

UNAUDITED INTERIM RESULTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018



CHAIRMAN'S REVIEW

I am pleased to report that West Indian Tobacco has recorded Profit Before Taxation of \$438.7 million, for the nine months ended 30 September 2018, representing an increase of 10.2% over the corresponding period in 2017. Profit for the period is \$303.3 million, reflecting an increase of 10% over 2017.

The Board has accordingly approved the payment of a third interim dividend of \$1.17 per ordinary share payable on 26 November 2018 to shareholders of record at close of business on 05 November 2018. The Register of Shareholders will be closed on 07 and 08 November 2018 for the processing of transfers.

Anthony E Phillip
Chairman
24 October 2018

CONDENSED STATEMENT OF FINANCIAL POSITION

	UNAUDITED 30.09.18 TT\$'000	UNAUDITED 30.09.17 TT\$'000	AUDITED 31.12.17 TT\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	211,747	198,936	211,974
Deferred income tax asset	20,031	–	20,671
	<u>231,778</u>	<u>198,936</u>	<u>232,645</u>
Current assets			
Inventories	34,670	43,843	44,751
Trade and other receivables	80,577	103,731	85,119
Taxation recoverable	7,189	7,189	7,189
Cash and cash equivalents	332,136	190,695	234,655
	<u>454,572</u>	<u>345,458</u>	<u>371,714</u>
Total assets	<u>686,350</u>	<u>544,394</u>	<u>604,359</u>
EQUITY			
Share capital	42,120	42,120	42,120
Revaluation surplus	46,972	47,670	47,495
Retained earnings	303,916	268,666	288,210
Total equity	<u>393,008</u>	<u>358,456</u>	<u>377,825</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	32,957	6,628	33,641
Retirement benefit obligation	54,835	68,600	53,834
Post-employment medical benefit obligation	3,578	4,417	3,771
	<u>91,370</u>	<u>79,645</u>	<u>91,246</u>
Current liabilities			
Trade and other payables	142,999	70,548	95,323
Due to parent company	9,283	1,044	2,618
Dividends payable	39,673	34,701	35,390
Taxation payable	10,017	–	1,957
	<u>201,972</u>	<u>106,293</u>	<u>135,288</u>
Total liabilities	<u>293,342</u>	<u>185,938</u>	<u>226,534</u>
Total equity and liabilities	<u>686,350</u>	<u>544,394</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 30.09.18 TT\$'000	UNAUDITED Three Months Ended 30.09.17 TT\$'000	UNAUDITED Nine Months Ended 30.09.18 TT\$'000	UNAUDITED Nine Months Ended 30.09.17 TT\$'000
Gross Turnover				
– including excise *	291,757	274,000	862,430	787,030
Revenue	232,657	219,724	688,212	627,705
Cost of sales	(51,736)	(51,104)	(154,974)	(151,970)
Gross profit	180,921	168,620	533,238	475,735
Distribution costs	(8,379)	(3,473)	(18,647)	(9,879)
Administrative expenses	(19,339)	(16,281)	(57,794)	(49,404)
Other operating expenses	1,023	(7,383)	(19,683)	(19,107)
Operating profit	154,226	141,483	437,114	397,345
Interest income	712	336	1,558	896
Profit before taxation	154,938	141,819	438,672	398,241
Taxation	(45,378)	(44,431)	(135,393)	(122,591)
Profit for the period	109,560	97,388	303,279	275,650
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Remeasurement of retirement and post-employment benefit obligations	2	15	5	45
Other comprehensive income – net of tax	2	15	5	45
Total comprehensive income for the period	109,562	97,403	303,284	275,695
Earnings per ordinary share	\$1.30	\$1.16	\$3.60	\$3.27
Dividends per ordinary share	\$1.17	\$1.14	\$3.13	\$2.95

* Gross Turnover includes excise of: three months ended 30.09.2018 - \$59,100, three months ended 30.09.2017 - \$54,276; nine months ended 30.09.18 - \$174,218 and nine months ended 30.09.17 - \$159,325 respectively.

CONDENSED STATEMENT OF CASH FLOWS

	UNAUDITED Nine Months Ended 30.09.18 TT\$'000	UNAUDITED Nine Months Ended 30.09.17 TT\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	438,672	398,241
Adjustments for:		
Depreciation	7,580	14,236
Net increase in retirement and other post-employment benefit obligations excluding actuarial gains	815	2,980
Interest income	(1,558)	(896)
Operating profit before working capital changes	446,945	414,561
Changes in working capital:		
Decrease/(increase) in inventories	10,081	(240)
Decrease/(increase) in trade and other receivables	4,542	(10,653)
Increase/(decrease) in trade and other payables	47,675	(9,999)
Increase/(decrease) in due to parent company	6,665	(1,291)
Cash generated from operating activities	515,908	392,378
Taxation paid	(127,378)	(131,693)
Net cash from operating activities	388,530	260,685
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,789)	(9,756)
Interest received	1,558	896
Net cash used in investing activities	(7,231)	(8,860)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(283,818)	(330,613)
Net increase in Cash and Cash Equivalents	97,481	(78,788)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	234,655	269,483
CASH AND CASH EQUIVALENTS AT END OF PERIOD	332,136	190,695
Represented by:		
Cash at bank and in hand	332,136	109,661
Short-term deposits	–	81,034
	332,136	190,695

UNAUDITED INTERIM RESULTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018



CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital TT\$'000	Revaluation Surplus TT\$'000	Retained Earnings TT\$'000	Shareholders' Equity TT\$'000
Unaudited nine months ended 30 September 2018				
Balance at 1 January 2018	42,120	47,495	288,210	377,825
Comprehensive income				
Profit for the year	-	-	303,279	303,279
Other comprehensive income				
Remeasurement of retirement and post-employment benefit obligations – net of tax	-	-	5	5
Depreciation transfer on buildings – net of tax	-	(523)	523	-
Transactions with owners				
Dividends	-	-	(288,101)	(288,101)
Balance at 30 September 2018	42,120	46,972	303,916	393,008
Unaudited nine months ended 30 September 2017				
Balance at 1 January 2017	42,120	48,194	328,565	418,879
Comprehensive income				
Profit for the year	-	-	275,650	275,650
Other comprehensive income				
Remeasurement of retirement and post-employment benefit obligations – net of tax	-	-	45	45
Depreciation transfer on buildings – net of tax	-	(524)	524	-
Transactions with owners				
Dividends	-	-	(336,118)	(336,118)
Balance at 30 September 2017	42,120	47,670	268,666	358,456

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

This condensed consolidated financial information was approved for issue on 24 October 2018.

Note 2: Basis of Preparation

This condensed consolidated financial information for the nine-month period ended 30 September 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 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 TT\$'000	CARICOM TT\$'000	Unallocated TT\$'000	Total TT\$'000
Nine months ended 30 September 2018				
Revenue	609,510	78,702	-	688,212
Gross Profit	529,473	3,765	-	533,238
Profit for the nine months includes:				
- Depreciation			(7,580)	(7,580)
Nine months ended 30 September 2017				
Revenue	556,654	71,051	-	627,705
Gross Profit	472,398	3,337	-	475,735
Profit for the nine months includes:				
- Depreciation			(14,236)	(14,236)
Total Segment assets				
30 September 2018	88,486	26,761	571,103	686,350
30 September 2017	113,190	34,384	396,820	544,394
Total segment assets include additions to property, plant and equipment as follows:				
30 September 2018			8,789	8,789
30 September 2017			9,756	9,756

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:

	30.09.18 TT\$'000	30.09.17 TT\$'000
Sale of Goods – Related Parties	78,702	71,052
Sale of Services – Related Parties	404	157

Purchase of Goods and Services:

Purchase of Goods – Related Parties	33,445	37,387
Purchase of Services – Related Parties	33,885	41,806
Purchase of Services – Parent Company	19,662	20,138

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

Receivables from Related Parties	8,379	12,055
Payables to Related Parties	11,584	8,068
Payables to Parent Company	2,717	1,044

Key Management Compensation

Salaries and other short-term employee benefits	4,665	4,195
Post-retirement medical obligations	2	3
Post-retirement benefits	564	891

Note 6: Capital Commitments

Authorised and contracted for, and not provided for in the financial statements	5,312	3,752
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Note 7: Contingent Liabilities

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

An interim dividend of \$1.17 per share (2017: \$1.14 per share) was approved by the Board of Directors on 24 October 2018 and will be paid to shareholders of record as at 05 November 2018 on the 26 November 2018. This interim dividend, amounting to \$98,560,800 (2017: \$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 2018.