

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



CHAIRMAN'S REVIEW

I am pleased to report that West Indian Tobacco has recorded Profit Before Taxation of \$587.3 million for the year ended 31 December 2018, representing an increase of 6.9% over the corresponding period in 2017. Profit for the year is \$405.1 million, reflecting an increase of 6.5% over 2017.

Total Comprehensive Income of \$422.5 million shows an increase of 8% over that of 2017, mainly impacted by the gain of \$15 million on revaluation of Land & Building and the actuarial gain of \$2.4 million on the remeasurement of retirement and post-employment benefit obligations.

Directors will recommend to shareholders a final dividend of \$1.47 per ordinary share at the Annual Meeting on 05 April 2019. This, when added to the \$3.13 in dividends already paid in 2018, will result in a total dividend payment of \$4.60 per share for 2018 and based on the share price at 31 December 2018, this represents a 4.8% dividend yield.

If approved, the final dividend will be paid on 07 May 2019 to shareholders of record at close of business on 17 April 2019. The Register of Shareholders will be closed on 18 and 23 April 2019 for the processing of transfers.

Anthony E Phillip
Chairman
February 22, 2019

CONDENSED STATEMENT OF FINANCIAL POSITION

	AUDITED 31.12.18 TT\$'000	AUDITED 31.12.17 TT\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	238,252	211,974
Deferred income tax asset	19,354	20,671
	<u>257,606</u>	<u>232,645</u>
Current assets		
Inventories	48,707	44,751
Trade and other receivables	74,469	85,119
Taxation recoverable	7,189	7,189
Cash and cash equivalents	284,870	234,655
	<u>415,235</u>	<u>371,714</u>
Total assets	<u>672,841</u>	<u>604,359</u>
EQUITY		
Share capital	42,120	42,120
Revaluation surplus	61,786	47,495
Retained earnings	309,771	288,210
Total equity	<u>413,677</u>	<u>377,825</u>
LIABILITIES		
Non-current liabilities		
Deferred income tax liability	37,465	33,641
Retirement benefit obligation	52,963	53,834
Post-employment medical benefit obligation	3,192	3,771
	<u>93,620</u>	<u>91,246</u>
Current liabilities		
Trade and other payables	107,993	95,323
Due to parent company	3,753	2,618
Dividends payable	40,692	35,390
Taxation payable	13,106	1,957
	<u>165,544</u>	<u>135,288</u>
Total liabilities	<u>259,164</u>	<u>226,534</u>
Total equity and liabilities	<u>672,841</u>	<u>604,359</u>

Anthony E Phillip
Chairman

Jean-Pierre S du Coudray
Managing Director

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED Three Months Ended 31.12.18 TT\$'000	UNAUDITED Three Months Ended 31.12.17 TT\$'000	AUDITED Year Ended 31.12.18 TT\$'000	AUDITED Year Ended 31.12.17 TT\$'000
Revenue	231,432	239,944	919,644	867,649
Cost of sales	(53,654)	(53,158)	(208,628)	(205,128)
Gross profit	177,778	186,786	711,016	662,521
Distribution costs	(3,781)	(2,816)	(22,428)	(12,695)
Administrative expenses	(21,966)	(17,881)	(79,760)	(67,285)
Other operating expenses	(4,009)	(14,957)	(23,692)	(34,064)
Impairment (loss) on trade receivables	(26)	–	(26)	–
Operating profit	147,996	151,132	585,110	548,477
Interest income	642	299	2,200	1,195
Profit before taxation	148,638	151,431	587,310	549,672
Taxation	(46,821)	(46,863)	(182,214)	(169,454)
Profit for the period	101,817	104,568	405,096	380,218
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Gains on revaluation of property, plant and equipment – net of tax	14,990	–	14,990	–
Remeasurement of retirement and post-employment benefit obligations – net of tax	2,423	10,834	2,428	10,879
Other comprehensive income – net of tax	17,413	10,834	17,418	10,879
Total comprehensive income for the period	119,230	115,402	422,514	391,097
Earnings per ordinary share	\$1.21	\$1.24	\$4.81	\$4.51

CONDENSED STATEMENT OF CASH FLOWS

	AUDITED Year Ended 31.12.18 TT\$'000	AUDITED Year Ended 31.12.17 TT\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	587,310	549,672
Adjustments for:		
Depreciation	10,074	18,781
Loss on disposal of property, plant and equipment	1,436	701
Net increase in retirement and other post-employment benefit obligations excluding actuarial losses	2,019	3,045
Interest income	(2,200)	(1,195)
Operating profit before working capital changes	598,639	571,004
Changes in working capital:		
Increase in inventories	(3,956)	(1,148)
Decrease in trade and other receivables	10,650	7,959
Increase in trade and other payables	12,671	4,934
Increase in due to parent company	1,135	283
Cash generated from operating activities	619,139	583,032
Taxation paid	(172,078)	(165,057)
Net cash from operating activities	447,061	417,975
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(17,683)	(28,040)
Interest received	2,200	1,195
Net cash used in investing activities	(15,483)	(26,845)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(381,363)	(425,958)
Net increase/(decrease) in cash and cash equivalents	50,215	(34,828)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	234,655	269,483
CASH AND CASH EQUIVALENTS AT END OF YEAR	284,870	234,655
Represented by:		
Cash at bank and in hand	284,870	234,655
	<u>284,870</u>	<u>234,655</u>

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FOR THE YEAR ENDED 31 DECEMBER 2018



CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Revaluation Surplus	Retained Earnings	Shareholders' Equity
	TT\$'000	TT\$'000	TT\$'000	TT\$'000
Audited year ended 31 December 2018				
Balance at 1 January 2018	42,120	47,495	288,210	377,825
Comprehensive income				
Profit for the year	–	–	405,096	405,096
Other comprehensive income				
Remeasurement of retirement and post-employment benefit obligations – net of tax	–	–	2,428	2,428
Gain on revaluation of land and building – net of tax	–	14,990	–	14,990
Depreciation transfer on buildings – net of tax	–	(699)	699	–
Transactions with owners				
Dividends	–	–	(386,662)	(386,662)
Balance at 31 December 2018	42,120	61,786	309,771	413,677
Audited 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	–	–	(432,151)	(432,151)
Balance at 31 December 2017	42,120	47,495	288,210	377,825

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Note 1: General Information

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

The principal business activities of the Company are the manufacture and sale of cigarettes.

Note 2: Basis of Preparation

This condensed consolidated financial information for the year ended 31 December 2018, has been prepared in accordance with International Accounting Standard 34 (IAS34), 'Interim Financial Reporting' as well as the requirements of the Securities Act 2012 which goes beyond IAS 34. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Note 3: Significant Accounting Policies

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

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements with the exception of taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Note 4: Segment Information

Primary reporting format – geographical segment

	Domestic	CARICOM	Unallocated	Total
	TT\$'000	TT\$'000	TT\$'000	TT\$'000
Year ended 31 December 2018				
Revenue	817,027	102,617	–	919,644
Gross Profit	696,765	14,251	–	711,016
Profit for the year includes:				
– Depreciation	–	–	(10,074)	(10,074)
Year ended 31 December 2017				
Revenue	772,350	95,299	–	867,649
Gross Profit	655,867	6,654	–	662,521
Profit for the year includes:				
– Depreciation	–	–	(18,781)	(18,781)
Total Segment assets				
31 December 2018	90,458	32,718	549,665	672,841
31 December 2017	95,978	33,892	474,489	604,359
Total segment assets include additions to property, plant and equipment as follows:				
31 December 2018	–	–	17,683	17,683
31 December 2017	–	–	28,040	28,040

The Company is organised and managed on the basis of two geographic regions, namely the Domestic market and the Caricom market. These are the reportable segments for the Company as they form the focus of the Company's internal reporting systems and are the basis used by the Managing Director and the local management team, as the chief operating decision makers, for assessing performance and allocating resources.

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

The prices agreed between 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.

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.

	31.12.18	31.12.17
	TT\$'000	TT\$'000
Note 5: Related Party Transactions		
Sale of Goods and Services:		
Sale of Goods - Related Parties	102,617	95,299
Purchase of Goods and Services:		
Purchase of Goods - Related Parties	47,662	49,406
Purchase of Services - Related Parties	66,519	55,957
Purchase of Services - Parent Company	32,576	25,938
Year end balances arising from sales/purchases of goods and services:		
Receivables from Related Parties	15,440	12,783
Payables to Related Parties	7,152	10,560
Payables to Parent Company	3,753	2,618
Key Management Compensation		
Salaries and other short-term employee benefits	6,112	5,551
Post-retirement medical obligations	3	3
Post-retirement benefits	806	752
Note 6: Capital Commitments		
Authorised and contracted for, and not provided for in the financial statements	3,446	9,558
Note 7: Contingent Liabilities		
Customs and immigration Bonds	16,400	16,900
Note 8: Dividends Paid On Ordinary Shares		
Final dividend – prior year	122,990	183,643
First interim dividend	69,077	64,022
Second interim dividend	96,034	88,452
Third interim dividend	98,561	96,034
	386,662	432,151