year of $380.2 million.

Reflecting the strong confidence in our business, Directors have approved and made interim dividend payouts to date of $2.95 per share and have recommended a final dividend for 2017 of $1.46, which will be proposed for approval at the next Shareholders' Annual Meeting. This will result in a total dividend payout of $4.41 per share, for 2017.

As we look at the international environment in which we operated in 2017, it should be noted that the world economy gained momentum during the first half of the year and, the prices of major energy commodities improved largely based on OPEC's decision to reduce production.



Caribbean economies remained fragile given their debt load and the slow pace of fiscal consolidation. Inevitably, international credit rating agencies downgraded some countries including Barbados, The Bahamas and Suriname but conversely, Belize and Jamaica secured upgrades during the period. These pressures generally fuelled difficulties in the economies and this was ultimately reflected in a reduction in the demand for our exports to Caribbean contract markets.

Trinidad and Tobago continues to face weak or negative growth following low global energy prices and supply inconsistencies. Government's economic policies and budgets have been adjusted as it attempts to address fiscal and current account deficits. This has led to sharp deterioration in this country's internal and external account balances and subdued economic activity. Despite an increase in energy revenue, a fall in non-energy revenues significantly outweighed the increase and thus precipitated the decline in total revenue. As pressures in the foreign exchange market became more acute, the exchange rate against the US dollar depreciated. This Company, which earns foreign exchange through exports under contract to CARICOM markets has therefore been able to continue to meet its' international obligations. Central Government's fiscal operations remains challenged in light of revenue constraints and this trickled through into consumer disposal income. This has impacted their behaviour and could continue to affect the Company's sales performance.

We have had some changes in the composition of the Board. I welcome Mrs Maria G Rincon Bravo and Mr Claudio C Wulf, who were appointed Directors of the Company with effect from 19 April 2017 and 1 January 2018 respectively. Mr Leonel E Bolaños has resigned from the Board and I wish to thank him for a worthwhile contribution to the achievements of the Company, and more particularly, for his leadership and insights into the creditable performance of the Manufacturing and Supply Chain functions.

In the midst of changing consumer patterns, and with affordability being a key factor across all sectors, I am confident that the Company is well organised and resourced to successfully meet future challenges.

The Board has full confidence in the Company's Business Strategy and would like to thank the Management, Staff and Business Partners for their determination and stalwart efforts. They have become more innovative, responsive and resilient in 2017 in the face of the many challenges proffered by the country's changing economic and competitive environments. We remain confident of their diligence and commitment to ensuring the continued success of West Indian Tobacco.

Anthony E Phillip
Chairman

Management Discussion and Analysis

OVERVIEW

The economic environment in which the business operated was challenging in 2017. The business continued to experience the effects of a recessionary environment which was driven by continued low earnings from the energy sector and a slowdown of activity in the private sector. Unemployment levels increased thus placing pressure on an already restricted disposable income.

On that basis, consumers continued to seek out value for money which resulted in downtrading in many sectors. Our business was impacted by the shift in consumer purchasing patterns where our low-priced brand, which was initially launched as a tactical brand to combat ultra-low-priced brands and illicit trade, has been on an accelerated growth trajectory and at the end of 2017 is now our second most popular brand in the market.

The Company's Profit Before Tax declined against 2016, for the first time since 2011, due to lower revenue, a reflection of a contraction in demand, coupled with a significant change in the portfolio mix.

Nevertheless, the business has been able to deliver a commendable performance with Profit Before Tax of $549.7 million, and an Earnings per Share of $4.51, through a carefully formulated brand portfolio as it pertains to innovation, modernity and affordability enabling us to continue to be the market leader.

PERFORMANCE AND STRATEGY

The foundation upon which our strategy is built has been in place for some time and we continue to focus on the following key areas:

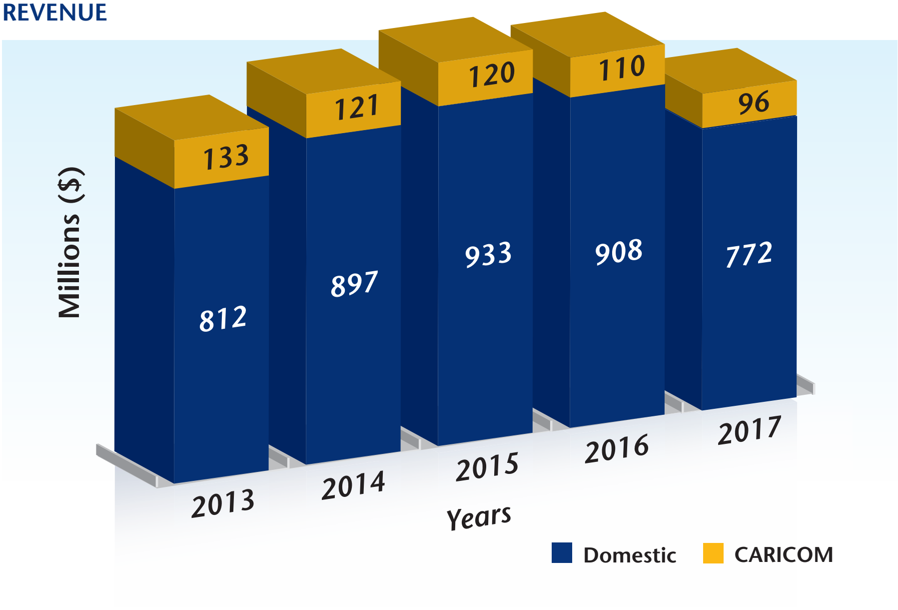
GROWTH	the development of brands and innovation to meet consumers' evolving needs
PRODUCTIVITY	the deployment of resources to increase profits and generate funds for investment
WINNING ORGANISATION	ensuring that we have great people, great teams and a great place to work
SUSTAINABILITY	building value for our stakeholders by addressing our social, environmental and economic impact

Our strategy enables our business to deliver sound results today while continuing to invest in our future. Combustible products remain at the core of the business and will continue to provide us with opportunities for growth. We are mindful, however, that there are developments in the commercialisation of a range of products which offer consumers potentially less risky alternatives to conventional cigarettes and we are monitoring these developments.

REVENUES

Total revenue declined by 15% or $150.7 million over the same period last year. The decline in revenue is attributable to contracted demand, a direct spinoff of the declining economic environment compounded by the significant change in consumer behaviour driving the demand for ultra-low-price brands. There was a significant shift in the Company's Share of Sales from the aspirational premium brand to our low-price offering. The availability of a valued low-price offering enabled us to maintain dominance. Additionally, there is continued growth of potentially illicit brands in the local market impacting negatively on our domestic volume base. Sales to export markets were also negatively affected due to reduced demand, a result of economic downturn. Revenue is calculated as sales value net of excise, as published in the Statement of Comprehensive Income.

REVENUE



COST OF SALES AND OVERHEADS

Cost of Sales declined from $219 million to $205 million, a reduction of 6% or $14 million against prior year. Leaf and wrapping material costs declined in line with reduced volumes. Included in Cost of Sales is royalties, which is calculated and paid on net turnover. There was a $9 million decline in royalties contributing to the overall decline in Cost of Sales.

Overheads for 2017 of $114 million increased by $7 million or 7% against the same period last year. This was largely as a result of increased brand support expenditure for product launches throughout the year, however, prior year's overheads also included a non-recurring foreign exchange gain of $4 million relating to assets held in foreign currency and translated to the new rate monthly. The movement in the official exchange rate for 2017 was lower than in 2016.

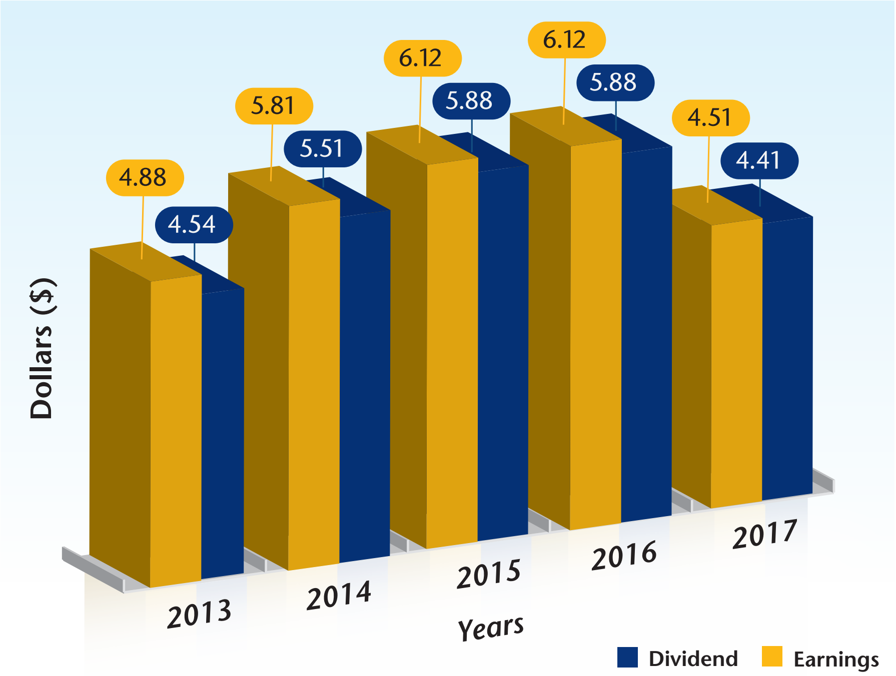
PROFIT AND TOTAL COMPREHENSIVE INCOME

Profit Before Taxation of $549.7 million shows a decline of 21% versus $693.7 million for 2016. Profit for the Year of $380.2 million declined in comparison to 2016 by 26% or $135.3 million. Total Comprehensive Income for the Year of $391.1 million declined from prior year by 26% or $140.9 million. Earnings per share is $4.51 versus $6.12 for prior year.

Total Comprehensive Income for the Year was positively impacted from an actuarial gain following the re-measurement of retirement and post-employment benefit obligations in 2017. Based on the financial results for 2017, Dividends per Share, once the Final Dividend is approved at the Annual Meeting, will be $4.41.

Dividend yield of 4.4%, based on share price of $100 at 31 December 2017, continues to demonstrate the sound performance of the Company within the domestic market as well as within the local manufacturing sector, despite a decline in profits.

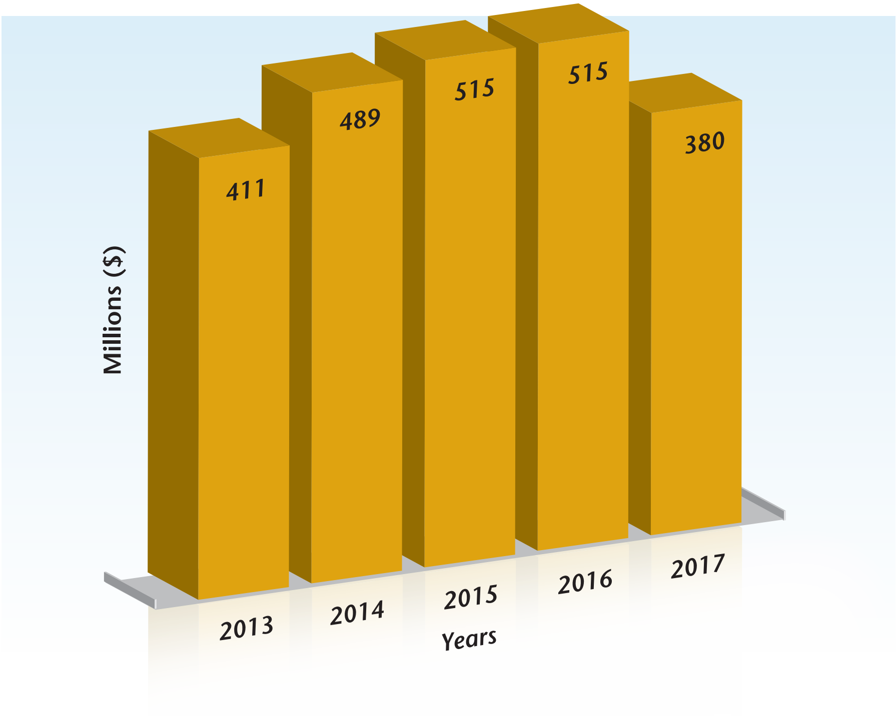
EARNINGS/DIVIDEND PER ORDINARY SHARE



CASH FLOWS

Cash and Cash Equivalents declined by $34.8 million by the end of 2017 to $234.7 million, compared to prior year of $269.5 million. Net Cash Generated from Operating Activities declined by $77.9 million due to lower operating profit offset by improved working capital and lower tax payments. Dividend payout remained the single largest cash outflow for 2017, totalling $426.0 million.

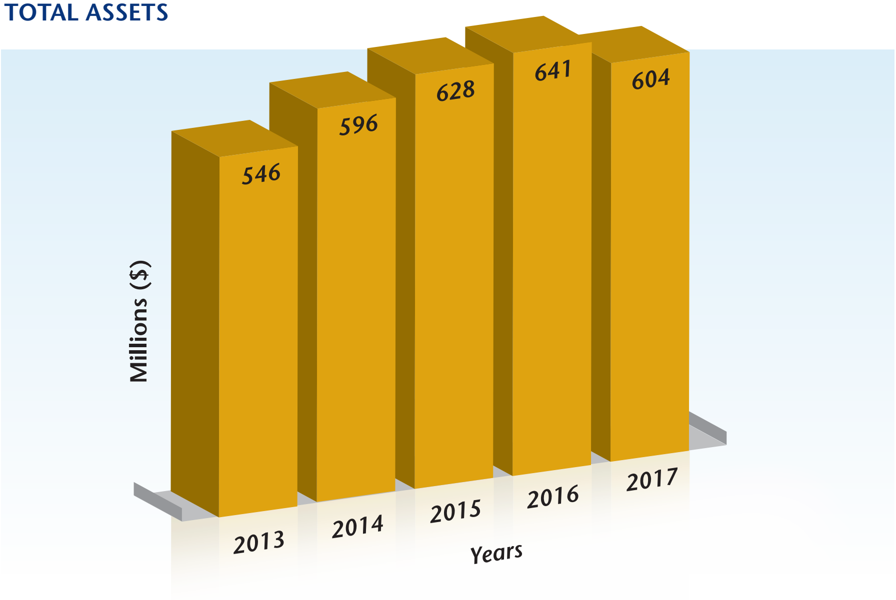
PROFIT AFTER TAX



BALANCE SHEET

Total Assets decreased from $641 million to $604 million at the end of December 2017 thus the net assets per share were $4.49 as at the end of the financial year, compared to $4.97 in 2016. The decrease in Total Assets was primarily due to a decrease in Current Assets impacted by a decline in Cash and Cash Equivalents from $269 million to $235 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

Our brand portfolio delivered innovation to the consumers in 2017. In a market engulfed with evolving consumer needs, the brand portfolio of the business has been constructed in a manner that would allow each offering to be consumer-relevant in both product and price. In the midst of changing consumer patterns and with affordability being a key factor, the consumer was placed at the centre of the pricing agenda of the business and pricing strategies have since been reviewed and are aligned to market conditions.

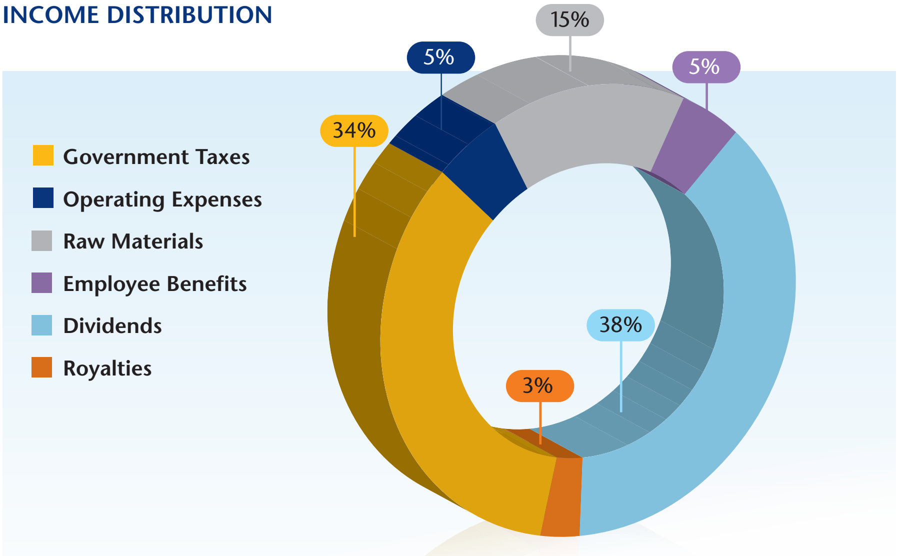
Although no excise increase was implemented in the 2017/18 National Budget, the 48% price increase in diesel fuel has made an impact, particularly on the operational costs of our customers and suppliers. The current economic climate also invited increased security threats, which represented a challenge to the team in the execution of duties.

With the need for additional security, many suppliers have chosen to pass on these costs while increased pressure has come from customers to maintain their existing margins.

There were also significant developments in the portfolio impacting the Company's performance for 2017. The Capsules segment grew by 36% vs the previous year; Mt. d'or which was launched to stop the advance of ultra-low-price competition, successfully commanded more than 95% share of the segment; and 2017 represented the introduction of the most number of New Product Innovations in a single year by the Company in recent history (Dunhill Flow Filter, du Maurier 14s and Dunhill Double Capsule). Our innovation agenda remains a top priority in 2018.

We continue our quest to be the best at satisfying consumer moments in tobacco and beyond. Consumers are always looking for choices and product categories in which we are uniquely placed to succeed.

INCOME DISTRIBUTION



PRODUCTIVITY

In 2017, we continued the drive towards a more efficient and effective integrated organisation by utilising global systems and ways of working. We are working towards a more cost effective and responsive supply chain and to ensure that productivity opportunities are fully exploited.

For 2017, the Operations Unit continued its manufacturing excellence journey and improved efficiencies and service delivery embodied in the Company's Compelling Business Needs (CBN) which outlined strategic three-year targets up to 2018.

The factory focused on effective cost management and optimisation of processes and resources placing emphasis on the Integrated Work Systems (IWS) deployment, geared towards driving a culture of root cause analysis and problem solving, and people capability development. This led to loss elimination and an increase in our Operating Equipment Efficiencies.

2017 also saw a heightened focus on upskilling of our human resources with a focus on building capabilities within the team, ranging from technical to managerial. This has directly contributed to sustainable quality improvements, leading to a reduction in customer complaints, an enhanced safety culture, a successful union negotiation and an overall more productive environment.

SUSTAINABILITY

Sustainability is an important pillar of our strategy and plays a fundamental role in all aspects of our business. We focused on two of the most material and fundamental areas to our business and stakeholders' – corporate behaviour and harm reduction.

We continue our commitment to operating within the highest standards of corporate conduct and transparency and in 2017, focused on issues relating to responsible marketing, tackling the illegal tobacco trade and addressing environmental impacts. We are acutely aware of our responsibilities and the importance of operating to the highest standards and are satisfied with achievements to date. All our marketing activities are governed by tobacco control legislation and we target 100% compliance. No incidents of non-compliance were identified through our internal procedures.

The factors which drove the environmental programme in 2017 was the overall goal of achieving a 1% reduction in energy, water and waste to landfill year on year and improving recycles by 1% with the overall long term goal of achieving 'Zero Waste to Landfill'. We were also able to further build and expand on several programmes including implementation of low water devices, modification of temperature and lighting settings in timings that align with active work hours, recycling of 87% of waste that was generated, and 100% recycling of special waste.

With respect to harm reduction, we have begun to review the options of less risky alternatives to regular cigarettes and are monitoring its developments with a view of potentially utilising this as an option for consumers when there is a need. We look forward to the development of relevant regulation for these products which should include high standards for consumer safety and product quality, while encouraging innovation and availability to enable this category to grow and deliver its harm reduction potential. These products should not be regulated in the same way as tobacco products.

WINNING ORGANISATION

We enable growth by having a winning organisation and our Guiding Principles: Enterprising Spirit, Freedom Through Responsibility, Open Mindedness and Strength From Diversity continue to be the cornerstone of our winning organisation and culture.

Our aim is to attract the best talent, invest fiercely in their development and focus on leadership for change. 2017 saw great emphasis placed on these areas by deepening the talent pipeline, increasing both functional and leadership training and pursuing an active partnership with the functional line to deliver change and results. Based on survey results, the team is more engaged than ever and recognises our culture as one that nurtures and develops our leaders and teams to drive high performance and sustainability. With the right capabilities positioned on a platform of diversity, our teams are able to deliver on their commitments and drive for results in an ever-evolving environment.

LOOKING AHEAD

2017 truly represented a watershed year for the business and the brands. There is no clear indicator of economic recovery and ultra-low-priced competition, along with suspected illicit trade, continues. The business remains confident, however, that the brand strategies outlined for the entire portfolio can operate successfully in the economic environment while also creating a platform that would ensure the achievement of its objectives in delivering sustainably, and being positioned to achieve growth.

JEAN-PIERRE S DU COUDRAY
Managing Director

Directors' Report

Dear Shareholder,

Five critical areas of good corporate governance and the foundations on which they are built, 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 Chapter 81.01. The Directors exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In furtherance of this, at the April 2018 Annual Meeting:

- In accordance with paragraph 4.7:5 of Bye-Law No. 1 of the Company, Mrs Danielle F Chow 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.
- Mrs Maria G Rincon Bravo who was appointed to the Board with effect from 19 April 2017, 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 herself for election.
- Mr Claudio C Wulf, who was appointed to the Board with effect from 1 January 2018, 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 Leonel E Bolaños, resigned from the Board of Directors with effect from 1 January 2018.

COMPOSITION AND PERFORMANCE OF BOARD

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

The Board of Directors currently comprises eight Directors of whom five are Non-Executive Directors. Of the Non-Executive Directors, three 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 for leading 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 create the framework for 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.

Directors' Report

ANTHONY E PHILLIP
Chairman of the Board of Directors

Anthony Phillip joined West Indian Tobacco in 1973 as a Manager in its Production Department and was appointed Production Manager/ Director in 1984, after completing a period of secondment to British American Tobacco Kenya Limited. He was appointed Managing Director in 1998 and following his retirement in 2006, became Chairman in 2007. He was also Chairman and Managing Director of British American Tobacco (Malawi) Limited (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.

JEAN-PIERRE S DU COUDRAY
Managing Director

Jean-Pierre du Coudray was appointed Managing Director of West Indian Tobacco in October 2006. He has been in the tobacco industry since 2001 and led the Company's Trade Marketing and Distribution Department before going on assignment to lead the Trade Marketing Services of British American Tobacco (BAT) Group's interests in the Caribbean. Mr du Coudray 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.

INGRID L-A LASHLEY
Chair of the Audit Committee

Ingrid Lashley was appointed a Director in August 2008 and the Chairman of the Audit Committee in March 2009. 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. 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.

DANIELLE F CHOW
Executive Director/Company Secretary

Danielle Chow was appointed a Director in July 2004 and additionally assumed the role of Company Secretary in 2007. Mrs Chow has been in the tobacco industry since 1999 and has led the Legal, Corporate Affairs, Security, and Human Resource functions within BAT Group's interest in the Caribbean. She currently heads the Legal and External Affairs Function in West Indian Tobacco. In March 2016, Mrs Chow was appointed a Commissioner of the Elections and Boundaries Commission of Trinidad and Tobago. She holds a Bachelor of Laws from The University of the West Indies and a Legal Education Certificate from the Hugh Wooding Law School.

RANJIT R JEEWAN
Non-Executive Director

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

ISHA P REUBEN-THEODORE
Executive Director

Isha Reuben-Theodore was appointed a Director in November 2014. Mrs Reuben-Theodore currently heads the Finance function at West Indian Tobacco and has 14 years of experience 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. She is a Fellow of the Association of Chartered Certified Accountants, with over 20 years' experience 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.

MARIA G RINCON BRAVO
Non-Executive Director

Maria Rincon Bravo was appointed a Director in April 2017. Mrs Rincon Bravo has over 16 years experience in financial and commercial roles within the BAT Group including Canada, United Kingdom, Venezuela, Colombia and Ecuador. Mrs Rincon Bravo is currently the Head of the Finance function for BAT's Group interest in the Caribbean and Central America. Mrs Rincon Bravo holds a Bachelor of Business Administration with two majors in General Management and Bank & Finances, and a Masters in Management from IESA Business School, Spain.

CLAUDIO C WULF
Non-Executive Director

Claudio C Wulf was appointed a Director in January 2018. Mr Wulf brings with him over 20 years of experience within the BAT Group, having managed factories in Brazil, South Africa, Russia and Cuba. Mr Wulf currently heads the Operations function for BAT Group's interest in the Caribbean, Venezuela and Colombia. He holds a Bachelor's degree in Industrial Engineering and a Masters in Finance from the Universidade Federal de Uberlândia in Brazil as well as an MBA from the Fundação Dom Cabral business school in Brazil.

Directors' Report

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 2017, seven Board of Directors meetings and four 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 years, subject to continued satisfactory performance. Directors who have attained the age of 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.

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 2017.

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
Mrs Isha P Reuben-Theodore	NIL	NIL
Mrs Maria G Rincon Bravo	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 2018, the latter being a date not more than one month prior to the date of the notice convening the Company's Annual Meeting. Neither Claudio C Wulf, who as appointed a director with effect from 1 January 2018, nor his connected persons, hold any interest in the Company.

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
Mr Alexander O Thomas	NIL	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 of 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 10 largest blocks of shares in the Company as at 31 January 2018.

Shareholding	Total Shares Held
British American Tobacco Inv. Ltd.	42,227,652
Home Mortgage Bank	6,455,461
Republic Bank Limited – All Accounts	6,209,921
RBC Trust Limited – All Accounts	5,213,475
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	2,091,272
Tatil Life Assurance – All Accounts	1,648,865
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 an on behalf of several beneficial owners totalling 38,057,957 as at 31 January 2018.

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 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 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 Auditors, Messrs KPMG, retire and have expressed their willingness to be re-appointed as Auditors at the April 2018 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.

2017 FINANCIAL HIGHLIGHTS

	2017 $'000
Gross Turnover (including excise)	**1,085,723**
Revenue	867,649
Cost of Sales	(205,128)
Gross Profit	**662,521**
Distribution Costs	(12,695)
Administrative Expenses	(67,285)
Other Operating Expenses	(34,064)
Operating Profit	**548,477**
Interest Income	1,195
Profit Before Taxation	**549,672**
Taxation	(169,454)
Profit for the Year	**380,218**
Other Comprehensive Income:	
Items that will not be reclassified to profit or loss	
Remeasurement of retirement and post-employment benefit obligations	10,879
Other Comprehensive Income – net of tax	10,879
Total Comprehensive Income for the Year	**391,097**

Dividends:

Interim 1st	$0.76 per ordinary share paid on 26 May 2017	64,022
Interim 2nd	$1.05 per ordinary share paid on 21 August 2017	88,452
Interim 3rd	$1.14 per ordinary share paid on 24 November 2017	96,034
Proposed Final	$1.46 per ordinary share to be paid on 7 May 2018	122,990
		371,498

FINANCIAL CALENDAR

REPORTS

Interim Financial Statements	
• First Quarter ending 31 March 2018	May 2018
• Second Quarter ending 30 June 2018	August 2018
• Third Quarter ending 30 September 2018	November 2018
Preliminary Announcement for the year ending 31 December 2018	February 2019
Annual Financial Statements for the year ending 31 December 2018	March 2019

PROPOSED DIVIDEND PAYMENT DATES

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

Final 2017	May 2018
First Interim 2018	May 2018
Second Interim 2018	August 2018
Third Interim 2018	November 2018
Final 2018	May 2019

By Order of the Board

Danielle Chow

Danielle F Chow
Secretary
21 February 2018

Corporate Information

BOARD OF DIRECTORS

Anthony E Phillip, Chairman
Jean-Pierre S du Coudray, Managing Director
Danielle F Chow
Ranjit R Jeewan
Ingrid L-A Lashley
Isha P Reuben-Theodore
Maria G Rincon Bravo
Claudio C Wulf

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,
Champs Fleurs,
Republic of Trinidad and Tobago
Telephone No. (868) 662-2271/2
Facsimile No. (868) 663-5451
Email: west_indian_tobacco@bat.com
Website: www.westindiantobacco.com

REGISTRAR AND TRANSFER OFFICE

Trinidad & Tobago Central Depository
10th Floor,
Nicholas Towers,
63-65 Independence Square,
Port of Spain,
Republic of Trinidad and Tobago
Telephone No. (868) 625-5107
Facsimile No. (868) 623-0089
Email: cramkissoon@stockex.co.tt

ATTORNEYS-AT-LAW & NOTARY PUBLIC

Fitzwilliam, Stone, Furness-Smith & Morgan
48-50 Sackville Street,
Port of Spain,
Republic of Trinidad and Tobago
Telephone No. (868) 623-1618
Facsimile No. (868) 623-6524
Email: fitzstone@fitzwilliamstone.com

AUDITORS

KPMG
11 Queen's Park East,
Port of Spain,
Republic of Trinidad and Tobago
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

MANAGEMENT TEAMS

Manufacturing


Solmer Thom


Marlon Rattan


Ryan Besai


Taran Persad


Liselle Walters


Giselle Sui


Raewyn Maxime


Rajiv Singh


Hector Martinez


Corey Burke


Vachel Abdool


Melissa Boodhoo

MANAGEMENT TEAMS

Marketing


Alexander Thomas


Nicholas Ling


Veer Lakhan-Joseph


Imran Mohammed

Operations Support


Shalini Singh


Luke Gittens


Verona Williamson


Gina Ferguson


Joetta Graham

MANAGEMENT TEAMS

Corporate Services


Danielle Chow


Isha Reuben-Theodore


Amy Lazzari


Bernadette Rattan


David Grant


Allyson Charles


Angelique Howell


Ernest Soto


Rowan Brathwaite


Keston Sinanan

REPORT TO THE SHAREHOLDERS

Enterprising Spirit

We have the confidence to passionately pursue growth and new opportunities whilst accepting the considered entrepreneurial risk that comes with it. 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 Mindedness

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.

In 2017 the Company was faced with a number of significant challenges in the environment. Rather than buckling under the pressure, it instead became tougher and more resilient by adapting and capitalising on its strengths. It truly has endured and evolved.

The story of this Company has always been one of a consistent laying of an enduring foundation. Its strategic direction has always been clear, and the alignment of the resources, commitments to society, and focus on employees directly supports its stated and monitored performance goals. In support of this, the Company's Guiding Principles – Enterprising Spirit, Freedom Through Responsibility, Open Mindedness and Strength From Diversity – form the core of the culture and guide how the strategy is delivered. It is therefore no surprise that in challenging economic times that the fundamentals of the Company have allowed it to endure.

The business model of the Company puts the manufacturing and marketing of superior products at the heart of the business and its sustainable approach to sourcing, production, distribution and marketing helps create value for a wide group of stakeholders. The Company's market advantage lies in its unique strengths, significant resources and continued relationships which continue to deliver returns for our shareholders. The key to continued success, however, is to keep the preferences and needs of consumers at the heart of all decisions and actions. As the needs and demographics of our consumers shift, so too must our business plans.

It was no surprise that in this year our main focus continued to be the satisfaction of the needs of our informed adult consumers through state-of-the-art manufacturing processes and a dynamic portfolio. It is also during these times of increased pressure and adversity that the greatest innovations and evolutions have the space to flourish, and West Indian Tobacco has maintained its market leadership in all areas of the tobacco industry now and in the future. At the same time, we are carefully adhering to local regulations whilst continuing to enjoy the reputation of being a good steward in our community. Lower levels of purchasing power of our consumers, however, have created a climate where ultra-low price and suspected illicit tobacco products can gain traction in the market. We are encouraged that the authorities have recognised the dangers of the illicit trade in products and can begin the process to reverse this trend.

Evolution in Marketing

We are mindful that brands need to earn their place in the lives of consumers and purposefully serve their needs and desires. To address the current realities of our market and to promote the longevity of the business, our brand portfolio has been updated. In 2017 alone, the Company has launched the highest number of new product innovations in a single year in recent times.

The success of the Mt. d'or brand in 2017 is a testament to this update. The brand has given consumers the attention to quality that they expect at a price that reflects their current financial situation. Moving forward it is anticipated that the Mt. d'or brand will continue to make strides and further increase market share in its consumer segment. The reception of the Mt. d'or brand has been overwhelmingly positive and has outperformed expectations.

The du Maurier brand has also undergone a transition which has attracted new consumers in the segment while continuing to cater to and satisfy its loyal base. du Maurier brand loyalists were provided a more affordable offering with the launch of du Maurier 14's. The new du Maurier 14's SKU is the same high quality du Maurier product that our consumers prefer, now in a King Size format, with a smaller pack and at a more affordable price point. Demand for this new product continues to grow.

Warning: The Minister of Health advises that SMOKING IS DANGEROUS TO HEALTH

The premium segment experienced changes as well with the introduction of the new Dunhill Flow Filter offering launched in early 2017. The new tube filter innovation provides enhanced flavour, improved filter firmness, and less odour. This new filter innovation also comes in redesigned packaging.

Warning: The Minister of Health advises that SMOKING IS DANGEROUS TO HEALTH

Dunhill Double Capsules were also introduced in November 2017 and represent a novel approach to the traditional flavoured tobacco product. The Double Capsule offering is innovative in that it allows consumers the rare opportunity to choose between four different taste combinations in the cigarette. This allows for a customisable experience. The packaging consists of a modern and sophisticated presentation and the trade and consumers are actively requesting the product.

The Company is also monitoring the advent of new generation products in the local market. These new methods of delivering consumer satisfaction underline the Company's focus on continuing to meet consumer demand. This can allow consumers to have market-leading innovation that meets their needs and provides clear benefits for society in helping to reduce smoking-related disease.

In addition to the measured expansion of our portfolio, the Company sought collaborative relationships with stakeholders which promoted the limitation of the spread of illicit products in the country. These efforts, as well as the erection of a number of anti-illicit trade billboards, publication of newspaper articles, and seminars to engage with and educate local stakeholders resulted in a greater awareness of the issues we face as a country. By encouraging a level competitive playing field for business we can support higher levels of tax collection for the Government, a more secure job environment for communities and higher quality products and services for our consumers.

Evolution in Manufacturing

The manufacturing arm of the business continued its work to ensure that its costs are set to be globally competitive and that we use resources as effectively as possible to support the sustainability of the business in the market. The Operations Unit continued its manufacturing excellence journey, improving efficiencies and service delivery.

Team discussion to improve production efficiencies

This thrust included the upgrade of the tobacco processing department which resulted in the improvement in the quality and consistency of the product as well as reduced waste. Upgrades to the factory infrastructure were achieved and were specifically designed to reduce dust, noise and the temperature inside the factory while at the same time increasing the natural lighting which directly contributed to energy savings and sustainable manufacture. The factory operations, we are pleased to report, achieved all of this in an environment which was safe and secure, and as at 9 February 2018 had reported being 487 days accident free.

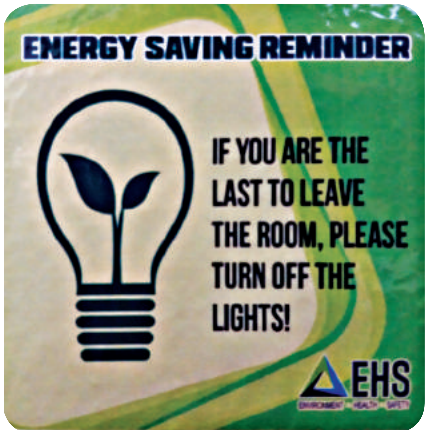
The Company also invested in a new technological system to assist in the combat against illicit trade throughout the Caribbean. This new system will allow for immediate and easy identification of our products which will help to differentiate between products that are authentic, duty paid and regulated; as opposed to products that are not. This new solution will allow the factory to build on the system to provide other enhanced services in the future. This initiative is in line with the Protocol for the Elimination of Illicit Trade in Tobacco Products, under the Framework Convention for Tobacco Control.

Enduring through Our Actions

The Company has built close ties with some of the communities in which it operates and has a longstanding approach to investing in these communities through its Corporate Social Investment (CSI) programme. We focus on activities that aim to enrich public and community life, including supporting the arts and educational institutions specifically focused on protecting and safeguarding the country's cultural and natural heritage.

Acting responsibly and with integrity underpins our whole approach and forms the foundation of our culture and values as a company. We know that conducting our affairs with honesty, integrity and transparency is key if we are to continue to develop as a responsible, successful and sustainable business. This approach includes:

- Engaging openly on regulation
- Responsible marketing of tobacco products and working with retailers to prevent youth smoking
- Collaborating with others to tackle the illegal tobacco trade
- Safeguarding human rights across our own operations and our supply chain
- Protecting the health and safety of our workforce
- Addressing the environmental impacts of our business operations



With regard to the latter, the Company has accepted its responsibility to minimise its impact on the environment and to use raw materials, energy and water in a more sustainable way. In 2017 the factory managed an 8% reduction in energy consumption, a 12% reduction in water consumption and a recycling rate of 87% of waste generated on site. There was also a move to reduce material which was previously sent to the landfill for disposal and this was achieved through the 100% recycling of special waste and 100% recycling of rejected blanks. We have worked with business partners to achieve these targets.

Innovating through Employee Fit and Satisfaction

West Indian Tobacco has continued to attract, recruit and develop top talent and has cultivated an agile and robust talent pipeline to ensure that our talent can adapt to the ever-changing needs of the consumer.

By and large, achievements with the workforce were informed by continuous feedback via the Company's 'Your Voice' Survey – a long established confidential survey which captures the views of employees. The survey is administered by an independent survey specialist organisation in the employee opinion field which surveys over 10 million people every year. The 2017 survey provided us with valuable insights helping us to drive relevant action plans to improve what we do and how we do it. Based on survey results, we are heartened that the team is more engaged than ever and recognises our culture as one that nurtures and develops our leaders and teams to drive high performance and sustainability.

With the right capabilities positioned on a platform of diversity, our teams were able to deliver on their commitments and drive for results in an ever-evolving environment. West Indian Tobacco has many assets that help to ensure a competitive advantage in the Trinidad and Tobago market, however, to endure and evolve in difficult financial times, our people remain key to its success.

Team of the Year 2017

The Year at a Glance

	2017 $'000	2016 $'000	Change %
Revenue	867,649	1,018,365	-14.8%
Gross Profit	662,521	799,215	-17.1%
Total Expenses	(114,044)	(106,438)	7.1%
Operating Profit	548,477	692,777	-20.8%
Interest Income	1,195	879	35.9%
Profit Before Taxation	549,672	693,656	-20.8%
Taxation	(169,454)	(178,161)	-4.9%
Profit for the Year	380,218	515,495	-26.2%
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement and post-employment benefit obligations – net of tax	10,879	16,487	-34.0%
Other Comprehensive Income – net of tax	10,879	16,487	-34.0%
Total Comprehensive Income for the Year	391,097	531,982	-26.5%

Five Years at a Glance

	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000
Profit And Taxation					
Profit before taxation TT$	556,324	655,115	693,526	693,656	549,672
Taxation	145,253	165,920	178,043	178,161	169,454
Profit after taxation TT$	411,071	489,195	515,483	515,495	380,218
Dividends	382,449	464,163	495,331	495,331	371,498
Effective rate of taxation (%)	26.1	25.3	25.7	25.7	30.8
Balance Sheet					
Shareholders' equity	281,067	335,345	381,567	418,879	377,825
Deferred income tax liability	26,519	26,490	22,841	30,565	33,641
Non-current liabilties	85,107	91,252	88,841	70,101	57,605
Current liabilities	153,674	142,957	135,565	121,921	135,288
Total Funds Employed	546,367	596,044	628,814	641,466	604,359
Property, plant and equipment	213,241	204,326	196,625	203,416	211,974
Deferred income tax asset	27,041	27,842	26,504	25,301	20,671
Inventories	49,646	41,768	37,741	43,603	44,751
Cash at bank and in hand	212,132	272,267	286,778	269,483	234,655
Other current assets	44,307	49,841	81,166	99,663	92,308
Total Assets	546,367	596,044	628,814	641,466	604,359
Statistics					
Issued Share Capital ('000)	84,240	84,240	84,240	84,240	84,240
Earnings per ordinary share ($)	4.88	5.81	6.12	6.12	4.51
Dividends per ordinary share ($)	4.54	5.51	5.88	5.88	4.41
Net assets value per ordinary share ($)	3.34	3.98	4.53	4.97	4.49
Share prices at 31 December ($)	120.00	121.33	126.29	126.94	100.00

Statement of Management Responsibilities

The West Indian Tobacco Company Limited

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of The West Indian Tobacco Company Limited ("the Company"), which comprise the statement of financial position as at December 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Jean-Pierre du Coudray
Managing Director

Date: 21 February 2018

Isha Reuben-Theodore

Isha Reuben-Theodore
Finance Manager

Date: 21 February 2018

Independent Auditors' Report

To the Shareholders of The West Indian Tobacco Company Limited

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 2017, the statements of profit or loss and other 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 2017, 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 transferred 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 inspection 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 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.

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.

- 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.

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

KPMG

Port of Spain
Trinidad and Tobago
21 February 2018

Statement of Financial Position

31 December 2017
(Expressed in Trinidad and Tobago Dollars)

	Notes	2017 $'000	2016 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	211,974	203,416
Deferred income tax asset	6	20,671	25,301
		232,645	228,717
Current assets			
Inventories	7	44,751	43,603
Trade and other receivables	9	85,119	93,078
Taxation recoverable		7,189	6,585
Cash and cash equivalents	10	234,655	269,483
		371,714	412,749
Total assets		604,359	641,466
EQUITY			
Share capital	11	42,120	42,120
Revaluation surplus	5(a)	47,495	48,194
Retained earnings		288,210	328,565
Total equity		377,825	418,879
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	6	33,641	30,565
Retirement benefit obligation	12	53,834	65,530
Post-employment medical benefit obligation	12	3,771	4,571
		91,246	100,666
Current liabilities			
Trade and other payables	13	95,323	90,389
Due to parent company	19(d)	2,618	2,335
Dividends payable		35,390	29,197
Taxation payable		1,957	–
		135,288	121,921
Total liabilities		226,534	222,587
Total equity and liabilities		604,359	641,466

The notes on pages 36 to 60 are an integral part of these financial statements.

On 21 February 2018, the Board of Directors of The West Indian Tobacco Company Limited authorised these financial statements for issue.

Chairman

Managing Director

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017
(Expressed in Trinidad and Tobago Dollars)

	Notes	2017 $'000	2016 $'000
Gross turnover – including excise	14	1,085,723	1,236,943
Revenue	14	867,649	1,018,365
Cost of sales	15	(205,128)	(219,150)
Gross profit		662,521	799,215
Expenses			
Distribution costs	15	(12,695)	(12,125)
Administrative expenses	15	(67,285)	(71,001)
Other operating expenses	15	(34,064)	(23,312)
Operating profit		548,477	692,777
Interest income		1,195	879
Profit before taxation		549,672	693,656
Taxation	16	(169,454)	(178,161)
Profit for the year		380,218	515,495
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement and post-employment benefit obligations		10,879	16,487
Other comprehensive income – net of tax		10,879	16,487
Total comprehensive income for the year		391,097	531,982
Earnings per ordinary share	17	$4.51	$6.12

The notes on pages 36 to 60 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2017
(Expressed in Trinidad and Tobago Dollars)

	Note	Share Capital $’000	Revaluation Surplus $’000	Retained Earnings $’000	Shareholders’ Equity $’000
Year ended 31 December 2017					
Balance at 1 January 2017		42,120	48,194	328,565	418,879
Comprehensive income					
Profit for the year		–	–	380,218	380,218
Other comprehensive income					
Remeasurement of retirement and post employment benefit obligations – net of tax		–	–	10,879	10,879
Depreciation transfer on buildings – net of tax			(699)	699	–
Transactions with owners					
Dividends	18	–	–	(432,151)	(432,151)
Balance at 31 December 2017		42,120	47,495	288,210	377,825
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

The notes on pages 36 to 60 are an integral part of these financial statements.

Statement of Cash Flows

For the Year Ended 31 December 2017
(Expressed in Trinidad and Tobago Dollars)

	Note	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		549,672	693,656
Adjustments for:			
Depreciation		18,781	18,293
Loss / (profit) on disposal of property, plant and equipment		701	(3)
Net increase in retirement and other post employment benefit obligations excluding actuarial losses		3,045	4,809
Interest income		(1,195)	(879)
Operating profit before working capital changes		571,004	715,876
Changes in working capital:			
Increase in inventories		(1,148)	(5,862)
Decrease / (increase) in trade and other receivables		7,959	(14,396)
Increase / (decrease) in trade and other payables		4,934	(11,654)
Increase / (decrease) in due to parent company		283	(4,846)
Cash generated from operating activities		583,032	679,118
Taxation paid		(165,057)	(183,290)
Net cash from operating activities		417,975	495,828
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(28,040)	(25,084)
Proceeds from sale of property, plant and equipment		–	3
Interest received		1,195	879
Net cash used in investing activities		(26,845)	(24,202)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid		(425,958)	(488,921)
Net decrease in cash and cash equivalents		(34,828)	(17,295)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		269,483	286,778
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	234,655	269,483
Represented by:			
Cash at bank and in hand		234,655	219,391
Short-term deposits		–	50,092
		234,655	269,483

The notes on pages 36 to 60 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.

(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 2017:

- **Disclosure initiative – Amendments to IAS 7** (Statement of cash flows) on reconciliation of liabilities from financing activities:
    - This amendment to IAS 7, 'Statement of cash flows' responds to requests from investors for improved disclosures about an entity's financing activities and its cash and cash equivalents balances. The objectives of the proposed amendments are to improve information provided to users of financial statements about an entity's financing activities, excluding equity items; and to improve disclosures that help users of financial statements to understand the liquidity of an entity. The amendments apply to annual reporting periods commencing on 1 January 2017.
- **Recognition of Deferred Tax Assets for Unrealised Losses** (Amendments to IAS 12):
    - These amendments address the accounting for income taxes, including deferred tax assets. These amendments propose guidance that clarifies how to account for deferred tax assets related to debt instruments measured at fair value. The amendment is effective for annual periods beginning on or after 1 January 2017.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 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 2017 reporting periods and have not been early adopted by the Company, in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

2. Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

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

- **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 however has not been exercised. The initial application of IFRS 9 will not have a material impact on the financial statements as the carrying value of total trade receivables reflect all contractual cash flows the Company expects to receive from its customers.

- **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. The Company has assessed the estimated impact that the initial application of IFRS 15 will have on its financial statements. This will not have a material impact on the financial statements of the Company.

  The findings based on the assessment done thus far indicate the following:

  - For domestic sales, control passes immediately and revenue is recognised at the point of delivery.
  - There are no standard trade credits given to customers however a number of trade incentives are made to our indirect customers. These payments are made for distinct goods and the fair value of such goods can be reasonably estimated. The value of the payments does not exceed the fair value of the goods. For reporting purposes a re-classification of the customer related marketing investment into net turnover was performed using an allocation % to allocate actuals between customer related and consumer related spend.
  - The Company does not have any bad debts or expect to have any loss event or credit risk which would require impairment.
  - Based on the internal assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for revenue.

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 re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Segment reporting

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

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 profit or loss during the financial period in which they are incurred.

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

Depreciation is calculated to write off the cost/valuation of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated. The rates at which items of property, plant and equipment for current and comparative periods are depreciated are as follows:

- Freehold buildings at 2.1% and 6.72% per annum on valuation.
- Plant and machinery at 6.8% per annum on cost.
- Furniture and equipment at rates varying between 10% and 33% per annum on cost.
- Motor vehicles at 25% per annum on cost.

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are recognised other operating expenses.

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.

2. **Significant Accounting Policies** (continued)

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

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

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

(f) ***Impairment of non-financial assets***

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) ***Inventories***

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

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

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

(h) ***Financial assets***

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 2(i). and 2(j)).

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

(i) ***Trade and other receivables***

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

2. Significant Accounting Policies (continued)

(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.

(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 assets, 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.

(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

2. Significant Accounting Policies (continued)

(l) Employee benefits (continued)

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

(b) Defined contribution plan (continued)

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.

(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.

2. Significant Accounting Policies (continued)

(o) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Gross turnover represents the net amounts invoiced, including excise duty, net of value added taxes.

The Company recognises revenue when the amount of the revenue can be measured reliably, it is probable that future economic benefits will flow to the entity and specific criteria have been met as follows:

(i) *Sale of goods*

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

(ii) *Sale of services*

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

(iii) *Interest income*

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

(p) *Leases*

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

(s) *Comparative Information*

Deferred tax balances have been adjusted in the comparative statement of financial position to show the deferred tax asset separately from the deferred tax liability. The impact is to increase the deferred income tax asset, the deferred income tax liability, the total non-current assets and the total non-current liabilities by $25,301. This change in comparative information was made to conform with improvements in presentation in the current year.

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.

3. **Financial Risk Management** (continued)

Financial risk factors (continued)

(i) ***Market risk*** (continued)

Foreign exchange risk (continued)

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:

	2017 **$'000**	**2016** **$'000**
Increase/(decrease) in profit before taxation		
Effect of a 5% depreciation of the TT dollar	(4,541)	(5,337)
Effect of a 5% appreciation of the TT dollar	4,541	5,337

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.

(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 $225,600,000 (2016: $153,000 and $196,400,000). The maximum limit with any one financial institution is $271,064,000 (2016: $265,355,000). Balances in excess of this limit were held temporarily for periods of no more than one week during 2017 and 2016.

(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 2017	
Trade payables and accruals	50,486,000
Amounts due to related parties/parent company	13,178,000
At 31 December 2016	
Trade payables and accruals	27,513,000
Amounts due to related parties/parent company	10,787,000

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.

3. Financial Risk Management (continued)

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.

(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 $'000	Plant and machinery $'000	Furniture and equipment $'000	Motor vehicles $'000	Capital work in progress $'000	Total $'000
Year ended 31 December 2017						
Opening net book amount	87,698	91,366	5,750	–	18,602	203,416
Additions	40	957	314	–	26,729	28,040
Transfers	854	24,256	190	–	(25,300)	–
Impairment	(83)	(603)	(15)	–	–	(701)
Depreciation charge (Note 15)	(1,830)	(15,254)	(1,697)	–	–	(18,781)
Closing net book amount	86,679	100,722	4,542	–	20,031	211,974
At 31 December 2017						
Cost/valuation	98,932	273,441	32,241	774	20,031	425,419
Accumulated depreciation	(12,253)	(172,719)	(27,699)	(774)	–	(213,445)
Net book amount	86,679	100,722	4,542	–	20,031	211,974

Capital work in progress consists of the cost to acquire new factory plant and machinery for upgrade of tobacco stem line and replacement of the factory roof. These projects are currently ongoing.

	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 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)

	2017 $'000	2016 $'000
(a) Revaluation surplus		
At beginning of the year	48,194	48,893
Depreciation transfer on buildings - net of tax	(699)	(699)
At end of the year	47,495	48,194

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

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

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

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value measurements as at 31 December 2017 using:

	Quoted prices in active markets for identical assets (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Recurring fair value measurements			
Land	–	–	30,350
Buildings	–	–	56,329

	Fair value hierarchy	Fair value as at January 1, 2017 $'000	Additions/ disposals $'000	Depreciation/ impairment $'000	Transfers from capital work in progress $'000	Fair value carried forward $'000
Land	Level 3	30,350	–	–	–	30,350
Buildings	Level 3	57,348	(43)	(1,830)	854	56,329
		87,698	(43)	(1,830)	854	86,679

5. Property, Plant and Equipment (continued)

(a) Revaluation surplus (continued)

Fair value measurements as at 31 December 2016 using:

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

	Fair value hierarchy	Fair value as at January 1, 2016 $'000	Additions/ disposals $'000	Depreciation/ impairment $'000	Transfers from capital work in progress $'000	Fair value carried forward $'000
Land	Level 3	30,350	–	–	–	30,350
Buildings	Level 3	58,833	–	(1,823)	338	57,348
		89,183	–	(1,823)	338	87,698

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.

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

	2017 $'000	2016 $'000
Cost	32,123	31,372
Accumulated depreciation	(11,450)	(10,678)
Net book amount	20,673	20,694

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

	2017	2016
Amount included in cost of sales	16,832	16,111
Amount included in other operating expenses	1,949	2,182
	18,781	18,293

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%.

	2017	2016
Deferred income tax asset		
– Retirement benefit obligation (Note 6(a))	19,540	23,930
– Post-retirement medical obligation	1,131	1,371
Deferred income tax asset	20,671	25,301
Deferred income tax liability		
– Revaluation on buildings	6,901	7,200
– Accelerated tax depreciation	26,740	23,365
Deferred income tax liability	33,641	30,565
Net deferred income tax liability	12,970	5,264

6. Deferred Income Tax (continued)

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

	2017 $'000	2016 $'000
Retirement benefit obligation, excluding deferred lumpsum contribution	16,151	19,659
Deferred lumpsum contribution	3,389	4,271
	19,540	23,930

(b) The movement in the net deferred income tax position 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 2017					
Balance at beginning of year	7,200	23,365	(23,930)	(1,371)	5,264
(Credit) charge to profit or loss (Note 16)	(299)	3,375	(105)	73	3,044
Tax on actuarial gains recognised in OCI	–	–	4,495	167	4,662
Balance at end of year	6,901	26,740	(19,540)	(1,131)	12,970

	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

7. Inventories

	2017 $'000	2016 $'000
Raw materials	20,792	21,057
Goods in transit	8,859	6,702
Supplies and sundries	2,826	4,122
Finished goods	11,508	10,696
Inventories in process	766	1,026
	44,751	43,603

The cost of inventories recognised as expense and included in "cost of sales" amounted to $117,954,389 (2016: $129,090,998).

A provision was made against supplies and sundries in the amount of $9,063,170 (2016: $8,156,963) relating to spares.

8. Financial Instruments

a) Financial instruments by category and currency

	TTD $'000	USD $'000	Euro $'000	GBP $'000	Total $'000
As at 31 December 2017					
Financial assets					
Trade receivables	59,896	–	–	–	59,896
Due from related parties	2,096	9,253	–	1,434	12,783
Cash and cash equivalents	129,346	105,309	–	–	234,655
	191,338	114,562	–	1,434	307,334
Financial liabilities					
Trade payables and accruals	34,430	1,178	9,394	5,484	50,486
Due to related parties	3,291	5,032	335	1,902	10,560
Due to parent company	2,618	–	–	–	2,618
	40,339	6,210	9,729	7,386	63,664

8. Financial Instruments (continued)

a) *Financial instruments by category and currency* (continued)

	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	–	11,235	–	–	11,235
Cash and cash equivalents	157,606	111,877	–	–	269,483
	214,453	123,112	–	–	337,565
Financial liabilities					
Trade payables and accruals	22,160	3,550	805	998	27,513
Due to related parties	1,040	1,575	–	5,837	8,452
Due to parent company	–	–	–	2,335	2,335
	23,200	5,125	805	9,170	38,300

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 2017			
Trade receivables	59,896	–	59,896
Due from related parties	12,783	–	12,783
Cash at bank	234,655	–	234,655
	307,334	–	307,334
As at 31 December 2016			
Trade receivables	56,847	–	56,847
Due from related parties	11,235	–	11,235
Cash at bank	269,483	–	269,483
	337,565	–	337,565

The Company does not hold any collateral as security.

8. Financial Instruments (continued)

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 6 months old) with minimal defaults in the past;
- Cash and cash equivalents are held with reputable financial institutions.

9. Trade and Other Receivables

	2017 $'000	2016 $'000
Trade receivables	59,896	56,847
Prepayments	12,440	24,996
Receivables from related parties: (Note 19)		
- trade	9,726	9,961
- other	3,057	1,274
	85,119	93,078

10. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank	226,659	198,003
Short-term deposits	–	50,092
Cash in hand and in transit	7,996	21,388
	234,655	269,483

The effective interest rate on short term deposits was 0.75% (2016: 0.75%). These deposits have an average maturity of 3 months or less.

11. Share Capital

Authorised
An unlimited number of ordinary shares of no par value

	2017	2016
Issued and fully paid		
84,240,000 ordinary shares of no par value	42,120	42,120

12. Pensions and Other Post Retirement Obligations

	2017 $'000	2016 $'000
Statement of Financial Position:		
Retirement benefit obligation	(53,834)	(65,530)
Post-employment medical benefit obligation	(3,771)	(4,571)
Liability in the statement of financial position	(57,605)	(70,101)

(i) Retirement benefits

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

	2017 $'000	2016 $'000
Fair value of plan assets	203,382	197,525
Present value of funded pension obligation	(256,820)	(262,620)
Deficit of funded plans	(53,438)	(65,095)
Present value of unfunded pension obligation	(396)	(435)
Liability in the statement of financial position	(53,834)	(65,530)
Net interest cost	4,061	3,503
Current service cost	4,030	5,681
Net pension expense	8,091	9,184
Remeasurements:		
From plan assets	(82)	(3,396)
From obligation – funded	15,063	26,269
From obligation – unfunded	2	13
Remeasurement of net asset	14,983	22,886
Reconciliation of movements in the statement of financial position:		
Net liability recognised as at 1 January	(65,530)	(83,369)
Net pension expense	(8,091)	(9,184)
Remeasurement of net asset	14,983	22,886
Employer contributions	4,804	4,137
Net liability recognised as at 31 December	(53,834)	(65,530)

	2017 $'000	2016 $'000
Changes in fair value of plan assets:		
Fair value of plan assets as at 1 January	197,525	196,812
Actual return on plan assets:		
– interest income	9,188	7,799
– remeasurement recognised in OCI	(82)	(3,396)
Company contributions	4,804	4,137
Employee contributions	934	1,236
Benefit payments	(8,987)	(9,063)
Fair value of plan assets as at 31 December	203,382	197,525
Changes in present value of the obligation (funded and unfunded):		
Present value of obligation as at 1 January	(263,055)	(280,181)
Interest cost	(13,249)	(11,302)
Current service cost – employer	(4,030)	(5,681)
Current service cost – employee	(934)	(1,236)
Benefit payments	8,987	9,063
Remeasurement recognised in OCI:		
– financial assumption changes	–	32,714
– experience	15,065	(6,432)
Present value of obligation as at 31 December	(257,216)	(263,055)

The principal actuarial assumptions were as follows:

	2017 Per annum	2016 Per annum
Discount rate	5.00%	5.00%
Future salary increases	5.00%	5.00%
Future pension increases	3.00%	3.00%
Mortality	NISTT2012	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 2018 are $4,419,750.

Plan assets comprise the following:

	2017			2016		
		$'000	%		$'000	%
Equity investments						
Local	52,845			53,485		
Foreign	39,291	92,136	45%	36,120	89,605	45
Debt instruments						
Local	63,065			71,188		
Foreign	27,781	90,846	45%	25,088	96,276	49
Property						
Local		5,261	3%		296	–
Other						
Local		15,139	7%		11,348	6
		203,382	100		197,525	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.

12. Pensions and Other Post Retirement Obligations (continued)

(ii) Post employment medical benefit obligation

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

	2017 $'000	2016 $'000
Unfunded post-retirement health care obligation	3,771	4,571

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

	2017	2016
Interest cost	273	211
Current service cost	35	46
Post-retirement health care expense	308	257
Remeasurements recognised in other comprehensive income:		
From obligations	558	663

Reconciliation of movements in statement of financial position:

	2017	2016
Net liability recognised as at 1 January	(4,571)	(5,472)
Net expense	(308)	(257)
Remeasurement of net liability	558	663
Employer premiums for existing retirees /clinic cost	550	495
Net liability recognised as at 31 December	(3,771)	(4,571)

Changes in present value of the obligation:

	2017	2016
Present value of obligation as at 1 January	(4,571)	(5,472)
Interest cost	(273)	(211)
Current service cost	(35)	(46)
Employer premiums for existing retirees /clinic cost	550	495
Remeasurement recognised in OCI:		
– experience	558	663
Present value of obligation as at 31 December	(3,771)	(4,571)

The principal actuarial assumptions were as follows:

	2017	2016
Discount rate	5.00%	5.00%
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 2018 are $473,000.

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

	Increase $'000	Decrease $'000
Effect on the aggregate of the current service cost and interest cost	15	(11)
Effect on the defined benefit obligation	510	(402)

(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 17.9 years.

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

12. Pensions and Other Post Retirement Obligations (continued)

(iii) Defined benefit pension plan: (continued)

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

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

The Company has taken measures to reduce the pension plan deficit and to date there has been lumpsum injections totalling $31.4m 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 7.3%	Increase by 8.3%
Salary growth rate:	0.50%	Increase by 2.4%	Decrease by 2.2%
Pension growth rate:	0.25%	Increase by 2.5%	Decrease by 2.4%

As at 31 December 2017, 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 $18,802,000 lower or $21,444,000 higher (2016: $19,961,000 lower or $22,811,000 higher).

	Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy:	Increase by 3.1%	Decrease by 3.2%

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

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

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

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

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government bond yields (Trinidad and Tobago does not have a deep or liquid market in Government or corporate debt); if plan assets underperform this yield, this will create a deficit. The plan holds a portion of assets in equities (approximately 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.

12. Pensions and Other Post Retirement Obligations (continued)

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

Inflation risk

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

13. Trade and Other Payables

	2017 $'000	2016 $'000
Trade payables and accruals	50,486	27,513
Statutory liabilities	34,277	54,424
Due to related parties (Note 19)		
– trade	6,982	4,305
– other	3,578	4,147
	95,323	90,389

14. Gross Turnover

	2017 $'000	2016 $'000
Gross turnover	1,085,723	1,236,943
Less excise	(218,074)	(218,578)
Revenue	867,649	1,018,365

15. Expenses by Nature

	2017 $'000	2016 $'000
Raw materials and consumables used	117,954	129,091
Technical and advisory services	33,724	32,368
Employee benefit expense (Note 15(a))	57,911	59,874
Other expenses	42,750	39,708
Royalties	32,486	41,397
Depreciation (Note 5)	18,781	18,293
Brand support expenses	12,870	12,276
Travel and related expenses	2,142	1,871
Corporate social investments	750	907
Changes in inventories of finished goods and work in progress	657	(5,179)
Directors remuneration	376	381
Net foreign exchange gains	(1,229)	(5,399)
Total cost of sales, distribution costs, administrative expenses and other operating expenses	319,172	325,588

(a) Employee benefit expense

	2017 $'000	2016 $'000
Wages and salaries and other termination benefits	40,471	43,592
Other benefits	8,191	5,991
Pension costs:		
– defined benefit plan (Note 12)	8,091	9,184
– defined contribution plan	850	850
Post-employment medical benefits (Note 12)	308	257
	57,911	59,874

Number of employees as at year end 182 (2016: 186).

16. Taxation

	2017 $'000	2016 $'000
Corporation tax:		
– current year	167,014	175,598
– adjustment to prior year's estimates	(604)	701
Deferred income tax (Note 6)	3,044	1,862
	169,454	178,161

The tax on profit before taxation differs from the theoretical amount that would arise using the statutory tax rate of 25% on the first $1,000,000 and 30% thereafter (2016 – 25%) as follows:

	2017 $'000	2016 $'000
Profit before taxation	549,672	693,656
Tax calculated at at 30% / 25% (2016)	164,850	173,413
Expenses not deductible for tax	5,219	3,366
Effect of increase in tax rate	–	733
Income/allowances not subject to tax	(11)	(52)
Corporation tax – adjustment to prior year's estimates	(604)	701
	169,454	178,161

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.

	2017	2016
Profit for the year attributable to equity holders ($'000)	380,218	515,495
Number of ordinary shares in issue ('000)	84,240	84,240
Basic earnings per share	$4.51	$6.12

18. Dividends Paid on Ordinary Shares

	2017 $'000	2016 $'000
Final dividend – prior year	183,643	183,643
First interim dividend	64,022	84,240
Second interim dividend	88,452	106,142
Third interim dividend	96,034	121,306
	432,151	495,331

A final dividend in respect of 2017 of $1.46 cents per share (2016: $2.18 cents per share) amounting to $122,990,400 (2016: $183,643,200) is to be proposed at the Annual Meeting to be held on 06 April 2018. If approved, the total dividend for the year will be $4.41, 25% lower than the dividend distribution of $5.88 with respect to 2016.

The Company's Bye-Laws allow for the forfeiture of dividends unclaimed after a period of twelve (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 2014 were written back to the retained earnings in equity. The next review is scheduled to take place in 2018.

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:

	2017 $'000	2016 $'000
(a) Sale of goods and services		
Sale of goods – related parties	95,299	109,909
(b) Purchases of goods and services		
Purchases of goods – related parties	49,406	60,936
Purchases of services – related parties	55,957	34,573
Purchases of services – parent company	25,938	56,731

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.

	2017 $'000	2016 $'000
(c) *Key management compensation*		
Salaries and other short-term employee benefits	5,551	5,907
Post-retirement medical obligations	3	4
Post-retirement benefits	752	1,188
(d) Receivable from related parties (Note 9)	12,783	11,235
Payable to related parties (Note 13)	10,560	8,452
Payable to parent company	2,618	2,335

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 (2016: 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

	2017 $'000	2016 $'000
Customs and immigration bonds	16,900	15,900

21. Commitments

	2017 $'000	2016 $'000
(a) *Capital commitments*		
Authorised and contracted for, and not provided for in the financial statements.	9,558	3,684

(b) *Operating lease commitments*

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

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

	2017 $'000	2016 $'000
No later than one year	2,002	1,895
Later than one year and no later than five years	3,474	2,018
	5,476	3,913

Operating lease expenses incurred in 2017 amounted to $2,217,166 (2016: $1,944,181).

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.

22. Segment Information (continued)

Primary reporting format – geographical segment

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

The segment results for the year are as follows:

	Domestic TT$'000	CARICOM TT$'000	Unallocated TT$'000	Total TT$'000
Year ended 31 December 2017				
Revenue	772,350	95,299	–	867,649
Gross profit	655,867	6,654	–	662,521
Profit or loss for the year includes:				
Depreciation	–	–	(18,781)	(18,781)
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)
Total segment assets				
31 December 2017	95,978	33,892	474,489	604,359
31 December 2016	102,739	33,942	504,785	641,466

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 2017	–	–	28,040	28,040
31 December 2016	–	–	25,084	25,084

23. Subsequent events

There are no subsequent events occurring after the statement of financial position date and before the date of approval of these financial statements by the Board of Directors that require adjustment to or disclosure in these financial statements.

Management Proxy Circular

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 Thirteenth 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 6 April 2018 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 2018	Danielle F Chow Secretary and Authorised Signatory The West Indian Tobacco Company Limited	Danielle Chow

Notes

WEST INDIAN
TOBACCO

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 Thirteenth 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 6 April 2018 at 10.30 am.

3 I/We ____
(BLOCK LETTERS PLEASE)

of ____

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

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

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 2017 together with the Reports of the Directors and Auditors thereon.		
2	To declare a Final Dividend for the financial year ended 31 December 2017.		
3	To re-elect Mrs Danielle F Chow who retires in accordance with paragraph 4.7:5 of Bye-Law No. 1 of the Company, as a Director of the Company in accordance with paragraph 4.7:7 of Bye-Law No. 1 for a term from the date of her election until the close of the third Annual Meeting of the Company following her election or until her retirement in accordance with paragraph 4.7:5.		
4	To re-elect Mr 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.		

Proxy Form (CONTINUED)

RESOLUTION		**FOR**	**AGAINST**
6	To elect Mrs Maria G Rincon Bravo 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 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.		
7	To elect Mr Claudio C Wulf a Director of the Company in accordance with paragraph 4.3 of Bye-Law No. 1 of the Company for a term from the date of his election until the close of the third Annual Meeting of the Company following his election or until his retirement In accordance with paragraph 4.7:5.		
8	To 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* ____________ *2018.*

NOTES:

1. *A shareholder may appoint a proxy of his/her own choice. If such an appointment is made, delete the words "the Chairman of the Meeting" from the Proxy Form and insert the name and address of the person appointed proxy in the space provided and initial the alteration.*
2. *If the appointor is a corporation, this Proxy Form must be under its common seal or under the hand of an officer of the corporation or attorney duly authorised in that behalf.*
3. *A shareholder who is a body corporate may, in lieu of appointing a proxy, authorise an individual by resolution of its directors or governing body to represent it at this Annual Meeting.*
4. *In the case of joint shareholders, the names of all joint shareholders must be stated on the Proxy Form and all joint shareholders must sign the Proxy Form.*
5. *If the Proxy Form is returned without any indication as to how the person-appointed proxy shall vote, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.*
6. *To be valid, this Proxy Form must be completed and deposited with the Secretary of the Company at the Registered Office of the Company at the address below at least 48 hours before the time appointed for the Annual Meeting.*

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

A member of the British American Tobacco Group