

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



CHAIRMAN'S REVIEW

I am pleased to report that West Indian Tobacco has recorded Profit Before Taxation of \$607.8 million for the Year ended 31 December 2019, a 3.5% improvement over the same period last year and Total Comprehensive Income of \$426.8 million.

This improved business performance was achieved through the Company's balanced portfolio targeting consumers in each segment of the market, continued focus on innovation and ongoing review of cost-saving opportunities. There was notable improvement in efficiencies and productivity in our Manufacturing Operations. Competition from the growing list of suspected illicit trade and low-price offerings continue to engage the industry, as a matter of concern.

Owing to the necessary safeguards put in place by the Government of Trinidad and Tobago arising out of the Covid-19 pandemic, the Annual Meeting was postponed from the planned date of 27 March 2020.

In these circumstances, the Board of Directors of the West Indian Tobacco Company Limited ("the Company") has approved the payment of a fourth interim dividend of \$0.40 per ordinary share payable on 13 May 2020 to shareholders on record at the close of business on 24 April 2020. The Register of Shareholders will be closed on 27 and 28 April 2020 for the processing of transfers. The 3-for-1 share split having been effected on 28 November 2019, the dividend per share is calculated on the increased number of shares in issue.

A final dividend of \$0.11 per ordinary share, once approved by shareholders, when added to the \$1.06 already paid in 2019 together with this fourth interim dividend of \$0.40, will achieve an overall dividend payment of \$1.57 per ordinary share for the fiscal year ended 31 December 2019. Based on the share price as at 31 December 2019, this maintains a dividend yield of 4% year on year. The final dividend will be paid after approval by shareholders at the Annual Meeting which will be held at a date to be determined.

Anthony E Phillip
Chairman
5 April 2020

CONDENSED STATEMENT OF FINANCIAL POSITION

	AUDITED 31.12.19	AUDITED 31.12.18
	TT\$'000	TT\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	248,485	238,252
Deferred income tax asset	13,294	19,354
	<u>261,779</u>	<u>257,606</u>
Current assets		
Inventories	36,627	48,707
Trade and other receivables	79,893	74,469
Taxation recoverable	5,071	7,189
Cash and cash equivalents	300,018	284,870
	<u>421,609</u>	<u>415,235</u>
Total assets	<u>683,388</u>	<u>672,841</u>
EQUITY		
Share capital	42,120	42,120
Revaluation surplus	60,836	61,786
Retained earnings	348,298	309,771
Total equity	<u>451,254</u>	<u>413,677</u>
LIABILITIES		
Non-current liabilities		
Deferred income tax liability	40,281	37,465
Retirement benefit obligation	37,161	52,963
Post-employment medical benefit obligation	3,652	3,192
Lease Liabilities	2,953	-
	<u>84,047</u>	<u>93,620</u>
Current liabilities		
Trade and other payables	99,348	107,993
Due to parent company	7,345	3,753
Dividends payable	38,816	40,692
Taxation payable	1,953	13,106
Lease Liabilities	625	-
	<u>148,087</u>	<u>165,544</u>
Total liabilities	<u>232,134</u>	<u>259,164</u>
Total equity and liabilities	<u>683,388</u>	<u>672,841</u>

Anthony E Phillip
Chairman

Jean-Pierre S du Coudray
Managing Director

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED Three Months Ended 31.12.19	UNAUDITED Three Months Ended 31.12.18	AUDITED Year Ended 31.12.19	AUDITED Year Ended 31.12.18
	TT\$'000	TT\$'000	TT\$'000	TT\$'000
Revenue	232,810	231,432	935,365	919,644
Cost of sales	(49,414)	(53,654)	(206,990)	(208,628)
Gross profit	183,396	177,778	728,375	711,016
Distribution costs	(3,682)	(3,781)	(14,354)	(22,428)
Administrative expenses	(22,443)	(21,966)	(83,072)	(79,760)
Other operating expenses	(3,115)	(4,035)	(25,627)	(23,718)
Operating profit	154,156	147,996	605,322	585,110
Finance income	609	642	2,961	2,200
Finance Costs	(130)	-	(521)	-
Profit before taxation	154,635	148,638	607,762	587,310
Taxation	(51,610)	(46,821)	(189,526)	(182,214)
Profit for the period	103,025	101,817	418,236	405,096
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Remeasurement of retirement and post-employment benefit obligations-net of tax	8,542	2,423	8,537	2,428
Gains on revaluation of property plant and equipment-net of tax	-	14,990	-	14,990
Other comprehensive income - net of tax	8,542	17,413	8,537	17,418
Total comprehensive income for the year	111,567	119,230	426,773	422,514
Profit attributable to				
Controlling interest	51,644	51,039	209,652	203,066
Non-controlling interest	51,381	50,778	208,584	202,030
	<u>103,025</u>	<u>101,817</u>	<u>418,236</u>	<u>405,096</u>
Total comprehensive income attributable to:				
Controlling interest	55,926	59,767	213,932	211,797
Non-controlling interest	55,641	59,463	212,841	210,717
	<u>111,567</u>	<u>119,230</u>	<u>426,773</u>	<u>422,514</u>
Earnings per ordinary share	\$0.41	\$0.40	\$1.65	\$1.60
Dividends per ordinary share	\$0.39	\$0.39	\$1.57	\$1.53

CONDENSED STATEMENT OF CASH FLOWS

	AUDITED Year Ended 31.12.19	AUDITED Year Ended 31.12.18
	TT\$'000	TT\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	607,762	587,310
Adjustments for:		
Depreciation	11,385	10,074
Loss on disposal of property, plant and equipment	353	1,436
Net (decrease)/increase in retirement and other post-employment benefit obligations excluding actuarial losses	(2,517)	2,019
Interest income	(2,961)	(2,200)
Interest expense	521	-
Operating profit before working capital changes	614,543	598,639
Changes in working capital:		
Decrease/(increase) in inventories	12,080	(3,956)
(Increase)/decrease in trade and other receivables	(5,424)	10,650
(Decrease)/Increase in trade and other payables	(8,645)	12,671
Increase in due to parent company	3,592	1,135
Cash generated from operating activities	616,146	619,139
Tax refund received	1,905	-
Taxation paid	(195,879)	(172,078)
Net cash from operating activities	422,172	447,061
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,340)	(17,683)
Interest received	2,961	2,200
Net cash used in investing activities	(13,379)	(15,483)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(391,071)	(381,363)
Lease Payments	(2,574)	-
Net Cash Used In Financing Activities	(393,645)	(381,363)
Net Increase in Cash & Cash Equivalents	15,148	50,215
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	284,870	234,655
CASH AND CASH EQUIVALENTS AT END OF YEAR	300,018	284,870
Represented by:		
Cash at bank and in hand	300,018	284,870
	<u>300,018</u>	<u>284,870</u>

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FOR THE YEAR ENDED 31 DECEMBER 2019



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 2019				
Balance at 1 January 2019	42,120	61,786	309,771	413,677
Comprehensive income				
Profit for the year	-	-	418,236	418,236
Other comprehensive income				
Remeasurement of retirement and post-employment benefit obligations - net of tax	-	-	8,537	8,537
Depreciation transfer on buildings - net of tax	-	(950)	950	-
Transactions with owners				
Dividends	-	-	(390,873)	(390,873)
Write back of unclaimed dividends	-	-	1,677	1,677
Balance at 31 December 2019	42,120	60,836	348,298	451,254
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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, 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 interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, 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 2019, 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 2019				
Revenue	832,642	102,723	-	935,365
Gross Profit	716,077	12,298	-	728,375
Profit for the year includes:				
- Depreciation			(11,385)	(11,385)
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)
Total Segment assets				
31 December 2019	85,969	30,551	566,868	683,388
31 December 2018	90,458	32,718	549,665	672,841
Total segment assets include additions to property, plant and equipment as follows:				
31 December 2019	-	-	21,971	21,971
31 December 2018	-	-	17,683	17,683

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.

Note 5: Initial Application of IFRS 16 Leases

As of 1 January 2019, IFRS 16, "Leases", amended the recognition of lease contracts so that the rent payments for the remaining term of the lease period are recognised in the statement of financial position at their present value as both assets and liabilities, and period rent expenses are not recognised in income statement, instead of that the depreciation and interest expense are recognised in the income statement. The company has applied IFRS 16 Leases and has not restated prior periods as allowed by the Standard. The company has recognised the present value of the remaining lease payments as the lease liabilities (Non Current \$2.9 million and Current \$0.6 million) and right-of-use assets (\$4.5 million) for material leases previously classified as operating leases. On initial application, the company applied the incremental borrowing rate of 9.25% on the lease liability.

	31.12.19	31.12.18
	TT\$'000	TT\$'000
Note 6: Related Party Transactions		
Sale of Goods - Related Parties	102,723	102,617
Purchase of Goods and Services:		
Purchase of Goods - Related Parties	50,682	47,662
Purchase of Services - Related Parties	65,588	66,519
Purchase of Services - Parent Company	37,059	32,576
Year-end balances arising from sales/purchases of goods and services:		
Receivables from Related Parties	24,212	15,440
Payables to Related Parties	27,193	7,152
Payables to Parent Company	7,345	3,753
Key Management Compensation		
Salaries and other short-term employee benefits	7,097	6,112
Post-retirement medical obligations	1	3
Post-retirement benefits	462	806
Note 7: Capital Commitments		
Authorised and contracted for, and not provided for in the financial statements	10,076	3,446
Note 8: Contingent Liabilities		
Customs Bonds	16,937	16,400
Note 9: Dividends Paid On Ordinary Shares		
Final dividend – prior year	123,833	122,990
First interim dividend	69,919	69,077
Second interim dividend	97,718	96,034
Third interim dividend	99,403	98,561
	<u>390,873</u>	<u>386,662</u>

The Directors have recommended a fourth interim dividend of \$0.40 and the final dividend of \$0.11 per ordinary share which will total \$0.51 (2018: \$0.49 cents per share) amounting to \$128,887,200 (2018: \$123,832,800). The total dividend for the year will be \$1.57, an increase of 2.6% compared to dividend distribution of \$1.53 with respect to 2018.