

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019



CHAIRMAN'S REVIEW

I am pleased to report that West Indian Tobacco has recorded Profit Before Taxation of \$300.9 million for the six month period ended 30 June 2019, representing an increase of \$17.2 million or 6.1% over the corresponding period in 2018. Profit for the period is \$210.2 million reflecting an increase of \$16.5 million or 8.5% over comparative 2018.

Contributors to our continued performance include innovation to maintain the relevance of our Brands, constant review of cost saving opportunities and efficiencies in our Manufacturing Operations. Our commitment to safety is substantiated by our recent celebration of 1000 days with no Lost Time Injury.

The Board has accordingly approved the payment of a second interim dividend of \$1.16 per ordinary share payable on 21 August 2019 to shareholders of record at close of business on 02 August 2019. The Register of Shareholders will be closed on 05 and 06 August 2019 for the processing of transfers.

Following the shareholders' approval of the share split in October 2018, applications for all regulatory requirements were made and we await the final approval to implement.

Anthony E Phillip
Chairman
19 July 2019

CONDENSED STATEMENT OF FINANCIAL POSITION

	UNAUDITED 30.06.19 TT\$'000	UNAUDITED 30.06.18 TT\$'000	AUDITED 31.12.18 TT\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	246,130	213,375	238,252
Deferred income tax asset	19,845	19,951	19,354
	<u>265,975</u>	<u>233,326</u>	<u>257,606</u>
Current assets			
Inventories	34,337	30,098	48,707
Trade and other receivables	100,269	83,454	74,469
Taxation recoverable	7,189	7,189	7,189
Cash and cash equivalents	256,868	279,223	284,870
	<u>398,663</u>	<u>399,964</u>	<u>415,235</u>
Total assets	<u>664,638</u>	<u>633,290</u>	<u>672,841</u>
EQUITY			
Share capital	42,120	42,120	42,120
Revaluation surplus	61,312	47,146	61,786
Retained earnings	326,651	290,215	309,771
Total equity	<u>430,083</u>	<u>379,481</u>	<u>413,677</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	39,881	34,395	37,465
Retirement benefit obligation	49,593	54,501	52,963
Post-employment medical benefit obligation	3,040	3,642	3,192
	<u>92,514</u>	<u>92,538</u>	<u>93,620</u>
Current liabilities			
Trade and other payables	96,374	108,488	107,993
Due to parent company	3,698	9,283	3,753
Dividends payable	41,969	38,603	40,692
Taxation payable	–	4,897	13,106
	<u>142,041</u>	<u>161,271</u>	<u>165,544</u>
Total liabilities	<u>234,555</u>	<u>253,809</u>	<u>259,164</u>
Total equity and liabilities	<u>664,638</u>	<u>633,290</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 30.06.19 TT\$'000	UNAUDITED Three Months Ended 30.06.18 TT\$'000	UNAUDITED Six Months Ended 30.06.19 TT\$'000	UNAUDITED Six Months Ended 30.06.18 TT\$'000
Revenue	242,944	267,746	470,006	455,555
Cost of sales	(53,598)	(56,883)	(104,014)	(103,238)
Gross profit	189,346	210,863	365,992	352,317
Distribution costs	(722)	(3,998)	(6,355)	(10,268)
Administrative expenses	(24,398)	(22,802)	(40,015)	(38,455)
Other operating expenses	(8,982)	(6,661)	(20,059)	(20,706)
Operating profit	155,244	177,402	299,563	282,888
Interest income	849	548	1,627	846
Finance Costs	(260)	–	(260)	–
Profit before taxation	155,833	177,950	300,930	283,734
Taxation	(45,710)	(56,693)	(90,769)	(90,015)
Profit for the period	110,123	121,257	210,161	193,719
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Remeasurement of retirement and post-employment benefit obligations - net of tax	(1)	1	(3)	3
Other comprehensive income - net of tax	(1)	1	(3)	3
Total comprehensive income for the period	110,122	121,258	210,158	193,722
Earnings per ordinary share	\$1.31	\$1.44	\$2.49	\$2.30
Dividends per ordinary share	\$1.16	\$1.14	\$1.99	\$1.96

CONDENSED STATEMENT OF CASH FLOWS

	UNAUDITED Six Months Ended 30.06.19 TT\$'000	UNAUDITED Six Months Ended 30.06.18 TT\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	300,930	283,734
Adjustments for:		
Depreciation	5,096	5,071
Loss/(Profit) on disposal of property, plant and equipment	355	–
Net increase in retirement and other post-employment benefit obligations excluding actuarial gains	(3,526)	543
Interest income	(1,627)	(846)
Interest Expense	260	–
Operating profit before working capital changes	301,488	288,502
Changes in working capital:		
Decrease in inventories	14,371	14,653
(Increase)/decrease in trade and other receivables	(25,800)	1,665
(Decrease)/Increase in trade and other payables	(11,619)	13,161
(Decrease)/Increase in due to parent company	(56)	6,665
Cash generated from operating activities	278,384	324,646
Taxation paid	(101,950)	(85,601)
Net cash from operating activities	176,434	239,045
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,329)	(6,469)
Interest received	1,627	846
Interest paid	(260)	–
Net cash used in investing activities	(11,962)	(5,623)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(192,474)	(188,854)
Net (Decrease)/Increase in Cash & Cash Equivalents	(28,002)	44,568
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	284,870	234,655
CASH AND CASH EQUIVALENTS AT END OF PERIOD	256,868	279,223
Represented by:		
Cash at bank and in hand	155,581	177,421
Short-term deposits	101,287	101,802
	256,868	279,223

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019



CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital TT\$'000	Revaluation Surplus TT\$'000	Retained Earnings TT\$'000	Shareholders' Equity TT\$'000
Unaudited six months Ended 30 June 2019				
Balance at 1 January 2019	42,120	61,786	309,771	413,677
Comprehensive income				
Profit for the year	-	-	210,161	210,160
Other comprehensive income				
Remeasurement of retirement and post-employment benefit obligations – net of tax	-	-	(3)	(3)
Depreciation transfer on buildings – net of tax	-	(474)	474	-
Transactions with owners				
Dividends	-	-	(193,752)	(193,751)
Balance at 30 June 2019	42,120	61,312	326,651	430,083
Unaudited six months ended 30 June 2018				
Balance at 1 January 2018	42,120	47,495	288,210	377,825
Comprehensive income				
Profit for the year	-	-	193,719	193,719
Other comprehensive income				
Remeasurement of retirement and post-employment benefit obligations – net of tax	-	-	3	3
Depreciation transfer on buildings – net of tax	-	(349)	349	-
Transactions with owners				
Dividends	-	-	(192,066)	(192,066)
Balance at 30 June 2018	42,120	47,146	290,215	379,481

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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.

This condensed consolidated financial information was approved for issue on 19 July 2019.

Note 2: Basis of Preparation

This condensed consolidated financial information for the six-month period ended 30 June 2019, has been prepared in accordance with International Accounting Standard 34 (IAS 34), '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 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 TT\$'000	CARICOM TT\$'000	Unallocated TT\$'000	Total TT\$'000
Six months ended 30 June 2019				
Revenue	417,699	52,307	-	470,006
Gross Profit	360,178	5,814	-	365,992
Profit for the six months includes:				
- Depreciation			(5,096)	(5,096)
Six months ended 30 June 2018				
Revenue	401,592	53,963	-	455,555
Gross Profit	349,871	2,446	-	352,317
Profit for the six months includes:				
- Depreciation			(5,071)	(5,071)
Total Segment assets				
30 June 2019	99,978	34,627	530,032	664,637
30 June 2018	84,157	29,395	519,738	633,290
Total segment assets include additions to property, plant and equipment as follows:				
30 June 2019			13,329	13,329
30 June 2018			6,469	6,469

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: Related Party Transactions

Sale of Goods and Services:

	30.06.19 TT\$'000	30.06.18 TT\$'000
Sale of Goods - Related Parties	52,307	53,963
Sale of Services - Related Parties	654	204

Purchase of Goods and Services:

	30.06.19 TT\$'000	30.06.18 TT\$'000
Purchase of Goods - Related Parties	26,867	18,181
Purchase of Services - Related Parties	26,381	20,664
Purchase of Services - Parent Company	16,375	12,481

Period end balances arising from sales/purchases of goods and services:

	30.06.19 TT\$'000	30.06.18 TT\$'000
Receivables from Related Parties	17,534	14,257
Payables to Related Parties	20,887	27,774
Payables to Parent Company	3,697	9,283

Key Management Compensation

	30.06.19 TT\$'000	30.06.18 TT\$'000
Salaries and other short-term employee benefits	4,325	3,320
Post-retirement medical obligations	1	1
Post-retirement benefits	403	376

Note 6: Capital Commitments

	30.06.19 TT\$'000	30.06.18 TT\$'000
Authorised and contracted for, and not provided for in the financial statements	6,666	4,861

Note 7: Contingent Liabilities

Customs Bonds	16,900	16,900
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Note 8: Dividends Paid On Ordinary Shares

Final dividend – prior year	123,833	122,990
First interim dividend	69,919	69,077
	<u>193,752</u>	<u>192,067</u>

An interim dividend of \$1.16 per share (2018: \$1.14 per share) was approved by the Board of Directors on 19 July 2019 and will be paid to shareholders of record as at 02 Aug 2019 on the 21 August 2019. This interim dividend, amounting to \$97,718,400 (2018: \$96,033,600) has not been recognised in these interim financial statements. It will be recognised in shareholders' equity in the year to 31 December 2019.