

# FINANCIAL RESULTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017



## CHAIRMAN'S REVIEW

West Indian Tobacco has recorded Profit Before Taxation of \$549.7 million and Total Comprehensive Income of \$391.1 million, for the year ended 31 December 2017.

Given the prevailing economic conditions together with increased Excise and Corporation Tax, the business environment continued to be challenging. This resulted in significant changes in consumption patterns which adversely affected revenue. Similar challenges were also experienced by some of our CARICOM export markets. Nevertheless, the Company remains a net earner of foreign exchange which covers its operational requirements.

The Company continues to proactively respond to these evolving market conditions with ongoing reviews of its business strategies including Marketing, Distribution and Operations as well as prudent Cost Management. Also, the Company continues to engage with relevant authorities and stakeholders on the issue of the increased presence of suspected illicit products in the Market.

Directors have recommended a final dividend of \$1.46 per ordinary share and this, once approved by shareholders and added to the \$2.95 in dividends already paid in 2017, will provide for an overall dividend payment of \$4.41 per ordinary share. Based on the current share price, this represents approximately a 5% dividend yield. This will be paid on 07 May 2018 to shareholders of record at close of business on 18 April 2018. The Register of Shareholders will be closed on 19 and 20 April 2018 for the processing of transfers.

**Anthony E Phillip**  
Chairman  
06 April 2018

## CONDENSED STATEMENT OF FINANCIAL POSITION

|  | AUDITED<br>31.12.17<br>TT\$'000 | AUDITED<br>31.12.16<br>TT\$'000 |
|--|---------------------------------|---------------------------------|
| <b>ASSETS</b>                              |                                 |                                 |
| <b>Non-current assets</b>                  |                                 |                                 |
| Property, plant and equipment              | 211,974                         | 203,416                         |
| Deferred income tax asset                  | 20,671                          | 25,301                          |
|  | <u>232,645</u>                  | <u>228,717</u>                  |
| <b>Current assets</b>                      |                                 |                                 |
| Inventories                                | 44,751                          | 43,603                          |
| Trade and other receivables                | 85,119                          | 93,078                          |
| Taxation recoverable                       | 7,189                           | 6,585                           |
| Cash and cash equivalents                  | 234,655                         | 269,483                         |
|  | <u>371,714</u>                  | <u>412,749</u>                  |
| <b>Total assets</b>                        | <u>604,359</u>                  | <u>641,466</u>                  |
| <b>EQUITY</b>                              |                                 |                                 |
| Share capital                              | 42,120                          | 42,120                          |
| Revaluation surplus                        | 47,495                          | 48,194                          |
| Retained earnings                          | 288,210                         | 328,565                         |
| <b>Total equity</b>                        | <u>377,825</u>                  | <u>418,879</u>                  |
| <b>LIABILITIES</b>                         |                                 |                                 |
| <b>Non-current liabilities</b>             |                                 |                                 |
| Deferred income tax liability              | 33,641                          | 30,565                          |
| Retirement benefit obligation              | 53,834                          | 65,530                          |
| Post-employment medical benefit obligation | 3,771                           | 4,571                           |
|  | <u>91,246</u>                   | <u>100,666</u>                  |
| <b>Current liabilities</b>                 |                                 |                                 |
| Trade and other payables                   | 95,323                          | 90,389                          |
| Due to parent company                      | 2,618                           | 2,335                           |
| Dividends payable                          | 35,390                          | 29,197                          |
| Taxation payable                           | 1,957                           | –                               |
|  | <u>135,288</u>                  | <u>121,921</u>                  |
| <b>Total liabilities</b>                   | <u>226,534</u>                  | <u>222,587</u>                  |
| <b>Total equity and liabilities</b>        | <u>604,359</u>                  | <u>641,466</u>                  |

**Anthony E Phillip**  
Chairman

**Jean-Pierre S Du Coudray**  
Managing Director

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

|   | UNAUDITED<br>Three Months<br>Ended<br>31.12.17<br>TT\$'000 | UNAUDITED<br>Three Months<br>Ended<br>31.12.16<br>TT\$'000 | AUDITED<br>Year<br>Ended<br>31.12.17<br>TT\$'000 | AUDITED<br>Year<br>Ended<br>31.12.16<br>TT\$'000 |
|---|--|--|--|--|
| <b>Gross turnover</b>   | 298,693  | 345,952  | 1,085,723  | 1,236,943  |
| – including excise *  |  |  |  |  |
| <b>Revenue</b>  | <b>239,944</b>   | <b>279,283</b>   | <b>867,649</b>                                   | <b>1,018,365</b>                                 |
| Cost of sales   | (53,158)   | (57,516)   | (205,128)  | (219,150)  |
| <b>Gross profit</b>   | <b>186,786</b>   | <b>221,767</b>   | <b>662,521</b>                                   | <b>799,215</b>                                   |
| Distribution costs  | (2,816)  | (1,710)  | (12,695)   | (12,125)   |
| Administrative expenses   | (17,881)   | (20,345)   | (67,285)   | (71,001)   |
| Other operating expenses  | (14,957)   | (9,246)  | (34,064)   | (23,312)   |
| <b>Operating profit</b>   | <b>151,132</b>   | <b>190,466</b>   | <b>548,477</b>                                   | <b>692,777</b>                                   |
| Interest income   | 299  | 395  | 1,195  | 879  |
| <b>Profit before taxation</b>                                       | <b>151,431</b>   | <b>190,861</b>   | <b>549,672</b>                                   | <b>693,656</b>                                   |
| Taxation  | (46,863)   | (48,007)   | (169,454)  | (178,161)  |
| <b>Profit for the year</b>  | <b>104,568</b>   | <b>142,854</b>   | <b>380,218</b>                                   | <b>515,495</b>                                   |
| <b>Other comprehensive income:</b>                                  |  |  |  |  |
| <b>Items that will not be reclassified to profit or loss</b>        |  |  |  |  |
| Remeasurement of retirement and post-employment benefit obligations | 10,834   | 16,433   | 10,879   | 16,487   |
| Other comprehensive income – net of tax                             | 10,834   | 16,433   | 10,879   | 16,487   |
| <b>Total comprehensive income for the year</b>                      | <b>115,402</b>   | <b>159,287</b>   | <b>391,097</b>                                   | <b>531,982</b>                                   |
| Earnings per ordinary share   | \$1.24   | \$1.70   | \$4.51   | \$6.12   |

\* Gross Turnover includes excise of: three months ended 31.12.17 - \$58,749, three months ended 31.12.2016 - \$66,669; year ended 31.12.17 - \$218,074 and year ended 31.12.16 - \$218,578 respectively.

## CONDENSED STATEMENT OF CASH FLOWS

|  | AUDITED<br>Year<br>Ended<br>31.12.17<br>TT\$'000 | AUDITED<br>Year<br>Ended<br>31.12.16<br>TT\$'000 |
|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |  |
| 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 gains | 3,045  | 4,809  |
| Interest income  | (1,195)  | (879)  |
| <b>Operating profit before working capital changes</b>   | <b>571,004</b>                                   | <b>715,876</b>                                   |
| 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)  |
| <b>Cash generated from operating activities</b>  | <b>583,032</b>                                   | <b>679,118</b>                                   |
| Taxation paid  | (165,057)  | (183,290)  |
| <b>Net cash from operating activities</b>  | <b>417,975</b>                                   | <b>495,828</b>                                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |  |
| Purchase of property, plant and equipment  | (28,040)   | (25,084)   |
| Proceeds from sale of property, plant & equipment  | –  | 3  |
| Interest received  | 1,195  | 879  |
| <b>Net cash used in investing activities</b>   | <b>(26,845)</b>                                  | <b>(24,202)</b>                                  |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>   |  |  |
| Dividends paid   | (425,958)  | (488,921)  |
| <b>Net decrease in cash &amp; cash equivalents</b>   | <b>(34,828)</b>                                  | <b>(17,295)</b>                                  |
| <b>CASH AND CASH EQUIVALENTS</b>   |  |  |
| <b>AT BEGINNING OF YEAR</b>  | <b>269,483</b>                                   | <b>286,778</b>                                   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b>234,655</b>                                   | <b>269,483</b>                                   |
| <b>Represented by:</b>   |  |  |
| Cash at bank and in hand   | 234,655  | 219,391  |
| Short-term deposits  | –  | 50,092   |
|  | <b>234,655</b>                                   | <b>269,483</b>                                   |

# FINANCIAL RESULTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017



## CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 6th April 2018.

### Note 2: Basis of Preparation

This condensed consolidated financial information for the year ended 31 December 2017, 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 2017, 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 2017, 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<br>TT\$'000 | CARICOM<br>TT\$'000 | Unallocated<br>TT\$'000 | Total<br>TT\$'000 |
|---|----------------------|---------------------|-------------------------|-------------------|
| <b>Year ended 31 December 2017</b>  |                      |                     |                         |                   |
| 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)          |
| <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>Total Segment assets</b>   |                      |                     |                         |                   |
| 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: |                      |                     |                         |                   |
| 31 December 2017  | –                    | –                   | 28,040                  | 28,040            |
| 31 December 2016  | –                    | –                   | 25,084                  | 25,084            |

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.

|   | 31.12.17<br>TT\$'000 | 31.12.16<br>TT\$'000 |
|---|----------------------|----------------------|
| <b>Note 5: Related Party Transactions</b>                                       |                      |                      |
| <b>Sale of Goods and Services:</b>  |                      |                      |
| Sale of Goods – Related Parties   | 95,299               | 109,909              |
| <b>Purchase of Goods and Services:</b>  |                      |                      |
| Purchase of Goods – Related Parties   | 49,406               | 60,936               |
| Purchase of Services – Related Parties  | 55,957               | 34,573               |
| Purchase of Services – Parent Company   | 25,938               | 56,731               |
| <b>Year end balances arising from sales /purchases of goods and services:</b>   |                      |                      |
| Receivables from Related Parties  | 12,783               | 11,235               |
| Payables to Related Parties   | 10,560               | 8,452                |
| Payables to Parent Company  | 2,618                | 2,335                |
| <b>Key Management Compensation</b>  |                      |                      |
| Salaries and other short-term employee benefits                                 | 5,551                | 5,907                |
| Post-retirement medical obligations   | 3                    | 4                    |
| Post-retirement benefits  | 752                  | 1,188                |
| <b>Note 6: Capital Commitments</b>  |                      |                      |
| Authorised and contracted for, and not provided for in the financial statements | 9,558                | 3,684                |
| <b>Note 7: Contingent Liabilities</b>   |                      |                      |
| Customs and immigration bonds   | 16,900               | 15,900               |
| <b>Note 8: Dividends paid on ordinary shares</b>                                |                      |                      |
| 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              |
|   | <u>432,151</u>       | <u>495,331</u>       |

A final dividend in respect of 2017 of \$1.46 per share (2016: \$2.18 cents per share) amounting to \$122,990,400 (2016: \$183,643,200) was approved at the Annual Meeting on the 06 April 2018. The approved total dividend for the year is \$4.41, a decrease of 25% compared to dividend distribution of \$5.88 with respect to 2016.