

# FINANCIAL RESULTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016



## CHAIRMAN'S REVIEW

I am pleased to report that in a year of economic challenges, West Indian Tobacco has recorded Profit before taxation of \$693.7 million whilst maintaining Profit for the Year at \$515.5 million in line with 2015.

Total Comprehensive Income for the Year of \$531.9 million shows an increase of \$10.6 million or 2%, positively impacted by an actuarial gain following the remeasurement of retirement and post-employment benefit obligations in 2016.

The final dividend of \$2.18 per share was approved at the Annual Meeting held on Thursday 07 April 2017. This, when added to the interim dividends of \$3.70, would result in a total dividend of \$5.88 per share for 2016, maintaining dividend per share as per 2015, despite the recessionary and competitive environment in which we operate.

The final dividend will be paid on 10 May 2017 to shareholders of record at close of business on 21 April 2017. The Register of Shareholders will be closed on 24 and 25 April 2017 for the processing of transfers.

Anthony E Phillip  
Chairman  
07 April 2017

## CONDENSED STATEMENT OF FINANCIAL POSITION

	AUDITED 31.12.16 TT\$'000	AUDITED 31.12.15 TT\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	203,416	196,625
Deferred income tax asset	–	3,663
	<u>203,416</u>	<u>200,288</u>
<b>Current assets</b>		
Inventories	43,603	37,741
Trade and other receivables	93,078	78,682
Taxation recoverable	6,585	2,484
Cash and cash equivalents	269,483	286,778
	<u>412,749</u>	<u>405,685</u>
<b>Total assets</b>	<u>616,165</u>	<u>605,973</u>
<b>EQUITY</b>		
Share capital	42,120	42,120
Revaluation surplus	48,194	48,893
Retained earnings	328,565	290,554
<b>Total Equity</b>	<u>418,879</u>	<u>381,567</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred income tax liability	5,264	–
Retirement benefit obligation	65,530	83,369
Post-employment medical benefit obligation	4,571	5,472
	<u>75,365</u>	<u>88,841</u>
<b>Current liabilities</b>		
Trade and other payables	90,389	102,043
Due to parent company	2,335	7,181
Dividends payable	29,197	23,447
Taxation payable	–	2,894
	<u>121,921</u>	<u>135,565</u>
<b>Total liabilities</b>	<u>197,286</u>	<u>224,406</u>
<b>Total equity and liabilities</b>	<u>616,165</u>	<u>605,973</u>

Anthony E Phillip  
Chairman

Jean-Pierre S du Coudray  
Managing Director

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three Months Ended 31.12.16 TT\$'000	Unaudited Three Months Ended 31.12.15 TT\$'000	Audited Year Ended 31.12.16 TT\$'000	Audited Year Ended 31.12.15 TT\$'000
<b>Gross turnover</b> – including excise *	345,952	368,499	1,236,943	1,277,198
<b>Revenue</b>	279,283	303,854	1,018,365	1,052,924
Cost of sales	(57,516)	(58,272)	(219,150)	(231,248)
<b>Gross profit</b>	<u>221,767</u>	<u>245,582</u>	<u>799,215</u>	<u>821,676</u>
Distribution costs	(1,710)	(1,499)	(12,125)	(13,567)
Administrative expenses	(20,345)	(17,647)	(71,001)	(81,167)
Other operating expenses	(9,246)	(11,739)	(23,312)	(33,446)
<b>Operating profit</b>	190,466	214,697	692,777	693,496
Interest income	395	2	879	30
<b>Profit before taxation</b>	<u>190,861</u>	<u>214,699</u>	<u>693,656</u>	<u>693,526</u>
Taxation	(48,007)	(53,386)	(178,161)	(178,043)
<b>Profit for the year</b>	<u>142,854</u>	<u>161,313</u>	<u>515,495</u>	<u>515,483</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of retirement and post-employment benefit obligations	16,433	5,827	16,487	5,853
Other comprehensive income – net of tax	16,433	5,827	16,487	5,853
<b>Total comprehensive income for the year</b>	<u>159,287</u>	<u>167,140</u>	<u>531,982</u>	<u>521,336</u>
Earnings per ordinary share	\$1.70	\$1.91	\$6.12	\$6.12

\* Gross Turnover includes excise of: three months ended 31.12.16 - \$66,669, three months ended 31.12.15 - \$64,645; year ended 31.12.16 - \$218,578 and year ended 31.12.15 - \$224,274.

## CONDENSED STATEMENT OF CASH FLOWS

	AUDITED Year Ended 31.12.16 TT\$'000	AUDITED Year Ended 31.12.15 TT\$'000
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	693,656	693,526
Adjustments for:		
Depreciation	18,293	18,539
Impairment on plant and equipment	–	6,972
Profit on disposal of property, plant and equipment	(3)	(35)
Net increase in retirement and other post-employment benefit obligation excluding actuarial gains	4,809	5,393
Interest income	(879)	(30)
<b>Operating profit before working capital changes</b>	<u>715,876</u>	<u>724,365</u>
Changes in working capital:		
(Increase)/decrease in inventories	(5,862)	4,027
Increase in trade and other receivables	(14,396)	(31,325)
Increase/(decrease) in trade payables and accruals	10,414	(3,740)
(Decrease)/increase in due to related parties	(22,068)	19,941
Decrease in due to parent company	(4,846)	(4,484)
<b>Cash generated from operating activities</b>	<u>679,118</u>	<u>708,784</u>
Taxation paid	(183,290)	(180,561)
<b>Net cash from operating activities</b>	<u>495,828</u>	<u>528,223</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(25,084)	(17,810)
Proceeds from sale of property, plant and equipment	3	35
Interest received	879	30
<b>Net cash used in investing activities</b>	<u>(24,202)</u>	<u>(17,745)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Dividends paid	(488,921)	(495,967)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(17,295)</u>	<u>14,511</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>286,778</u>	<u>272,267</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>269,483</u>	<u>286,778</u>
<b>Represented by:</b>		
Cash at bank and in hand	219,391	286,776
Short-term deposits	50,092	2
	<u>269,483</u>	<u>286,778</u>

# FINANCIALS RESULTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016



## CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital TT\$'000	Revaluation Surplus TT\$'000	Retained Earnings TT\$'000	Shareholders' Equity TT\$'000
<b>AUDITED</b>				
<b>Year ended</b>				
<b>31 December 2016</b>				
Balance at 1 January 2016	42,120	48,893	290,554	381,567
<b>Comprehensive income</b>				
Profit for the year	–	–	515,495	515,495
<b>Other comprehensive income</b>				
Remeasurement of retirement and post-employment benefit obligations – net of tax	–	–	16,487	16,487
Depreciation transfer on buildings – net of tax	–	(699)	699	–
<b>Transactions with owners</b>				
Dividends	–	–	(495,331)	(495,331)
Write back of unclaimed dividends	–	–	661	661
<b>Balance at 31 December 2016</b>	<b>42,120</b>	<b>48,194</b>	<b>328,565</b>	<b>418,879</b>
<b>AUDITED</b>				
<b>Year ended</b>				
<b>31 December 2015</b>				
Balance at 1 January 2015	42,120	49,641	243,584	335,345
<b>Comprehensive income</b>				
Profit for the year	–	–	515,483	515,483
<b>Other comprehensive loss</b>				
Remeasurement of retirement and post-employment benefit obligations – net of tax	–	–	5,853	5,853
Depreciation transfer on buildings – net of tax	–	(748)	748	–
<b>Transactions with owners</b>				
Dividends	–	–	(475,114)	(475,114)
<b>Balance at 31 December 2015</b>	<b>42,120</b>	<b>48,893</b>	<b>290,554</b>	<b>381,567</b>

## Note 4: Segment Information

Primary reporting format – geographical segment

	Domestic TT\$'000	CARICOM TT\$'000	Unallocated TT\$'000	Total TT\$'000
<b>Year ended 31 December 2016</b>				
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)
<b>Year ended 31 December 2015</b>				
Revenue	932,655	120,269	–	1,052,924
Gross profit	813,196	8,480	–	821,676
Profit or loss for the year includes:				
Depreciation	–	–	(18,539)	(18,539)
Impairment	–	–	(6,972)	(6,972)
<b>Total segment assets</b>				
31 December 2016	102,739	33,942	479,484	616,165
31 December 2015	59,887	35,407	510,679	605,973
Total segment assets include additions to property, plant and equipment as follows:				
31 December 2016	–	–	25,084	25,084
31 December 2015	–	–	17,810	17,810

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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 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 7th April 2017.

### Note 2: Basis of Preparation

This condensed consolidated financial information for the year ended 31 December 2016, 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 2016, 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 2016, 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 5: Related Party Transactions

### Sale of goods and services

	31.12.16 TT\$'000	31.12.15 TT\$'000
Sale of goods – Related parties	109,909	120,269

### Purchase of goods and services

Purchase of goods – Related parties	60,936	63,769
Purchase of services – Related parties	34,573	31,529
Purchase of services – Parent company	56,731	61,395

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

Receivables from Related parties	10,070	21,021
Payables to Related parties	8,324	30,392
Payables to Parent company	2,335	7,181

### Key management compensation

Salaries and other short-term employee benefits	5,907	6,861
Post-retirement medical obligations	4	5
Post-retirement benefits	1,188	1,078

## Note 6: Capital commitments

Authorised and contracted for, and not provided for in the financial statements	3,684	10,357
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## Note 7: Contingent liabilities

Customs and Immigration bonds	15,900	16,036
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## Note 8: Dividends paid on ordinary shares

Final dividend – prior year	183,643	163,426
First interim dividend	84,240	84,240
Second interim dividend	106,142	106,142
Third interim dividend	121,306	121,306
	<u>495,331</u>	<u>475,114</u>

A final dividend in respect of 2016 of \$2.18 per share (2015: \$2.18 cents per share) amounting to \$183,643,200 (2015: \$183,643,200) was approved at the Annual Meeting on 07 April 2017. The approved total dividend for the year is \$5.88, maintaining dividend per share as per 2015, despite the recessionary and competitive environment in which we operate.