West Indian Tobacco

IN UNITY
THERE IS **STRENGTH.**
TO **ADVANCE**
WE MUST BE

ALL IN

ANNUAL REPORT 2019

We are **ALL IN** this together...

Our Mission

To sustain our market leadership in Trinidad and Tobago and to be the number one manufacturing centre in the Caribbean.

Our Guiding Principles

Enterprising Spirit

We have the confidence to passionately pursue growth and new opportunities whilst accepting the considered entrepreneurial risk that comes with it. We are bold and strive to overcome challenges. This is the cornerstone of our success.

Freedom Through Responsibility

We always strive to do the right thing, exercising our responsibility to society and other stakeholders. We use our freedom to take decisions and act in the best interest of consumers.

Open Minded

We are forward looking and anticipate consumer needs, winning with innovative, high-quality products. We listen to and genuinely consider other perspectives and changing social expectations. We are open to new ways of doing things.

Strength From Diversity

We respect and celebrate each other's differences and enjoy working together. We harness diversity – of our people, cultures, viewpoints, brands, markets and ideas – to strengthen our business. We value what makes each of us unique.

Corporate Information

BOARD OF DIRECTORS

Anthony E Phillip,
Chairman

Jean-Pierre S du Coudray,
Managing Director

Diana Hernandez Gonzalez
Ranjit R Jeewan
Ingrid L-A Lashley
Juan Carlos Restrepo Piedrahita
Isha P Reuben-Theodore
Arturo Rodriguez Lordmendez

AUDIT COMMITTEE

Ingrid L-A Lashley,
Chairman

Ranjit R Jeewan
Anthony E Phillip

GENERAL MANAGER

Laurent A Meffre

COMPANY SECRETARY

Kathryn Anne Abdulla,
Secretary

Rowan M Brathwaite,
Asst. Secretary

REGISTERED OFFICE

Corner Eastern Main Road & Mount
D'Or Road
Champs Fleurs
Republic of Trinidad and Tobago
Telephone No. (868) 662-2271/2
Facsimile No. (868) 663-5451
Email: west_indian_tobacco@bat.com
Website: www.westindiantobacco.com

REGISTRAR AND TRANSFER OFFICE

Trinidad & Tobago Central Depository
10th Floor Nicholas Tower
63-65 Independence Square
Port of Spain
Republic of Trinidad and Tobago
Telephone No. (868) 625-5107
Facsimile No. (868) 623-0089
Email: lsamai@stockex.co.tt

ATTORNEYS-AT-LAW & NOTARY PUBLIC

Fitzwilliam, Stone, Furness-Smith
& Morgan
48-50 Sackville Street
Port of Spain
Republic of Trinidad and Tobago
Telephone No. (868) 623-1618
Facsimile No. (868) 623-6524
Email: fitzstone@fitzwilliamstone.com

AUDITORS

KPMG
11 Queen's Park East
Port of Spain
Republic of Trinidad and Tobago
Telephone No. (868) 623-1081
Facsimile No. (868) 623-1084
Email: kpmg@kpmg.co.tt

BANKERS

Citibank (Trinidad & Tobago) Limited
12 Queen's Park East
Port of Spain
Republic of Trinidad and Tobago

Republic Bank Limited
59 Independence Square
Port of Spain
Republic of Trinidad and Tobago

Scotiabank Trinidad and Tobago
Limited
56-58 Richmond Street
Port of Spain
Republic of Trinidad and Tobago

Contents

Notice of Annual Meeting

Notice is hereby given that the ONE HUNDRED AND FIFTEENTH ANNUAL MEETING of SHAREHOLDERS of THE WEST INDIAN TOBACCO COMPANY LIMITED ("the Company") will be held at the Jade Conference Room, Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad, on Friday 27 March 2020 at 10.30 a.m. for the following purposes:

A ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2019, together with the Reports of the Directors and Auditors thereon.

2. To declare a Final Dividend for the financial year ended 31 December 2019.

3. To re-elect Mrs Isha P Reuben-Theodore who retires in accordance with paragraph 4.7:5 of Bye-Law No.1 of the Company, as a Director of the Company in accordance with paragraph 4.7:7 of Bye-Law No.1 for a term from the date of her election until the close of the third Annual Meeting of the Company following her election or until her retirement in accordance with paragraph 4.7:5.

4. To re-elect Mr Anthony E Phillip, who retires in accordance with paragraph 4.7:2(g) of Bye-Law No. 1 of the Company, as a Director of the Company in accordance with paragraph 4.7:10 of Bye-Law No.1 for a term from the date of his election until the close of the next Annual Meeting.

5. To re-elect Mr Ranjit R Jeewan, who retires in accordance with paragraph 4.7:2(g) of Bye-Law No. 1 of the Company, as a Director of the Company in accordance with paragraph 4.7:10 of Bye-Law No.1 for a term from the date of his election until the close of the next Annual Meeting.

6. To elect Mr Juan Carlos Restrepo Piedrahita as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No.1 of the Company for a term from the date of his election until the close of the third Annual Meeting of the Company following his election or until his retirement in accordance with paragraph 4.7:5.

7. To elect Ms Diana Hernandez Gonzalez as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No.1 of the Company for a term from the date of her election until the close of the third Annual Meeting of the Company following her election or until her retirement in accordance with paragraph 4.7:5.
8. To elect Mr Arturo Rodriguez Lordmendez as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No.1 of the Company for a term from the date of his election until the close of the third Annual Meeting of the Company following his election or until his retirement in accordance with paragraph 4.7:5.
9. To elect Mrs Danielle F Chow as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No. 1 of the Company for a term from the date of her election until the close of the third Annual Meeting of the Company following her election or until her retirement in accordance with paragraph 4.7:5.
10. To reappoint Messrs KPMG as Auditors of the Company to hold office until the close of the next Annual Meeting.

B OTHER BUSINESS

To transact any other business as may properly be brought before the meeting.

BY ORDER OF THE BOARD

Kathryn Anne Abdulla
Secretary
Corner Eastern Main Road and Mount D'Or Road
Champs Fleurs
TRINIDAD

27 February 2020

NOTES:

1. No material service contracts were entered into between the Company and any of its Directors.

2. The Directors of the Company have not fixed a record date for the determination of shareholders who are entitled to receive notice of the Annual Meeting. In accordance with Section 111(a)(i) of the Companies Act, Ch. 81:01 the statutory record date applies. Only shareholders on record at the close of business on Wednesday 26 February 2020, the date immediately preceding the date on which the Notice is given, are therefore entitled to receive Notice of the Annual Meeting.

3. A shareholder entitled to attend and vote at the Annual Meeting is entitled to appoint a proxy or one or more alternate proxies to attend and act at the Meeting in the manner and to the extent authorised by the proxy and with the authority conferred by the proxy. A proxy need not be a shareholder. All Proxy Forms should be completed and deposited with the Secretary of the Company at the Registered Office of the Company at least 48 hours before the time appointed for the Annual Meeting.

4. A shareholder who is a body corporate, may, in lieu of appointing a proxy, authorise an individual by resolution of its directors or governing body to represent it at the Annual Meeting.

ALL HANDS ON DECK

09

ALL IN

Chairman's Statement

I am pleased to report that West Indian Tobacco delivered total Profit Before Tax of $607.8 million and Profit for the Year of $418.2 million, an increase of 3.2% over the same period last year.

Anthony E Phillip,
Chairman

Based on this improved business performance, Directors have approved and made interim dividend payouts to date of $1.06 ($3.17 pre share split) per share and have recommended a final dividend for 2019 of $0.51 ($1.53 pre share split) which will be proposed for approval at the next Shareholders' Annual Meeting. This will result in a total dividend payout of $1.57 (2018: $4.70 pre share split) per share for 2019.

Global economic activity remained subdued in the first half of 2019, driven by weaker-than-expected international trade and investment, amid ongoing trade tensions between the US and China together with the uncertainty of Brexit negotiations. Growth in Latin America and the Caribbean (LAC) slowed down from 1.0% in 2018 to 0.2% in 2019. Economic activity in the LAC region was affected negatively by reduced manufacturing and mining activities, and the continued economic and humanitarian crisis in Venezuela which led to notable migration into Trinidad and Tobago.

Trinidad and Tobago's economy continued its modest recovery in 2019 supported by some rebound in the energy sector. This was accompanied by a 22% increase in non-energy growth recorded in the first half of the year, as reported by the Ministry of Trade and Industry. The start-up of BP Trinidad and Tobago's new offshore platform, Angelin, in late February 2019, kept natural gas output fairly strong in the first seven months of the year. However, crude oil production continued to decline in line with the maturation of oil fields.

The influx of thousands of Venezuelan migrants into Trinidad and Tobago during the first half of the year as well as the demonetisation of the

Trinidad and Tobago $100 cotton notes at the end of the year, would have had some effects on general consumption and spending patterns during the period.

The Company was able to achieve three (3) years without any Lost Time Injury, which bears testimony to employees' commitment to excellence in Manufacturing Operations. While the prevailing economic conditions continue to foster the burgeoning of suspected illicit products in the market, the Company was able to continue to deliver its quality products, as required, for both the local and CARICOM markets.

Our performance this year was underpinned by our continued efforts to understand our consumers' needs and by astute management of our portfolio to meet their expectations. On 28 November 2019, our Share Split exercise was finally completed resulting in the issue of 168,480,000 additional ordinary shares which we see as redounding to the benefit of our Shareholders.

During the period, there were a number of changes to the composition of the Board, including the retirement of Mrs Danielle F Chow on 31 August 2019. I would like to take this opportunity to thank Mrs Chow for her significant and lasting contribution over many years, to the Board and Company, and look forward to her continued contributions as a Non-Executive Director, should you, our members, see it fit to elect her at the March 2020 Annual Meeting. I also wish to recognise the contributions made by Mr Arturo Campero Gonzalez and Mr Claudio C Wulf to the 2019 results. These gentlemen resigned from the Board with effect from 31 December 2019 and 20 February 2020 respectively.

I also take this opportunity to welcome Mr Juan Carlos Restrepo Piedrahita, Ms Diana Hernandez Gonzalez and Mr Arturo Rodriguez Lordmendez who were appointed Directors on 11 November 2019, 1 January 2020 and 20 February 2020 respectively.

Finally, I take this opportunity to welcome Mr Laurent A Meffre, to the Company. Mr Meffre assumed the role of General Manager with effect from 24 January 2020. He brings with him over 22 years of experience within the BAT Group, having led over 25 markets across the continent of Africa. The Board looks forward to working closely with Mr Meffre.

As your Chairman, I take this opportunity to express sincere gratitude to the Directors, Management, Staff and our Shareholders for the commitment and confidence shown to our business.

My confidence in our Company's ability to deliver positive results is supported by its proven track record and our ability to recognise challenges in our operating environment while continuing to strategically respond and ensure sustainability of the business and satisfaction of our customers.

Anthony E Phillip
Chairman

Management

Discussion & Analysis

"Net Turnover growth of 1.7% in 2019 echoes the current market situation, and the economic prospects for 2020 appear to be very similar in nature."

Jean-Pierre S du Coudray,
Managing Director

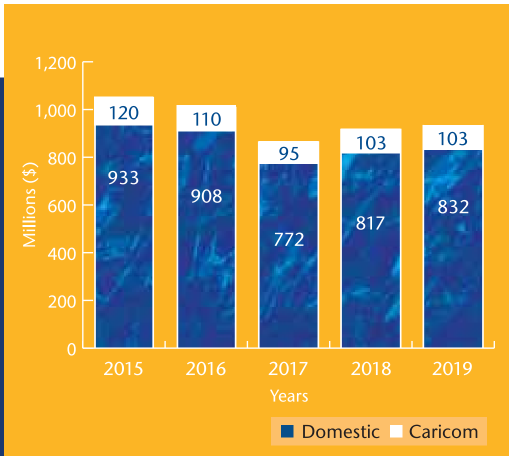
The latest estimate for GDP growth in 2019 was recorded as 1%. Despite improvements in the performance of both the energy and non-energy sectors, the market continued to experience lower levels of economic activity negatively impacting customer and consumer confidence. Consequently, customers continued to manage their working capital very closely, while consumers sought out more affordable options even if product quality was sacrificed. Despite these challenges, we were able to deliver positive results reflected in a 3.5% increase in Profit Before Tax compared to the last period.

On a quarter-on-quarter basis, the US economy grew by 2.0% in the second quarter of 2019, while the United Kingdom declined by 0.2 % for the same period. Economic growth in the LAC was subdued in the second quarter of 2019. In the Caribbean region, the Barbados economy experienced nominal growth of 0.2% in the second quarter of 2019, while Jamaica registered a 1.3% growth during the same period. These figures support the fact that our economy, much like that of the regional and international environment, continues to be a challenging one for government, businesses and consumers.

PERFORMANCE AND STRATEGY

The Company continues to be guided by our key strategic pillars. We are focused on our commitment to deliver greater equity for our core brands portfolio, supported by a dynamic innovation platform. We strive to deliver greater profitability and shareholder value through

REVENUES



improved levels of productivity and reinvestment throughout the business. We pride ourselves on having a winning organisational culture and a winning employee mindset, focused on driving positive Company results. Ultimately, we continuously assess our social, environmental and economic impact to ensure we remain a responsible Corporate business partner, able to meet and exceed the expectations of our external stakeholders.

REVENUES

Revenue for 2019 increased by 1.7% or $15.7 million over the same period last year. This increase is attributable to a slight improvement in the Company's Share of Sales in the domestic market.

Revenue growth proved to be challenging due to the weak economic environment which has forced a shift in consumer spending patterns coupled with the growing list of suspected illicit trade and low-price offerings in the domestic market.

Growth, however, was achieved based on the Company's balanced portfolio targeting each segment of the market and focusing on innovation which allowed for growth in the premium segment of 8% over the same period last year.

Revenue is calculated as sales value net of excise, as published in the Statement of Comprehensive Income.

Market research has shown that Dunhill consumers expect a level of novelty and quality. The Dunhill brand family has always shown great resilience by consistently improving its value proposition through continued innovation whilst building its brand credentials in tobacco. Dunhill has continued to show positive growth in 2019 building upon the multiple innovations which were introduced in 2017 and 2018.

Dunhill Brand Code for the Core range is planned for Q1 2020, with an upgrade in the Freshness and Stimulation range planned for Q2 2020. Brand code modernises the brand and encapsulates all aspects of brand building or creating brand value, including packaging, communication, consumer engagement, trade engagement, innovation and a digital strategy.

In 2018, du Maurier Brand Code was launched, which marked the beginning of the revitalisation of our flagship brand. King Size capsule offerings (Switch and Fresh) were also introduced, providing an entry into the freshness and stimulation segment at an affordable price to consumers. The brand continues to suffer from consumer downtrading and illicit alternatives, losing share of sales year on year. However, du Maurier maintains its place as the market leader.

Our value-for-money brand, Broadway, continued to grow steadily; however, market share for our ultra-low-priced brand, Mt. d'or, has been impacted by an influx of new competitors that are prepared to offer and sustain aggressive trade margins, with consumer prices lower than previously experienced by the market. Nonetheless, the Company perseveres through the quality and equity of our brands, a robust distribution footprint, the strength of our customer relationships, and of course, our people.

COST OF SALES AND OVERHEADS

Cost of Sales decreased from $208.6 million to $207 million, a reduction of 0.8% or $1.6 million against prior year. The decline is directly attributable to manufacturing efficiencies resulting in lower operating costs along with reduced direct material costs due to reduced volumes. Included in Cost of Sales is royalties, which are calculated and paid on net turnover.

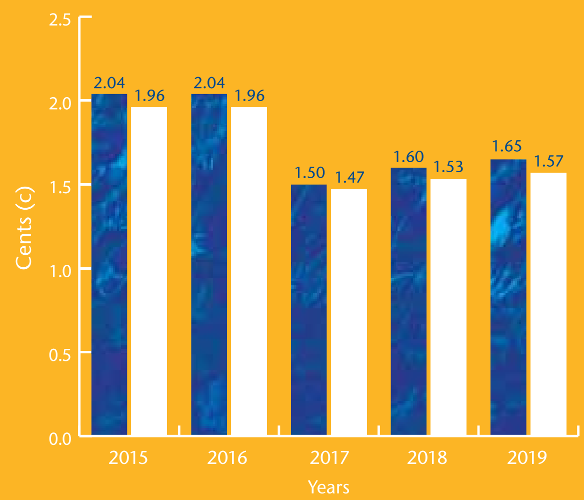
Overheads for the current year declined by 2.5% or $2.8 million against the same period last year, moving from $125.9 million to $123.1 million. The reduction is due primarily to cost-saving initiatives along with prudent costs management and the non-recurrence of the one-off cost incurred in 2018 related to the write-off of finished goods of $7.3 million. Interest income has grown by $0.8 million as investment options were maximised.

PROFIT AND TOTAL COMPREHENSIVE INCOME

Profit Before Taxation of $607.8 million shows an increase of 3.5% versus $587.3 million for 2018. Profit for the Year of $418.2 million increased in comparison to 2018 by 3.2% or $13.1 million. The current year's financial performance reflects what may be deemed a lazy economic climate characterised by moderate growth. However, the Company's strategic position remains one of sustainability ensuring a well-positioned portfolio to defend volume and extract value from the market where possible.

Total Comprehensive Income for the Year of $426.8 million increased from prior year by 1% or $4.3 million which was positively impacted from a net actuarial gain of $8.5 million following the remeasurement of retirement and post-employment benefit obligations. Earnings per

EARNINGS/DIVIDEND PER ORDINARY SHARE



*As a result of the 3-for-1 stock split which was effective 28 November 2019, the earnings and dividend per share for previous years have been restated for comparison purposes.

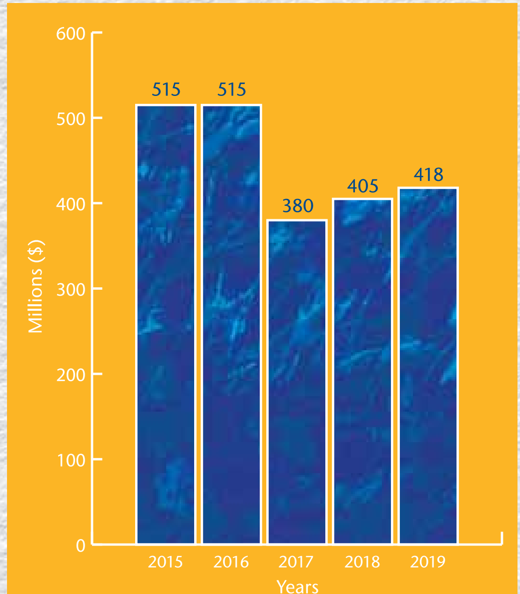
share is $1.65 versus $1.60 for prior year, an increase of 3.1% over prior year. Dividends per Share for 2019 will be $1.57 based on the financial results, once the Final Dividend is approved at the Annual Meeting.

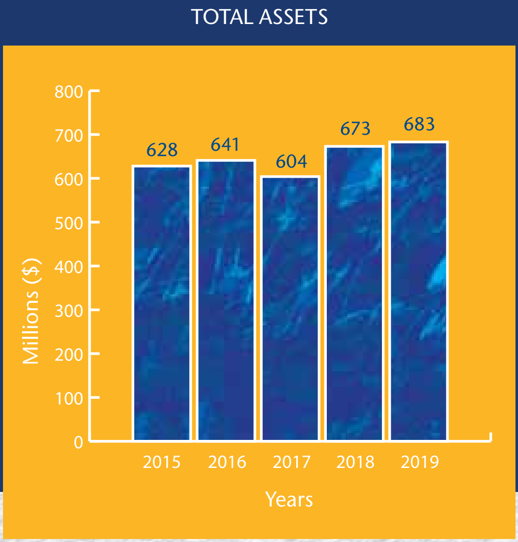
A 3-for-1 share split that was proposed and approved at the Special Shareholders' Meeting held on 31 October 2018 was made effective on 28 November 2019. This has increased the number of shares in issue from 84,240,000 Ordinary Shares to 252,720,000 Ordinary Shares. Earnings and dividends per share reflect the increased number of shares based on the 3-for-1 share split.

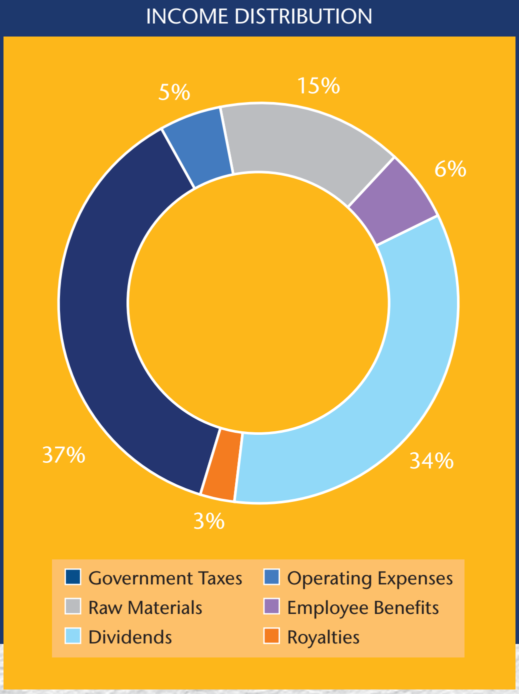
CASH FLOWS

Cash and Cash Equivalents increased by $15.1 million by the end of 2019 to $300 million, compared to prior year of $284.9 million. Net Cash Generated from Operating Activities declined by $24.9 million, as higher operating

PROFIT AFTER TAX







profit was reduced by the increase in working capital and higher tax payments. Dividend payout remained the single largest cash outflow for 2019, totalling $391.1 million.

BALANCE SHEET

Total Assets increased by $10.5 million to $683 million at the end of December 2019 due to an increase in Current Assets impacted by an increase in Cash and Cash Equivalents from $284.9 million to $300 million.

TRANSACTIONS WITH AFFILIATES

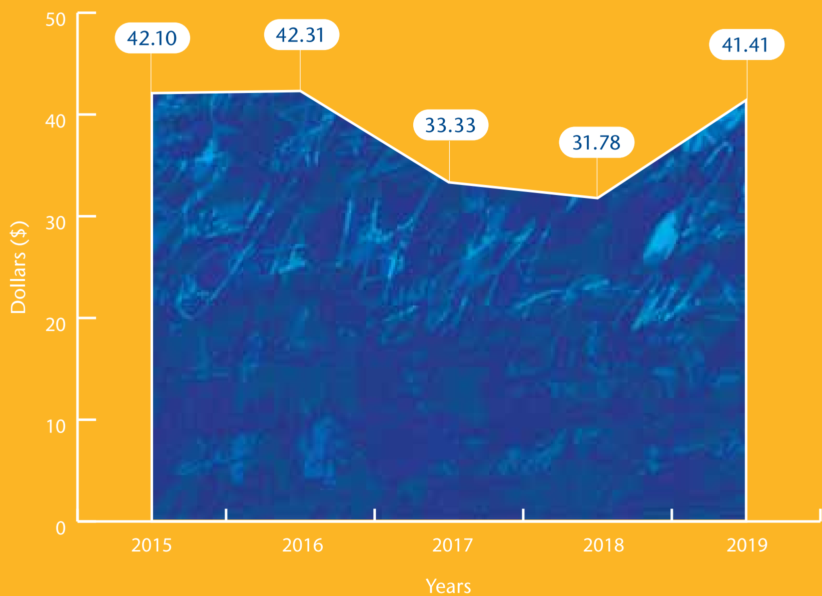
The Company is a subsidiary of British American Tobacco (Investments) Limited which holds 50.13% of the Issued Share Capital and whose ultimate parent company is British American Tobacco p.l.c., a company registered in the United Kingdom.

The Company sells cigarettes to related parties, as well as purchases materials and other services from related parties. The prices agreed between related parties for the 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.

ACCOUNTING POLICIES

The Company's principal accounting policies conform to International Financial Reporting Standards (IFRS). Developments related to these standards are actively monitored and all significant accounting policies are disclosed under Note 2 of the Notes to the Audited Financial Statements.

SHARE PRICE



*As a result of the 3-for-1 stock split which was effective 28 November 2019, the share price for previous years has been restated for comparison purposes.

GROWTH

Overall, the team was successful in securing a stable performance for our core brand portfolio, comparable with the results of the previous year.

For the second consecutive year, our Dunhill capsules segment generated high double-digit growth, growing by 30% vs the previous year's performance. This is mainly attributable to the rise of Dunhill Double Capsule as the market leader within the local capsules category. It reaffirms the importance of innovation in driving the growth agenda. Overall, the Dunhill brand surpassed its prior -year performance by 8%.

Even with mounting competitor pressure, du Maurier is resilient and remains the #1 brand in the market. du Maurier retains its base of loyal consumers and is still recognised as the flagship of the Company within the trade. Additionally, Broadway, grew by 11% in 2019, signalling a resurgence in loyalty and equity for one of the Company's enduring brands. Even in these economic conditions, consumers still place significant value on familiarity, trustworthiness and heritage.

In April 2019, we successfully executed a much-needed pack upgrade for our Mt. d'or brand. This was aimed at creating greater brand equity thereby strengthening our ability to compete within the ultra-low-price segment against the competition. The upgrade was very well received by both customers and consumers alike. However, market share for our ultra-low-priced brand, Mt. d'or, has been impacted by an influx of new competitors that offer consumer prices lower than previously experienced by the market.

As the market leader, we continue to value all aspects of our operations which allow us to continue to be sustainable. Over the year, one salient factor in our operation which we must underscore is our distribution footprint. Optimisation of our distribution network is a critical component to the continued success of the business. As a result, we constantly revisit our distribution footprint in order to ensure maximisation of efficiency and continued competitive advantage. This is the foundation of our strong and loyal customer relationship.

Alongside our brand-building activities, the Company engaged in many innovative and aggressive tactical programmes aimed at protecting our share of market. Robust strategic planning and greater application of consumer and trade insights formed the backbone of our approach to defending the business in 2019. This will continue in 2020 to ensure we are successful in capturing growth opportunities in an increasingly challenging economic environment.

As a result of the crime situation which continues to be an area of concern during 2019, the Company invested significant resources to ensure the safety of our trade teams and distributor sales teams. The security of the business operations of all our key stakeholders, as well as, the well-being of our respective teams remains of paramount importance and no compromise will be made in this area.

PRODUCTIVITY

In 2019, we expanded our reapplication of best practices from the global business and utilised these technical packages to gain improvements in efficiencies and productivity. Our continuous improvement journey still focuses on eliminating all the losses that exist in the Supply Chain and enhancing the consumer relevant value-added activities without risking product quality, work comfort or the safety of anyone under our care.

We continue to value our employees as a critical asset to our success and our current record in 2019 of celebrating three (3) years without any Lost Time Injury stands as a testament to the value our Employees and Operations place on Environmental Health and Safety. We continue to invest in technology and activities which recognise and harness the best results from employee effort.

The Operations unit continued to work towards the objectives defined in our 2017 Compelling Business Needs (CBN) while making significant progress towards our 2022 vision and goals. Our key focus remains systemic upskilling of our workforce, enhancing our management capabilities and working towards becoming a High-Performing Organisation.

SUSTAINABILITY

Sustainability is not a choice or something that is ‘nice to have’ – it is crucial to securing the future of our company and for creating shared value for all our stakeholders, including our customers, our consumers and our shareholders.

In 2019, in order to ensure we did the right thing by our stakeholders and the general environment, we participated in national-facing events within the business community, including events hosted by the various Chambers of Commerce and Industry, the Trinidad and Tobago Manufacturers' Association and the Caribbean Corporate Governance Institute.

Mindful that we operate in a highly competitive environment, regulated by myriad institutions, we continued to deliver high-quality products that satisfied our customers' needs. These products we delivered while always complying with the requirements of the wider economic, social, political and regulatory framework. We take pride in working alongside suppliers and distributors who understand and appreciate our “ways of work” and continue to support us on our journey to responsibly manage the impact of our operations and our products.

WINNING ORGANISATION

We reflect on 2019 as a year of stability and growth for HR. Our focus on talent development has no doubt contributed to the success of the company and continues to have our attention for the year ahead. Our online Success Factors HR platform has evolved into a well-utilised and stable site for our talent needs and is the “go-to” space for our employees and managers alike to deliver talent metrics and an employee self-serve model.

Our HR agenda centers around the main priorities of Focus and Alignment, Engaging Teams and Operational Excellence. This year, we again rolled out our company-wide Engagement Survey and are pleased to share that our engagement rate maintains its high score, with results signaling high satisfaction with Teamwork, Empowerment, Pay for Performance and our strong Health and Safety Culture. In addition, our low voluntary turnover rate signals that our employees are engaged and that we are well positioned in the local arena.

Our training agenda stays top of mind, which is underpinned by our 70-20-10 learning philosophy, encouraging learning on the job and from others as the most impactful way of developing skills. Mentorship, coaching and cross-functional projects continue to be prevalent and we will continue to stretch our teams in innovative ways in 2020.

Looking ahead we will focus on continuously driving talent development and building our succession pipelines to be prepared for the challenges that may arise. We continue to aggressively invest in the development of our people, which we view as a key competitive advantage for our survival.

LOOKING AHEAD

Net Turnover growth of 1.7% in 2019 echoes the current market situation, and the economic prospects for 2020 appear to be very similar. Nevertheless, this represents a positive and significant result for the business as it underscores the intense level of dedication and effort exerted by our people in ensuring a positive return for our stakeholders. In the face of challenging conditions, the resolve of the Company and our Business Partners are stronger than ever, and we remain committed to a high level of performance in the year ahead.

Although our strategy remains relevant and is working, no doubt some improvements are required in 2020, as we must adjust to changes in the market and consumer preferences, both of which have become very dynamic.

Our commitment for 2020 to our stakeholders will be to ensure a greater and expanded innovation pipeline adequate to protect the business from competition; a strong emphasis on strategic planning in conjunction with our business partners; robust training and development programmes to ensure our people have the tools to succeed; and ensuring the right level of resources to ensure the operational effectiveness of both the Company and our business partners, as we continue to focus on growing shareholder value in 2020 and beyond.

Jean-Pierre S du Coudray
Managing Director

Working together,
we can achieve so much.

Directors' Report

Dear Shareholder,

We report to you on five critical areas of corporate governance and the foundations on which they are built, together with the Company's performance in these areas.

1. FRAMEWORK FOR EFFECTIVE GOVERNANCE

The Company is headed by a Board of Directors which is collectively responsible for the long-term success of the Company.

The roles and responsibilities of Directors are set out in the Company's Bye-Laws and are governed by the Companies Act Chapter 81.01. The Directors exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In furtherance of this, at the March 2020 Annual Meeting:

- In accordance with paragraph 4.7:5 of Bye-Law No.1 of the Company, Mrs Isha P Reuben-Theodore retires from the Board of Directors and, being eligible, offers herself for re-election.
- In accordance with paragraph 4.7:2(g) of Bye-Law No.1 of the Company, Messrs Anthony E Phillip and Ranjit R Jeewan retire from the Board of Directors and, being eligible, under paragraph 4.7:10 of Bye-Law No.1, offer themselves for re-election.
- Mr Juan Carlos Restrepo Piedrahita, Ms Diana Hernandez Gonzalez, and Mr Arturo Rodriguez Lordmendez, who were appointed to the Board to fill vacancies with effect from 11 November 2019, 01 January 2020 and 20 February 2020 respectively, in accordance with paragraph 4.3 of Bye-Law No.1 of the Company retire from the Board of Directors and, being eligible offer themselves for election.
- In accordance with paragraph 4.3 of Bye-Law No.1, Mrs Danielle F Chow, being eligible, offers herself for election.

In accordance with the Companies Act, Chapter 81:01 Section 74, Mr Arturo Campero Gonzalez, and Mr Claudio C Wulf resigned from the Board of Directors with effect from 31 December 2019 and 20 February 2020 respectively.

In accordance with paragraph 4.7:1, Mrs Danielle F Chow ceased to be a Director of the Company with effect from 31 August 2019, when upon her retirement, she ceased to be an officer of the Company.

2. COMPOSITION AND PERFORMANCE OF BOARD

The balance of independence and diversity of skill, knowledge, experience, perspectives and gender among the Directors allows for the Board to work effectively.

The Board of Directors currently comprises eight Directors. Of the eight Directors, six are Non-Executive Directors and of these, three are Independent. The Board is diversified by nationality and gender, and represents a strong team with a broad range of professional backgrounds and styles.

The Chairman is responsible for leading the Board to ensure effectiveness and robust shareholder engagement. Based on the strategy and policies set by the Board, the Managing Director is responsible for overseeing the implementation of these strategies, which create the framework for day-to-day operations. Directors oversee the Company's strategy, review management proposals, monitor performance, and bring an external and specialist perspective.

All Non-Executive Directors receive an induction upon their appointment to the Board, which covers such matters as the operation of the Company, activities of the Board, the role of the Board and Management, as well as the Board's governance policies and practices.

Non-Executive Directors are paid a retainer fee as well as an additional fee for attendance at Board and Committee meetings. Executive Directors and Directors who are employees of British American Tobacco or any of its affiliates are not paid fees. All fees are approved by the shareholders.

The Company's Board of Directors meet at least quarterly and attendance and participation at meetings of the Board are considered a critical part of the role of a Director. In 2019, eight Board of Directors meetings and four Audit Committee meetings were held.

3. LOYALTY AND INDEPENDENCE

The Directors act with integrity and in good faith and in the best interest of the Company ahead of all other interests.

The Chairpersons of the Board and of the Audit Committee are Independent Non-Executive Directors. This balance of Non-Executive-to-Executive Directors ensures that the Board is able to exercise independent judgement with sufficient management information to enable proper and objective assessment of issues. The Board is not aware of any relationships or circumstances affecting the Directors' independent judgement.

All Directors are candidates for re-election by shareholders at intervals of no more than three years, subject to continued satisfactory performance. Directors who have attained the age of 65 are candidates for re-election by the shareholders every year.

The Company's Standards of Business Conduct apply to all employees, managers and Directors and reflect the Company's commitment to always act with high standards of integrity. In accordance with the Company's Policy and the Companies Act, all Directors are required to declare whether they have any material interest in any transaction or matter directly affecting the Company.

Interests of Directors, Senior Officers and Connected Persons

In accordance with the requirements of our Listing Agreement with The Trinidad and Tobago Stock Exchange Limited ("the TTSE") and Rule 601 of the Rules of the TTSE, we record hereunder details of the beneficial interest of each Director and Senior Officer, together with their connected persons, in the share capital of the Company as at the end of the Company's financial year 31 December 2019.

DIRECTORS	ORDINARY SHARES	NO. OF SHARES HELD BY CONNECTED PERSONS
Mr Anthony E Phillip	NIL	NIL
Mr Jean-Pierre S du Coudray	42,657	NIL
Ms Ingrid L-A Lashley	NIL	NIL
Mr Ranjit R Jeewan	54,000	NIL
Mr Juan Carlos Restrepo Piedrahita	NIL	NIL
Mrs Isha P Reuben-Theodore	NIL	NIL

There are no other interests held by the Directors. There has been no change in the interests of Directors or connected persons of Directors between the end of the

Company's financial year and 31 January 2020, the latter being a date not more than one month prior to the date of the notice convening the Company's Annual Meeting. Neither Ms Diana Hernandez Gonzalez and Mr Arturo Rodriguez Lordmendez, who were appointed Directors with effect from 1 January 2020 and 20 February 2020 respectively, nor their connected persons, hold any interest in the Company.

SENIOR OFFICERS as at 31 December 2019	ORDINARY SHARES	NO. OF SHARES HELD BY CONNECTED PERSONS
Mr Jean-Pierre S du Coudray	42,657	NIL
Mrs Amy Lazzari	NIL	NIL
Mrs Kathryn Anne Abdulla	NIL	NIL
Mrs Isha P Reuben-Theodore	NIL	NIL
Mr Alexander O Thomas	NIL	NIL

SENIOR OFFICERS as at 31 January 2020	ORDINARY SHARES	NO. OF SHARES HELD BY CONNECTED PERSONS
Mr Jean-Pierre S du Coudray	42,657	NIL
Mr Laurent A Meffre	NIL	NIL
Mrs Kathryn Anne Abdulla	NIL	NIL
Mrs Isha P Reuben-Theodore	NIL	NIL
Mr Alexander O Thomas	NIL	NIL

Disclosure of Interest of Directors and Officers in any material contracts with the Company (pursuant to Section 93(1)(a) of the Companies Act Ch. 81:01)

At no time during the current financial year has any Director or Officer been a party to a material contract with the Company, or been materially interested in a contract or in a party to a material contract which was significant in relation to the Company's business.

Disclosure of Directors and Officers who are Directors or Officers of Companies that are a party to material contracts with the Company (pursuant to Section 93(1)(b) of the Companies Act Ch. 81:01)

Mr Juan Carlos Restrepo Piedrahita, Non-Executive Director, is a Director of affiliated Companies, British American Tobacco Colombia S.A.S. in Colombia and Carreras Limited in Jamaica.

4. RELATIONSHIP WITH SHAREHOLDERS

The Board promotes constructive relationships with all shareholders that facilitate the exercise of their ownership rights and encourages their engagement with the Company.

The Board is committed to facilitating the ownership rights of all shareholders, including minority shareholders. Provision is made at Annual Meetings for shareholders to have the opportunity to engage with the Directors and Management.

Substantial Interest/Largest Shareholders

In accordance with the requirements of our Listing Agreement with the TTSE and Rule 601 of the Rules of the TTSE, we list below those shareholders with the 10 largest blocks of shares in the Company as at 31 January 2020.

Shareholding	Total Shares Held
British American Tobacco Inv. Ltd.	126,682,956
National Insurance Board	22,764,198
National Investment Fund Holding Company Limited	13,646,136
Republic Bank Limited - 1162	8,964,006
Trintrust Limited a/c 1088	6,628,590
RBC Trust (Trinidad & Tobago) Limited - T585	4,574,963
RBTT Trust Limited - T964	3,837,177
Tatil Life Assurance Limited a/c C	3,006,870
Republic Bank Limited - 1367	2,607,078
Republic Bank Limited - 0778	2,425,938

The Trinidad and Tobago Central Depository holds the legal interest in shares for and on behalf of several beneficial owners, totalling 116,151,817 as at 31 January 2020.

5. ACCOUNTABILITY

The Board of Directors presents an accurate, balanced and understandable assessment of the Company's performance.

The Board's Audit Committee meets at least four times a year, including immediately prior to the publication of the full year's audited financial statements and interim results of the Company to monitor the integrity of the financial statements of the Company and review, and when appropriate, make recommendations to the Board of Directors on business risks, internal controls and compliance. The Committee also reviews the financial reporting, audit process, risks and internal controls as the Company's risk management and internal control processes strike the balance between fostering entrepreneurship within the Company's business model and safeguarding shareholders' investments and the Company's assets.

2019 Financial Highlights

			2019
			$'000
Revenue			935,365
Cost of Sales			(206,990)
Gross Profit			728,375
Distribution Costs			(14,354)
Administrative Expenses			(83,072)
Other Operating Expenses			(25,627)
Operating Profit			605,322
Interest Income			2,440
Profit Before Taxation			607,762
Taxation			(189,526)
Profit for the Year			418,236
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss			
Gain on revaluation of Land & Building – net of tax			
Remeasurement of retirement and post-employment benefit obligations – net of tax			8,537
Other Comprehensive Income – net of tax			8,537
Total Comprehensive Income for the Year			426,773
Dividends:			
Interim 1st	$0.28	per ordinary share paid on 11 June 2019	69,919
Interim 2nd	$0.39	per ordinary share paid on 21 August 2019	97,718
Interim 3rd	$0.39	per ordinary share paid on 26 November 2019	99,403
Proposed Final	$0.51	per ordinary share to be paid on 28 April 2020	128,887
			395,927

The Audit Committee assesses the suitability and independence of external auditors and follows up on recommendations made by internal and external auditors. Its members also ensure that the Company's Financial Statements, as audited by the independent auditors, comply with International Financial Reporting Standards (IFRS) and represent a true and fair view for the respective reporting period.

The Auditors, Messrs KPMG, retire and have expressed their willingness to be reappointed as Auditors at the March 2020 Annual Meeting. Messrs KPMG are practising members of the Institute of Chartered Accountants of Trinidad and Tobago and are eligible for appointment as Auditors of the Company under the rules of the said institute.

Financial Calendar

REPORTS

Interim Financial Statements

• First Quarter ending 31 March 2020	May 2020
• Second Quarter ending 30 June 2020	August 2020
• Third Quarter ending 30 September 2020	November 2020

Preliminary Announcement for the year ending 31 December 2020	February 2021
Annual Financial Statements for the year ending 31 December 2020	March 2021

Proposed Dividend Payment Dates

(Payable in accordance with paragraph 16 of Bye-Law No. 1)

Final 2019	April 2020
First Interim 2020	June 2020
Second Interim 2020	August 2020
Third Interim 2020	November 2020
Final 2020	May 2021

By Order of the Board

Kathryn Anne Abdulla
Secretary
27 February 2020

Board of Directors

Anthony Phillip
Chairman

Jean-Pierre S du Coudray
Managing Director

Anthony E Phillip joined West Indian Tobacco in 1973 as a Manager in its Production Department and was appointed Production Manager/Director in 1984, after completing a period of secondment to British American Tobacco Kenya Limited. He was appointed Managing Director in 1998 and following his retirement in 2006, became Chairman in 2007. He was also Chairman and Managing Director of British American Tobacco (Malawi) Limited (1994-1998), and currently sits on the Board of Directors of the ANSA McAL Group of Companies, Carib Brewery and Caribbean Development Company Limited. Mr Phillip, who began his career as an Industrial Chemist at Caroni Limited, holds an Executive Masters in Business Administration from The University of the West Indies.

Jean-Pierre S du Coudray was appointed Managing Director of West Indian Tobacco in October 2006. He has been in the tobacco industry since 2001 and led the Company's Trade Marketing and Distribution Department before going on assignment to lead the Trade Marketing Services of British American Tobacco (BAT) Group's interests in the Caribbean. Mr du Coudray holds a Bachelor of Arts Degree in Economics from the University of Western Ontario, Canada and is a member of the Board of the National Flour Mills Limited.

Ingrid L-A Lashley

Director

Diana Hernandez Gonzalez

Director

Ingrid L-A Lashley was appointed a Director in August 2008 and the Chairman of the Audit Committee in March 2009. Ms Lashley is currently the Chairman of the Bourse Group and National Enterprises Limited, in which capacity she sits on the Boards of the Investee Companies. She also holds directorships in the Eco-Industrial Development Company of Tobago Limited and the Angostura Group. Ms Lashley serves as a member of the Licensing Committee of the Institute of Chartered Accountants of Trinidad and Tobago. An experienced banker, Ms Lashley is the holder of a Masters in Business Administration in Accounting and Finance from McGill University in Montreal, Canada and also carries the designations of Certified Management Accountant, Certified Public Accountant and Chartered Accountant.

Diana Hernandez Gonzalez was appointed a Director in January 2020. Ms Hernandez has over 14 years of experience in the BAT Group, having worked in Mexico, Canada, Colombia, United Kingdom and Venezuela in the finance function. Prior to 1 January 2020, Ms Hernandez was the head of the finance function for BAT's Group interest in Mexico and Central America and currently heads the finance function for BAT Group's interest in the Caribbean and Northern Latin America. She holds a Degree in Finance Management from Instituto Tecnológico de Estudios Superiores de Monterrey in Mexico.

Board of Directors
continued

Ranjit R Jeewan
Director

Juan Carlos Restrepo Piedrahita
Director

Ranjit R Jeewan was appointed a Director in November 1986 and has been a member of the Board's Audit Committee since 1990. Mr Jeewan has worked in the tobacco industry since 1968 and headed the Finance function of West Indian Tobacco for 16 years until his retirement in 2002. During this period, he was seconded on overseas assignments within the BAT Group to the United Kingdom and Singapore. Following his retirement, Mr Jeewan held directorships in the Trinidad and Tobago Stock Exchange and the Trinidad and Tobago Central Depository. He also held the Chairmanship in each of these companies.

Juan Carlos Restrepo Piedrahita was appointed a Director in November 2019. Mr Restrepo Piedrahita brings with him over 14 years of experience within the BAT Group having worked in Colombia, Venezuela and Brazil. Mr Restrepo Piedrahita currently heads the Legal and External Affairs function for the BAT subsidiary in Colombia and is also responsible for the anti-illicit engagement efforts in the Caribbean and Northern Latin America. Mr Restrepo Piedrahita acted as the Presidential Security Advisor in Colombia from 2016 to 2018 where he provided advice on all issues related to national security, public safety and cyber defence. He holds both a Law degree as well as a Master's in International Contracting Regime from the Universidad de los Andes in Bogotá, Colombia and a further Master's in National Defence and Security from Escuela Superior de Guerra de Colombia in Bogotá, Colombia.

Isha P Reuben-Theodore

Director

Arturo Rodriguez Lordmendez

Director

Isha P Reuben-Theodore was appointed a Director in November 2014. Mrs Reuben-Theodore currently heads the Finance function at West Indian Tobacco and has over 16 years of experience in the tobacco industry both locally and within the BAT Group's interest in the Caribbean. She is also the Chairperson of the Board of Trustees of the Company's Pension Plan. She is a Fellow of the Association of Chartered Certified Accountants U.K. (FCCA), with over 20 years' experience in various aspects of finance with emphasis on Financial Management and Financial Reporting, Accounting and Auditing. She holds memberships in the Institute of Chartered Accountants of Trinidad and Tobago and the Caribbean Corporate Governance Institute.

Arturo Rodriguez Lordmendez was appointed a Director in February 2020. He brings with him 25 years of experience within the BAT Group, having managed the Operations function in more than 10 countries spanning the continent of Africa, the Americas as well as the United Kingdom, where he led the unit responsible for the global strategy and development initiatives for the Operations function. He currently heads the Operations function for BAT Group's interest in the Caribbean, Canada and Northern Latin America. He holds Master's degrees in Business Administration and Sciences from the Instituto Tecnológico y de Estudios Superiores de Monterrey in Mexico as well as a Bachelor's degree in Industrial Engineering from the Instituto Tecnológico de Ciudad Victoria in Mexico.

Board of Directors
continued

Danielle F Chow

Danielle F Chow offers herself for election as a Director at the March 2020 Annual Shareholders meeting. She is an attorney-at-law, who has operated locally and in the wider Caribbean at a strategic level in the private sector over the last 30 years, largely in multinational environments. Mrs Chow had over 20 years' experience in the tobacco industry at various management positions in the legal, government affairs, human resource, security and sustainability functions. She is a former Company Secretary and Director of West Indian Tobacco as well as the Chairman of its Pension Plan. Mrs Chow is currently a Commissioner of the Elections and Boundaries Commission of Trinidad and Tobago and a Director and Audit Committee Member of Unilever Caribbean Limited. She holds a Bachelor of Laws from The University of West Indies and a Legal Education Certificate from the Hugh Wooding Law School, and is a member of the Caribbean Corporate Governance Institute.

IN UNITY THERE IS STRENGTH

Management Teams

CORPORATE SERVICES

Laurent A Meffre

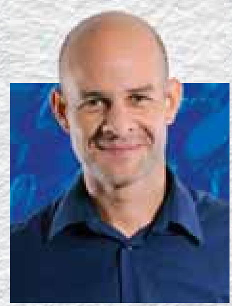
Kathryn Anne Abdulla

Isha Reuben-Theodore

Amy Lazzari

Angelique Howell

Sheldon Dukharan



Andre De Gannes

Rowan Brathwaite

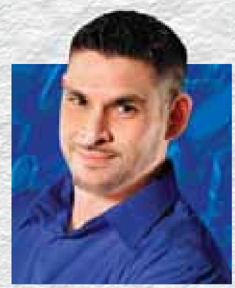
Gervon Abraham

MARKETING


Nicholas Ling


Veer Lakhan-Joseph


Imran Mohammed


Alexander Thomas

OPERATIONS SUPPORT


Luke Gittens


Gina Ferguson-Spencer


Marlon Rattan


Raphael Seco

Management Teams

MANUFACTURING


Babatunde Akinola


Solmer Thom


Hector Martinez


Taran Persad


Ryan Besai


Liselle Walters


Rajiv Singh

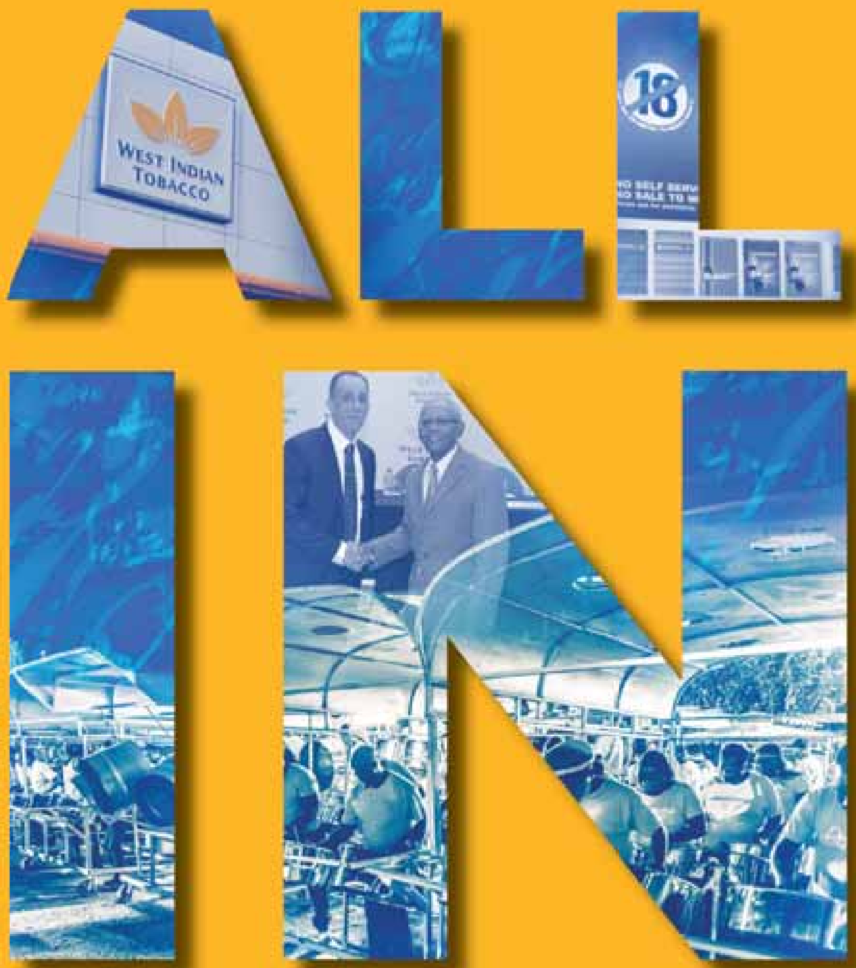

Raewyn Maxime


Corey Burke


Vachel Abdool


Timothy Droojansingh

TO ADVANCE WE MUST BE...



Through it all, we have remained focused and committed as a team toward achieving our targets. We have succeeded because there was an "All In" approach.

Report to the Shareholders

Enterprising Spirit | Freedom Through Responsibility | Open Mindedness | Strength from Diversity

The Company's Guiding Principles - Enterprising Spirit, Freedom Through Responsibility, Open Mindedness and Strength from Diversity - form the core of our culture and guide how the strategy is delivered. It is, therefore, no surprise that even in these challenging economic times, the fundamentals of the Company have allowed it to endure and prosper.

Throughout 2019, there were ongoing changes to the business model which allowed us to adapt to the ever-changing dynamics of the market. Our positive results were achieved amid a continued challenging economic environment. Additionally, as we have seen in previous years, the expectations of our customers and consumers continue to evolve which places a higher emphasis of being proactive and one step ahead of our competitors.

Through it all, we have remained focused and committed as a team to achieving our targets. We have succeeded because there was an "All In" approach. This approach allowed us to deliver growth as well as shareholder value to all our stakeholders. By continuing to focus on our marketing, our brands and our people, and ensuring we are all aligned to an agreed strategy, we have been able to deliver another year of sustainable growth. For continued success, "All In" is the only way. In unity, there is strength. To advance, we must be all in.

Marketing's "ALL IN" Approach

The focus of our Marketing efforts in 2019 sought to build on the foundation laid in the previous year and the Company continued the thrust to satisfy our customers' and consumers' thirst for innovation through a higher calibre of 1-2-1 engagement and product responsiveness. The business responsive approach to the customers and consumers meant all employees recognised the importance of the role they play in sustainably providing high-quality tobacco products.

Consequently, the Company experienced further growth within our Premium portfolio fuelled by the strengthening in overall performance of our Capsule range. The resulting restoration of equity in our Dunhill brand has delivered the highest sales performance for the Company in the last four years.

In the face of significant downtrading driven by economic conditions and the availability of cheaper, and sometimes suspect offers, du Maurier still remains the Company's flagship brand and the overall market leader. This resilience continues to reflect the strength of the brand's legacy and heritage, that up to today, is still greatly valued by both customers and consumers.

The resurgence in growth for our Broadway brand over the last two years reinforces the shift in consumer behaviour within the industry, whereby affordability has become a primary purchase motivator. Broadway remains consistent and true to its brand essence, offering a unique taste to its loyal consumers.

The Brand Equity for our Mt. d'or brand received a significant boost in April due to an upgrade in the packaging to reflect the evolving market. The new look for the brand also sought to reflect and support the brand's position as the leader in the ultra-low-priced segment.

Illicit Trade remains one of the biggest challenges and threats to our business.

This illegal industry continues to thrive, and it is suspected that duties and the associated taxes are not being paid by all businesses involved in the importation and distribution of tobacco products. This trade frustrates the revenue collection effort of the Government of Trinidad and Tobago and may also finance other illegal activities in the market. The quality of the products themselves are questionable and pose additional serious health risks to consumers.

We remain committed to building and driving Awareness, Education and Engagement on Illicit Trade. However, we recognise that only through a collaborative and decisive effort from all stakeholders involved, can this threat be controlled and, ultimately eliminated. To be successful, an "All In" approach by all stakeholders is the only way.

The Company is also monitoring the development of Potentially Reduced Risk Products (PRRP's). Rapid product innovation, along with advances in societal attitudes and public health awareness, may potentially allow the Company to contribute to the lives of our consumers by providing them with lower-risk tobacco and nicotine products. These new methods of delivering consumer satisfaction underline the Company's focus on continuing to meet consumer demand. PRRP's enable consumers to have a market-leading innovation that meets their needs and provides clear benefits for the society in helping to reduce smoking-related diseases.

ALL IN Approach to Operations

The Manufacturing arm of the business continued its work to ensure that its costs were set to be globally competitive and that we used resources as effectively as possible to support the sustainability of the business in the market.

Acting responsibly and with integrity underpins our whole approach and forms the foundation of our culture and values as a Company. We know that conducting our affairs with honesty, integrity and transparency is key if we are to continue to develop as a responsible, successful and sustainable business. This approach includes: safeguarding human rights across our operations and supply chain; protecting the health and safety of our workforce and addressing the environmental impacts of our business operations.

The manifestation and functions of Environmental, Health and Safety (EHS) have changed over time and our employees have certainly continued to respond to these changes. In 2019, we celebrated three (3) years without any Lost Time Injury; achieved by an "all hands on deck" approach on the Operations and Commercial sides of the business, where any potential safety issue identified by any member of staff can be highlighted and a solution found in the shortest possible time. Maintaining this standard was achieved by following the processes, remaining committed to our systems and making EHS a part of our DNA.

Through our focused approach, we saw quality standards increase significantly, leading directly to a reduction in customer and consumer-related complaints as well as improvement in overall product quality.

In an effort to ensure shareholder value, the factory's drive on cost optimisation continued on the right track through detailed loss analysis, without risking product quality, work comfort or the safety of anyone under our care.

ALL IN Approach to Sustainability

Your Company has been in existence a very long time, since 1904, and has evolved into one of the Trinidad and Tobago's leading consumer goods companies. We are proud of our history and excited about the opportunities to continue to work with all our stakeholders, encouraging them to operate with the highest standards of corporate conduct and transparency.

Acting with integrity is key to the sustainability of the business and we continued to drive the importance of achieving outstanding results without compromising the Company's high standards of business conduct. In recognition of the fact that we cannot maintain high standards of integrity without buy-in from all employees and third party contractors, we made a call to all employees and third parties working with the Company to always operate with the highest ethical standards and to maintain vigilance for anything that "does not feel right". The call was answered. Employees took some time to reflect, and make personal commitments to deliver with integrity. A pledge wall was mounted to remind us all of our commitment to do the right thing. Third party contractors also committed to operate with the same values we hold dear, including adapting a zero-tolerance approach to bribery and corruption.

In 2019, the Company also remained committed to contributing to activities that go beyond its commercial and legal obligations, which contributed to the economic, social and environmental sustainability of the country and community in which we operate. We approach our investments in society as an end in itself, rather than as a way to promote ourselves. We believe that any contribution made should be meaningful and aim to enrich public and community life. This belief ensured that we continued to make meaningful contributions where it most matters, including in at risk communities.

Employees ALL IN

West Indian Tobacco continues to attract, recruit and develop top talent and has cultivated an agile and robust talent pipeline to ensure that our human resources can adapt to the ever-changing needs of the consumer, and the society as a whole.

“Inspire TT”, an Employee Engagement platform, was formally launched in 2019. This cross-functional team contributed to building employee morale and enthusiasm by promoting a greater sense of comradery at all levels within the organisation. They highlighted the principles

of leading by example and found innovative ways to recognise and reward their fellow employees. The "Your Voice" survey was again conducted in 2019. This survey was administered by an independent organisation that specialises in collecting and collating employee opinions. The survey provided us with valuable insights which helped to drive relevant plans to improve what we do and how we do it, enhancing our employment experience. Based on survey results, we are heartened that the team is more engaged than ever and recognises the West Indian Tobacco culture as one that nurtures and develops our leaders and teams to drive high performance and sustainability.

By working together, we contribute to a successful manufacturing company which stands as a beacon throughout the Caribbean. We will continue to collaborate with all stakeholders to foster a well-regulated industry that is responsive to customer and consumer needs, provides a sound investment to all shareholders and is able to make a positive contribution to society. Once all hands are on deck, we will succeed.

The Year At a Glance

	2019 $'000	2018 $'000	Change %
Revenue	935,365	919,644	1.7%
Gross Profit	728,375	711,016	2.4%
Total Expenses	(123,053)	(125,906)	-2.3%
Operating Profit	605,322	585,110	3.5%
Interest Income	2,440	2,200	10.9%
Profit Before Taxation	607,763	587,310	3.5%
Taxation	(189,526)	(182,214)	4.0%
Profit for the Year	418,237	405,096	3.2%
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement and post-employment benefit obligations	8,537	2,428	251.6%
Gains on revaluation of land and building (net of tax)	–	14,990	–
Other Comprehensive Income (net of tax)	8,537	17,418	-51.0%
Total Comprehensive Income for the Year	426,773	422,514	1.0%

Five Years At a Glance

	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000
Profit And Taxation					
Profit before taxation TT$	693,526	693,656	549,672	587,310	607,762
Taxation	178,043	178,161	169,454	182,214	189,526
Profit after taxation TT$	515,483	515,495	380,218	405,096	418,236
Dividends	495,331	495,331	371,498	387,505	395,927
Effective rate of taxation (%)	25.7	25.7	30.8	31.0	31.2
Balance Sheet					
Shareholders' equity	381,567	418,879	377,825	413,677	451,254
Deferred Income Tax Liability	22,841	30,565	33,641	37,465	40,281
Non-current liabilties	88,841	70,101	57,605	56,155	43,766
Current liabilities	135,565	121,921	135,288	165,544	148,087
Total Funds Employed	628,814	641,466	604,359	672,841	683,388
Property, plant and equipment	196,625	203,416	211,974	238,252	248,485
Deferred Income Tax Asset	26,504	25,301	20,671	19,354	13,294
Inventories	37,741	43,603	44,751	48,707	36,627
Cash at bank and in hand	286,778	269,483	234,655	284,870	300,018
Other current assets	81,166	99,663	92,308	81,658	84,964
Total Assets	628,814	641,466	604,359	672,841	683,388
Statistics					
Issued Share Capital ('000)	252,720	252,720	252,720	252,720	252,720
Earnings per ordinary share ($)	2.04	2.04	1.50	1.60	1.65
Dividends per ordinary share ($)	1.96	1.96	1.47	1.53	1.57
Net assets value per ordinary share ($)	1.51	1.66	1.50	1.64	1.79
Share prices at 31 December ($)	42.10	42.31	33.33	31.78	41.41

Statement of Management Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of The West Indian Tobacco Company Limited ("the Company"), which comprise the statement of financial position as at December 31, 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Jean-Pierre S du Coudray
Managing Director
February 28, 2020

Isha Reuben-Theodore
Finance Manager/Director
February 28, 2020

Independent Auditor's Report

To the Shareholders of
The West Indian Tobacco Company Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of The West Indian Tobacco Company Limited ("the Company"), which comprise the statement of financial position as at December 31, 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

- **The risk** – Revenue is recognised when the control of products has been transferred to the customer. The Company operates in a competitive industry and in markets where volume growth is constrained as a result of reducing disposable incomes and illicit trade. Under ISAs, there is a presumed risk that revenue may be overstated because of fraud resulting from the pressure on management to achieve performance targets for the year. The Board of the Company focuses on sales volumes and revenues as key performance measures, which could create an incentive for premature revenue recognition.

- **Our response** – Our audit procedure included considering the appropriateness of the Company's revenue recognition accounting policies and assessed compliance with the policies in terms of applicable accounting standards. We also tested the operating effectiveness of the automated controls around the timely and accurate recording of sales transactions.

  We performed a detailed inspection of contracts with distributors to determine the terms of trade in particular the transfer of control of the performance obligation to the distributors. Our test of details work focused on sales transactions on either side of the reporting date, obtaining evidence to support the appropriate timing of revenue recognition, based on terms and conditions set out in distributor's contracts and delivery documents.

  Furthermore, we also tested credit notes issued after the reporting date to assess whether the related revenue was recognised in the correct accounting period.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's annual report but does not include the financial statements and our auditors' report thereon. The 2019 Annual Report is expected to be made available to us after the date of this auditors report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditors' report is Dushyant Sookram.

KPMG

Chartered Accountants
Savannah East
11 Queen's Park East
Port of Spain
February 28, 2020

Statement of Financial Position

December 31, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 $'000	2018 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	248,485	238,252
Deferred income tax asset	6	13,294	19,354
		261,779	257,606
Current assets			
Inventories	7	36,627	48,707
Trade and other receivables	9	79,893	74,469
Taxation recoverable		5,071	7,189
Cash and cash equivalents	10	300,018	284,870
		421,609	415,235
Total assets		683,388	672,841
EQUITY			
Share capital	11	42,120	42,120
Revaluation surplus	5(a)	60,836	61,786
Retained earnings		348,298	309,771
Total equity		451,254	413,677
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	6	40,281	37,465
Retirement benefit obligation	12	37,161	52,963
Post-employment medical benefit obligation	12	3,652	3,192
Lease Liabilities	22	2,953	–
		84,047	93,620
Current liabilities			
Trade and other payables	13	99,348	107,993
Due to parent company	19(d)	7,345	3,753
Dividends payable		38,816	40,692
Taxation payable		1,953	13,106
Lease Liabilities	22	625	–
		148,087	165,544
Total liabilities		232,134	259,164
Total equity and liabilities		683,388	672,841

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on February 28, 2020 and signed on their behalf by;

Chairman **Managing Director**

Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 $'000	2018 $'000
Revenue	14	935,365	919,644
Cost of sales	15	(206,990)	(208,628)
Gross profit		728,375	711,016
Expenses			
Distribution costs	15	(14,354)	(22,428)
Administrative expenses	15	(83,072)	(79,760)
Other operating expenses	15/24	(25,627)	(23,718)
Operating profit		605,322	585,110
Finance income		2,961	2,200
Finance cost	22	(521)	–
Net finance income		2,440	2,200
Profit before taxation		607,762	587,310
Income Tax Expense	16	(189,526)	(182,214)
Profit for the year		418,236	405,096
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of property, plant and equipment		–	21,414
Remeasurement of retirement and post-employment benefit obligations		12,196	3,469
Related tax		(3,659)	(7,465)
Other comprehensive income – net of tax		8,537	17,418
Total comprehensive income for the year		426,773	422,514
Profit attributable to:			
Controlling interest		209,652	203,066
Non-controlling interest		208,584	202,030
		418,236	405,096
Total comprehensive income attributable to:			
Controlling interest		213,932	211,797
Non-controlling interest		212,841	210,717
		426,773	422,514
Earnings per ordinary share	17/25	1.65	1.60

The accompanying notes are an integral part of these financial statements.

	Note	Share Capital $'000	Revaluation Surplus $'000	Retained Earnings $'000	Shareholders' Equity $'000
Year ended 31 December 2019					
Balance at January 1, 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	18	–	–	(390,873)	(390,873)
Write back of unclaimed dividends	18	–	–	1,677	1,677
Balance at December 31, 2019		42,120	60,836	348,298	451,254
Year ended 31 December 2018					
Balance at January 1, 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	18	–		(386,662)	(386,662)
Balance at December 31, 2018		42,120	61,786	309,771	413,677

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		607,762	587,310
Adjustments for:			
Depreciation	5	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	22(iii)	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	5	(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	22(iv)	(2,574)	–
Net increase in cash and 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	10	300,018	284,870
Represented by:			
Cash at bank and in hand		300,018	284,870

The accompanying notes are an integral part of these financial statements.

1. General Information

The West Indian Tobacco Company Limited (the Company) 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.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

This is the first set of the Company's annual financial statements in which IFRS 16 'Leases' have been applied. The related changes to significant accounting policies are described further in the section entitled "IFRS 16" below.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet the mandatory repayment terms of its current liabilities. The Company has recognized profits of $418,236,000 after tax for the year ended December 31, 2019 and as at that date, current assets exceed current liabilities by $273,522,000.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Changes in significant accounting policies

The Company has initially applied IFRS 16 Leases (**IFRS 16**) from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but do not have a material effect on the Company's financial statements.

2. Significant Accounting Policies *(continued)*

(a) ***Basis of preparation*** *(continued)*

Changes in significant accounting policies *(continued)*

The Company applied IFRS 16 using the modified approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated and presented as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

- **IFRS 16**

  IFRS 16, 'Leases', supercedes IAS 17 'Leases' and IFRIC 4 *'Determining whether an arrangement has a lease'* and was effective from 1 January 2019 and eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IAS 17 and IFRIC 4. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as detailed in IFRS16.

  As a lessee, the Company leases assets including property and vehicles. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for these leases and are contained on the Statement of Financial Position.

  On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019 of 9.25%.

  All leases that have a lease terms of twelve months or less are deemed to be low value and are expensed in the period in which incurred. Aligned to the practical expedient allowed within IFRS 16, Management has opted to not capitalize any leases with right of use assets embedded with a value less than $30,000.

  On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities of the same value. The impact on transition is summarised below.

In TTD (000's)	**January 1, 2019**
Right-of-use assets – property, plant and equipment	5,631
Lease liabilities	(5,631)

(i) New standards, amendments and interpretations adopted by the Company

The following amendments to standards have been adopted by the Company for the first time for the financial year beginning on January 1, 2019:

2. Significant Accounting Policies *(continued)*

(a) ***Basis of preparation*** *(continued)*

Changes in significant accounting policies *(continued)*

- *IFRIC 23 'Uncertainty over Income Tax Treatments'*

  IFRIC 23, which became effective on 1 January 2019, is an interpretation to be applied on the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. However, the Company's existing accounting policy for uncertain income tax treatments is consistent with the requirements in IFRIC 23 and as such a change would not be material.

(ii) New standards, amendments and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

– *Amendments to References to Conceptual Framework in IFRS Standards*
– *Definition of a Business (Amendments to IFRS 3)*
– *Definition of Material (Amendments to IAS 1 and IAS 8)*

(b) ***Foreign currency translation***

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Trinidad and Tobago dollars which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director and the local management team, who have been identified as the chief operating decision-makers. This team is responsible for allocating resources and assessing the performance of the operating segments, and for making strategic decisions.

2. Significant Accounting Policies *(continued)*

(d) Property, plant and equipment

Freehold land and buildings comprise mainly factory and offices and are shown at fair value based on valuations by external independent valuers, less subsequent depreciation for buildings. Independent valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

Depreciation is calculated to write off the cost/valuation of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.
The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Freehold buildings: *50 years and 15 years on valuation*
- Plant and machinery: *20 years on cost*
- Furniture and equipment: *3 to 10 years on cost*
- Motor vehicles: *4 years on cost*

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are recognised other operating expenses.

When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

2. Significant Accounting Policies *(continued)*

(e) Current and deferred income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI. The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *'Provisions, Contingent Liabilities and Contingent Assets'*.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, nor for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations on buildings and provision for pensions and other post-retirement benefits.

2. Significant Accounting Policies *(continued)*

(f) Impairment of Non-derivative financial assets

The Company also recognises loss allowances for estimated credit losses ("ECL") on its receivables, which are disclosed as part of trade and other receivables.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- *significant financial difficulty of the debtor;*
- *a breach of contract such as a default or being more than 90 days past due; otherwise;*
- *it is probable that the debtor will enter bankruptcy or other financial reorganisation*

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

(g) Impairment of Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there are any indicators of impairment. If such indicators exist, then the assets recoverable amount is estimated.

For impairment testing the recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from

2. Significant Accounting Policies *(continued)*

(g) Impairment of Non-financial assets *(continued)*

continuing use that is largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Inventories

Inventories are stated at the lower of cost or net realisable value, allowance having been made for slow-moving and obsolete items. Cost is determined on the following bases:

- Raw materials are valued at weighted average cost
- Inventories in process are valued at weighted raw materials cost, labour and production
- Finished goods comprise raw materials plus a portion of labour and production overheads based on normal operating capacity
- Supplies and sundries are valued at weighted average cost
- Goods in transit are valued at suppliers' invoice cost plus freight and insurance as applicable.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Financial assets

The Company classifies its financial assets as cash and cash equivalents and trade and other receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition when they are originated with value initially measured at the transaction price.

– *Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2. Significant Accounting Policies *(continued)*

(i) ***Financial assets*** *(continued)*

– *Classification*

On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

– *it is held within a business model whose objective is to hold assets to collect contractual cash flows; and*

– *its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

– *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all of substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Cash and cash equivalents and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise 'cash and cash equivalents' and 'trade and other receivables' and in the statement of financial position (Notes 2(k). and 2(l)).

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value depending on the classification of the financial asset. The category 'trade and other receivables' would have been disclosed net of its expected credit loss as at that date with the Company's calculation of the credit loss allowance provided in Note 24 (a).

2. Significant Accounting Policies *(continued)*

(j) Financial Liabilities

Classification

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Company derecognises financial liabilities when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows or the modified terms are recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the considerations paid, including any non-cash assets transferred or liabilities assumed) is recognised in profit and loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2. Significant Accounting Policies *(continued)*

(k) Trade and other receivables

Trade and other receivables are carried at anticipated realisable value. The policy from January 1, 2018 is to recognise impairment under expected credit loss.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand and other short-term highly liquid investments with original maturities of three months or less and are carried at fair value.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Employee benefits

(i) Long-term employee benefits – Retirement benefit plans

The Company operates two retirement benefit plans, a defined benefit plan and a defined contribution plan.

A defined benefit plan is a pension plan that is not a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The plans are generally funded through employer and employee contributions to insurance companies or trustee-administered funds.

(a) Defined benefit plan

Definition

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of its defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

2. Significant Accounting Policies *(continued)*

(n) Employee benefits *(continued)*

(i) Long-term employee benefits – Retirement benefit plans (continued)

Remeasurements

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan at least every three years (the last valuation was completed as at November 30, 2018). Roll forward valuations, which are less detailed than full valuations are performed annually.

When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligations at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government securities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

During 2011, the defined benefit plan was closed to new entrants.

2. Significant Accounting Policies *(continued)*

(n) Employee benefits (continued)

(b) Defined contribution plan

The Plan covers all employees joining the Company as of September 2011 and comprises two deferred annuity schemes for each employee: an individual deferred annuity and a corporate deferred annuity. Employees as well as the Company will contribute to the plan for the specific purpose of providing income upon retirement. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due (Note 15(a)). Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Under the terms of the plan, employees as well as the Company will contribute to a defined contribution plan for the specific purpose of providing income upon retirement.

(ii) Post-employment medical benefit obligation

The Company provides post-employment medical benefits for retirees. The entitlement to this benefit is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The method of accounting used to recognise the liability is similar to that for the defined benefit plan. These obligations are valued annually by independent qualified actuaries. The main additional actuarial assumption is the long-term increase in health costs. The charge for the current year is recognised in profit or loss under employee benefit expense (Note 15(a)). Actuarial gains and losses arising are charged or credited to other comprehensive income in the period in which they arise.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or whenever an employee accepts voluntary separation in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to terminating employment of current employees according to a formal plan without the possibility of withdrawal.

(iv) Short-term obligations

(a) Bonus plans

The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Liabilities for bonus plans are expected to be settled within 12 months.

(b) Vacation liability

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of service rendered by employees up to the statement of financial position date.

2. Significant Accounting Policies *(continued)*

(o) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been estimated reliably. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(p) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

The following section provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the Company's revenue recognition.

(i) Sale of goods

The Company manufactures and sells cigarettes. Sales of goods are recognised when the Company has satisfied the performance obligation of passing control of its finished tobacco products over to its customers, which coincides with when the products leave its compound. At this point, the control of goods passes to the customer, and either the customer has accepted the products in accordance with the sales contract or the Company has objective evidence that all criteria for acceptance have been satisfied.

(ii) Interest income

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

2. Significant Accounting Policies *(continued)*

(r) Leases (policy applicable from January 1, 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

As a Lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred [and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located], less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- *fixed payments, including in-substance fixed payments;*
- *variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date*
- *amounts expected to be payable under a residual value guarantee; and*
- *the exercise price under a purchase option that the Company is reasonably certain to exercise,*
- *lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and*
- *penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.*

2. Significant Accounting Policies *(continued)*

(r) ***Leases (policy applicable from January 1, 2019)*** *(continued)*

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Operating leases under IAS 17 as at December 31, 2018 which have right of use assets subject to capitalisation under IFRS 16 relate solely to the Company's leased vehicles and rental of a warehouse both connected to trade and merchandising activites.

Refer to Note 22 for additional details.

(s) ***Dividend distribution***

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's directors.

Additionally, the Company's Bye-Laws allow for the forfeiture of dividends unclaimed after a period of twelve (12) years. These unclaimed dividends are written back to the retained earnings in equity. Refer to Note 18 for additional details.

(t) ***Rounding of amounts***

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand dollars unless otherwise stated.

3. Financial Risk Management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. Risk management is carried out in line with policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as market risk, credit risk, and the investment of excess liquidity.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company audit committee is assisted in its oversight role by internal audit of the BAT Group. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

(a) Market risk

This comprises foreign exchange risk, cash flow and fair value interest rate risk and price risk.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and British Pound (GBP). Foreign exchange risk arises when recognised financial assets or liabilities are denominated in a currency that is not the entity's functional currency.

If the Trinidad and Tobago (TT) dollar depreciates/appreciates by 5% against the US dollar, Euro and British Pound with all other variables held constant, profit for the year would have been impacted as follows:

	2019 $'000	2018 $'000
Increase (decrease) in profit before taxation		
Effect of a 5% depreciation of the TT dollar	(6,428)	(6,274)
Effect of a 5% appreciation of the TT dollar	6,428	6,274

The Company prepared the sensitivity analysis above by applying the percentage rate to net foreign currency positions of financial instruments as of the end of the respective years. An analysis of financial instruments by currency is shown in Note 8(a).

3. Financial Risk Management *(continued)*

Financial risk factors *(continued)*

(a) Market risk *(continued)*

The following exchange rates have been applied in calculating the TT equivalent of the financial instruments denominated in foreign currencies:

	Year-end spot rate	
	2019	**2018**
USD Currency	6.769	6.782
GBP Currency	8.967	8.638
EUR Currency	7.598	7.753

Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets or liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

The Company is not exposed to price risk as it has no financial interests or investments in equity securities or commodities.

(b) Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures to customers. The Company has a significant concentration of credit risk however, the Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Credit exposures arise from sales to distributors and retail customers, including outstanding receivables.

The credit quality of customers, their financial position, past experience and other factors are taken into consideration in assessing credit risk and are regularly monitored through the use of credit terms. Management does not expect any losses from non-performance by counterparties.

However, IFRS 9 'Financial instruments', requires consideration of the possibility that a credit loss can occur. The Company has considered at a minimum to use a provision matrix approach wherein 0.05% of the invoice value of all external trade receivables assumed to be recoverable at each balance sheet date, be the basis for provision calculation under IFRS 9 and did not result in any material impairment losses. Refer to Note 24(a) for further details.

Cash and deposits are held with a number of reputable financial institutions, with amounts varying between $285,000 and $289,400,000 (2018: $286,000 and $271,600,000). The maximum limit with any one financial institution is $271,600,000 (2018: $271,280,000). Balances in excess of this limit were held temporarily for periods of no more than one week.

3. Financial Risk Management *(continued)*

Financial risk factors *(continued)*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short-term funds and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses the Company's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within one year equal their carrying balances as the impact of discounting is not significant.

	Less than one year $'000
At December 31, 2019	
Trade payables and accruals	87,521
Amounts due to related parties/parent company	19,172
At December 31, 2018	
Trade payables and accruals	100,841
Amounts due to related parties/parent company	10,905

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Fair value estimation

The carrying values of all financial instruments held as of the financial position date are assumed to approximate their fair values, as they are short term in nature.

4. Critical Accounting Estimates and Assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Pensions and post-employment medical benefits

The present value of the pension and medical obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Company considers the interest rates of long-term Government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability.

Other key assumptions for pensions and medical obligations are based in part on current market conditions. These are described in Note 12.

(b) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made. See Notes 6 and 16.

5. Property, Plant and Equipment

	Freehold Land and Buildings	Plant and Machinery	Furniture and Equipment	Motor Vehicles	Capital Work In Progress	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Year ended December 31, 2019						
Cost						
Opening Balance	119,660	259,887	32,761	774	33,641	446,723
Recognition of right-of-use assets on initial application of IFRS16	1,363	–	–	4,268	–	5,631
Additions	251	6,305	11	–	9,773	16,340
Disposals	(184)	(15,975)	–	–	–	(16,159)
Transfers	32	4,844	745	–	(5,621)	–
Closing Balance	121,122	255,061	33,517	5,042	37,793	452,535
Accumulated Depreciation						
Opening Balance	(14,091)	(164,628)	(28,978)	(774)	–	(208,471)
Depreciation	(1,862)	(7,277)	(1,199)	(1,047)	–	(11,385)
Disposals	38	15,768	–	–	–	15,806
Closing Balance	(15,915)	(156,137)	(30,177)	(1,821)	–	(204,050)
Carrying Amount	**105,207**	**98,924**	**3,340**	**3,221**	**37,793**	**248,485**
Year ended December 31, 2018						
Cost						
Opening Balance	98,932	273,441	32,241	774	20,031	425,419
Additions	16	560	11	–	17,096	17,683
Revaluation (Note 5a)	20,105	–	–	–	–	20,105
Disposals	–	(16,484)	–	–	–	(16,484)
Transfers	607	2,370	509	–	(3,486)	–
Closing Balance	119,660	259,887	32,761	774	33,641	446,723
Accumulated Depreciation						
Opening Balance	(12,253)	(172,719)	(27,699)	(774)	–	(213,445)
Depreciation	(1,838)	(6,957)	(1,279)	–	–	(10,074)
Disposals	–	15,048	–	–	–	15,048
Closing Balance	(14,091)	(164,628)	(28,978)	(774)	–	(208,471)
Carrying Amount	105,669	95,259	3,783	–	33,641	238,252
Carrying amounts						
At January 1, 2018	86,679	100,722	4,542	–	20,031	211,974
At December 31, 2018	**105,569**	**95,259**	**3,783**	–	**33,641**	**238,252**
At December 31, 2019	**105,207**	**98,924**	**3,340**	**3,221**	**37,793**	**248,485**

5. Property, Plant and Equipment *(continued)*

Capital work in progress consists of the costs to acquire plant and machinery for the upgrade of the tobacco stem line, cascaded X2 packer and overwrapper, and the replacement of the factory roof. These projects are currently ongoing and expected to be completed by December 31, 2020.

	2019 $'000	2018 $'000
(a) Revaluation surplus		
At beginning of the year	61,786	47,495
Depreciation transfer on buildings - net of tax	(950)	(699)
Gain on revaluation – net of tax	–	14,990
At end of the year	60,836	61,786

The Company's freehold land and buildings were last revalued on November 30, 2018 by Raymond & Pierre, Chartered Valuation Surveyors. The valuation surveyors used the Direct Capital Comparison Method and the Depreciated Replacement Cost Method to determine the values of land and buildings respectively.

This basis of valuation was used due to the specialised nature of the properties, derived from the exigencies of the operations. The surplus thus arising was credited to revaluation surplus in shareholders' equity.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

5. **Property, Plant and Equipment** *(continued)*

(a) ***Revaluation surplus*** *(continued)*

Fair value measurements as at December 31, 2019 using:

	Quoted prices in Active Markets For Identical Assets (Level 1) $'000	Significant Other Observable Inputs (Level 2) $'000	Significant Unobservable Inputs (Level 3) $'000
Recurring fair value measurements			
Land	–	–	33,405
Buildings	–	–	71,802

	Fair Value Hierarchy	Carrying Amount as at January 1, 2019 $	Additions/ Transfers/ Disposals $	Depreciation/ Impairment/ Retirement $	Revaluation Gain $	Carrying Amount Carried Forward $
Land	Level 3	33,405	–	–	–	33,405
Buildings	Level 3	72,164	1,462	(1,824)	–	71,802
		105,569	1,462	(1,824)	–	105,207

5. Property, Plant and Equipment *(continued)*

(a) Revaluation surplus *(continued)*

Fair value measurements as at December 31, 2018 using:

	Quoted prices in Active Markets For Identical Assets (Level 1) $'000	Significant Other Observable Inputs (Level 2) $'000	Significant Unobservable Inputs (Level 3) $'000
Recurring fair value measurements			
Land	–	–	33,405
Buildings	–	–	72,164

	Fair Value Hierarchy	Carrying Amount as at January 1, 2018 $	Additions/ Transfers/ Disposals $	Depreciation/ Impairment/ Retirement $	Revaluation Gain $	Carrying Amount Carried Forward $
Land	Level 3	30,350	–	–	3,055	33,405
Buildings	Level 3	56,329	623	(1,838)	17,050	72,164
		86,679	623	(1,838)	20,105	105,569

There were no transfers between levels 1 and 2 during the year.

Transfers between levels 2 and 3

The Company's management annually reviews the latest valuations performed by the independent valuator for financial reporting purposes.

At each financial year-end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the most recent valuation report;
- holds discussions with the independent valuator.

5. Property, Plant and Equipment *(continued)*

(a) ***Revaluation surplus*** *(continued)*

Transfers between levels 2 and 3: (continued)

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. Changes in Level 2 and 3 fair values are analysed at each reporting date. As part of this assessment, the team reviews the reasons for the fair value movements.

The main level 3 inputs used by the Company are derived and evaluated as follows:

Land:

The direct comparable method was used. In using this method, evidence of arm's length open market transactions of similar lands are analysed and the results applied to the subject lands after taking into consideration appropriate adjustments for location, size and other relevant factors.

Buildings:

Buildings are valued using the depreciated replacement cost method. Under this method, the gross replacement cost of the buildings and other sites works are then estimated from which appropriate deductions are then made to allow for the age, condition and obsolescence (economic and functional) of the buildings in site works. The total net replacement cost is then added to the estimated value of the land.

Inputs considered in the valuation:

(i) Location and neighbourhood – The property easily lends itself to a wide pool of skilled and unskilled labour and facilitates easy access to main highways. The general neighbourhood is characterised by light industrial users.

(ii) Measurements and condition – The square footage of the site is taken into consideration in the valuation. Based on the valuation the buildings also appeared to be structurally sound and in fair to good decorative condition.

The inputs above have not varied significantly in the past, and as such the impact of movements in the variables is not considered significant.

5. Property, Plant and Equipment *(continued)*

(b) If the freehold land and buildings were stated on the historical cost basis the amounts would be as follows:

	2019 $'000	2018 $'000
Cost	32,844	32,745
Accumulated depreciation	(13,095)	(12,290)
Net book amount	19,749	20,455

(c) Depreciation expense is included in statement of profit or loss and other comprehensive income as follows:

	2019	2018
Amount included in cost of sales	8,678	8,319
Amount included in other operating expenses	2,707	1,755
	11,385	10,074

(d) IFRS16 'Right-of-Use' assets:

Following the adoption of IFRS 16, effective January 1, 2019, the Company has presented its right-of-use assets within 'property, plant and equipment' as they are aligned to underlying assets of the same nature. Refer to Note 2 (a) and Note 22 for further details.

6. Deferred Income Tax

Deferred income taxes are calculated in full on temporary differences under the liability method using the statutory tax rate of 30%.

	2019 $'000	2018 $'000
Deferred income tax asset		
– Retirement benefit obligation (Note 6(a))	12,639	18,397
– Post-retirement medical obligation	655	957
Deferred income tax asset	13,294	19,354
Deferred income tax liability		
– Revaluation on buildings	11,418	11,717
– Accelerated tax depreciation	28,863	25,748
Deferred income tax liability	40,281	37,465
Net deferred income tax liability	26,987	18,111

6. Deferred Income Tax *(continued)*

(a) *The deferred income tax asset on retirement benefit obligation is attributable to the following:*

	2019 $'000	2018 $'000
Retirement benefit obligation, excluding deferred lumpsum contribution	11,148	15,889
Deferred lumpsum contribution	1,491	2,508
	12,639	18,397

(b) *The movement in the net deferred income tax position in the statement of financial position is attributable to the following:*

	Revaluation on Buildings $'000	Accelerated Tax Depreciation $'000	Retirement Benefit $'000	Post-Retirement Medical $'000	Total $'000
As at 31 December 2019					
Balance at beginning of year	11,717	25,748	(18,397)	(957)	18,111
(Credit) charge to profit or loss (Note 16)	(299)	3,115	1,690	82	4,588
Tax on actuarial gains recognised in OCI	–	–	4,068	220	4,288
Balance at end of year	11,418	28,863	(12,639)	(655)	26,987

	Revaluation on Buildings $'000	Accelerated Tax Depreciation $'000	Retirement Benefit $'000	Post-Retirement Medical $'000	Total $'000
As at 31 December 2018					
Balance at beginning of year	6,901	26,740	(19,540)	(1,131)	12,970
(Credit) charge to profit or loss (Note 16)	(299)	(992)	167	109	(1,015)
Tax on revaluation of buildings in OCI	5,115	–	–	–	5,115
Tax on actuarial gains recognised in OCI	–	–	976	65	1,041
Balance at end of year	11,717	25,748	(18,397)	(957)	18,111

	2019 $'000	2018 $'000
7. Inventories		
Raw materials	20,617	13,781
Goods in transit	4,177	14,857
Supplies and sundries	2,393	2,274
Finished goods	7,330	15,177
Inventories in process	2,110	2,618
	36,627	48,707

The cost of inventories recognised as expense and included in "cost of sales" amounted to $148,151,850 (2018: $135,130,354).

A provision was made against supplies and sundries in the amount of $9,196,164 (2018: $9,321,898) relating to spares.

8. Financial Instruments

a) *Financial instruments by category and currency*

	TTD $'000	USD $'000	Euro $'000	GBP $'000	Total $'000
As at December 31, 2019					
Financial assets					
Trade receivables	45,565	–	–	–	45,565
Due from related parties	1,357	22,101	–	754	24,212
Cash and cash equivalents	146,325	153,693	–	–	300,018
	193,247	175,794	–	754	369,795
Financial liabilities					
Trade payables and accruals	22,446	5,933	2,700	11,874	42,953
Lease Liabilities	3,578	–	–	–	3,578
Due to related parties	3,703	19,080	–	4,410	27,193
Due to parent company	3,347	–	–	3,998	7,345
	33,074	25,013	2,700	20,282	81,069

8. Financial Instruments *(continued)*

a) *Financial instruments by category and currency (continued)*

	TTD $'000	USD $'000	Euro $'000	GBP $'000	Total $'000
As at December 31, 2018					
Financial assets					
Trade receivables	52,490	–	–	–	52,490
Due from related parties	8,537	6,903	–	–	15,440
Cash and cash equivalents	146,268	138,602	–	–	284,870
	207,295	145,505	–	–	352,800
Financial liabilities					
Trade payables and accruals	53,210	1,178	9,394	5,484	69,266
Due to related parties	3,194	765	999	2,193	7,151
Due to parent company	3,753	–	–	–	3,753
	60,157	1,943	10,393	7,677	80,170

Trade and other receivables are carried at amortised cost, less impairment losses. Cash and cash equivalents include cash in hand and other short-term highly liquid investments with original maturities of three months or less and are carried at fair value.

(b) *Maximum exposure to credit risk*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, with major customers being given credit terms of fifteen (15) days, all of which have been received subsequent within the credit period, with no history of write off of bad debts off nor their balances credit-impaired at the reporting date. The Company's related party receivables constitute its contract manufacture customers, all of which reside within the Caribbean, specifically Jamaica, Guyana and Suriname.

The Company's internal credit committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. The credit limits as well as credit usage and payment history are reviewed monthly by the Company's credit committee. Any sales exceeding those credit limits or with any outstanding receivables require approval in keeping with the Company's delegation of authority and reported to the Credit Committee as well.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month for both its corporate and related party customers.

8. Financial Instruments *(continued)*

(b) Maximum exposure to credit risk *(continued)*

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned below:

	Neither past Due Nor Impaired	Past Due But Not Impaired (> 30 days)	Total
	$'000	$'000	$'000
As at December 31, 2019			
Trade receivables	45,565	–	45,565
Due from related parties	24,212	–	24,212
Cash at bank	300,018	–	300,018
	369,795	–	369,795
As at December 31, 2018			
Trade receivables	52,490	–	52,490
Due from related parties	15,440	–	15,440
Cash at bank	284,870	–	284,870
	352,800	–	352,800

The Company does not hold any collateral as security.

(c) Credit quality of financial assets

Financial assets neither past due nor impaired are held with counterparties without an external credit rating. The credit quality of these can be assessed as follows:

– Trade receivables and due from related parties relate to existing customers (more than 6 months old) with minimal defaults in the past;

– Cash and cash equivalents are held with reputable financial institutions. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures in keeping with IFRS 9. The expected credit loss in relation to cash and cash equivalents as at December 31, 2019 is not material.

	2019 $'000	2018 $'000
9. Trade and Other Receivables		
Trade receivables	45,565	52,490
Prepayments	10,116	6,539
Receivables from related parties: (Note 19)		
– trade	11,139	6,903
– other	13,073	8,537
	79,893	74,469
10. Cash and Cash Equivalents		
Cash at bank	289,884	272,460
Cash in hand and in transit	10,134	12,410
	300,018	284,870

11. Share Capital

Authorised
An unlimited number of ordinary shares of no par value

Issued and fully paid

	2019 $'000	2018 $'000
252,720,000 ordinary shares of no par value	42,120	42,120

12. Pensions and Other Post-Retirement Obligations

	2019 $'000	2018 $'000
Statement of Financial Position:		
Retirement benefit obligation	(37,161)	(52,963)
Post-employment medical benefit obligation	(3,652)	(3,192)
Liability in the statement of financial position	(40,813)	(56,155)

(i) Retirement benefits

The amounts recognised in the statement of financial position are as follows:

	2019 $'000	2018 $'000
Fair value of plan assets	213,114	203,492
Present value of funded pension obligation	(249,792)	(255,957)
Deficit of funded plans	(36,678)	(52,465)
Present value of unfunded pension obligation	(483)	(498)
Liability in the statement of financial position	(37,161)	(52,963)
Net interest cost	2,655	2,804
Current service cost	3,622	3,469
Net pension expense	6,277	6,273
Remeasurements:		
From plan assets	422	(4,938)
From obligation – funded	13,185	8,362
From obligation – unfunded	(49)	(171)
Remeasurement of net asset	13,558	3,253
Reconciliation of movements in the statement of financial position:		
Net liability recognised as at January 1	(52,963)	(53,834)
Net pension expense	(6,277)	(6,273)
Remeasurement of net asset	13,558	3,253
Employer contributions	8,521	3,891
Net liability recognised as at December 31	(37,161)	(52,963)

12. Pensions and Other Post-Retirement Obligations *(continued)*

Statement of Financial Position: *(continued)*

(i) Retirement benefits (continued)

	2019 $'000	2018 $'000
Changes in fair value of plan assets:		
Fair value of plan assets as at January 1	203,492	203,382
Actual return on plan assets:		
– interest income	10,151	10,044
– remeasurement recognised in OCI	422	(4,938)
Company contributions	8,521	3,891
Employee contributions	1,550	1,408
Benefit payments	(11,022)	(10,295)
Fair value of plan assets as at December 31	213,114	203,492
Changes in present value of the obligation (funded and unfunded):		
Present value of obligation as at 1 January	(256,455)	(257,216)
Interest cost	(12,806)	(12,848)
Current service cost – employer	(3,622)	(3,469)
Current service cost – employee	(1,550)	(1,408)
Benefit payments	11,022	10,295
Remeasurement recognised in OCI:		
– financial assumption changes	23,646	–
– experience	(10,510)	8,191
Present value of obligation as at December 31	(250,275)	(256,455)

The principal actuarial assumptions were as follows:

	Per Annum 2019 %	Per Annum 2018 %
Discount rate	5.10	5.00
Future salary increases	4.00	5.00
Future pension increases	3.00	3.00
Mortality	NISTT2012	NISTT2012

The change in future salary rate assumption to 4% in 2019 is based on market trends and expectations for same within Trinidad and Tobago.

12. Pensions and Other Post-Retirement Obligations *(continued)*

Statement of Financial Position: *(continued)*

(i) Retirement benefits *(continued)*

Expected contributions to post employment benefit plans for the year ending December 31, 2020 are $8,493,972.

Plan assets comprise the following:

		2019			2018	
		$'000	**%**		**$'000**	**%**
Equity investments						
Local	41,228			47,959		
Foreign	45,485	86,713	41	42,760	90,719	45
Debt instruments						
Local	65,276			57,381		
Foreign	35,994	101,270	48	28,054	85,435	42
Property						
Local		5,073	2		5,074	2
Other						
Local	13,927				22,264	–
Foreign	6,131	20,058	9		–	11
		213,114	100		203,492	100

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

(ii) Post-employment medical benefit obligation

The amount recognised in the statement of financial position is as follows:

	2019	2018
	$'000	**$'000**
Unfunded post-retirement health care obligation	3,652	3,192

The movement in the defined benefit obligation over the year is as follows:

	2019	2018
Interest cost	150	176
Current service cost	26	19
Post-retirement health care expense	176	195

12. Pensions and Other Post-Retirement Obligations *(continued)*

Statement of Financial Position: *(continued)*

(ii) Post-employment medical benefit obligation *(continued)*

Remeasurements recognised in other comprehensive income:

	2019 $'000	2018 $'000
From obligations	(733)	216

Reconciliation of movements in statement of financial position:

	2019	2018
Net liability recognised as at January 1	(3,192)	(3,771)
Net expense	(176)	(195)
Remeasurement of net liability	(733)	216
Employer premiums for existing retirees/clinic cost	449	558
Net liability recognised as at December 31	(3,652)	(3,192)

Changes in present value of the obligation:

	2019	2018
Present value of obligation as at 1 January	(3,192)	(3,771)
Interest cost	(150)	(176)
Current service cost	(26)	(19)
Employer premiums for existing retirees/clinic cost	449	558
Remeasurement recognised in OCI:		
– experience	(733)	216
Present value of obligation as at December 31	(3,652)	(3,192)

The principal actuarial assumptions were as follows:

	2019 %	2018 %
Discount rate	5.30	5.00
Premium/clinic cost escalation	3.50	3.50
% married	90	90
Retiree mortality table	NISTT2012	NISTT2012

Expected contributions to post-employment medical benefit plans for the year ending December 31, 2020 are $949,494.

The change in discount rate for the IAS 19 valuation of Pension (5.1%) and Medical (5.3%) was based on an agreed upon recommendation between Management and the Company's actuaries wherein an extrapolation along the October 31 GOTT yield curve allowed for a range of 5.1% to 5.3% being consistent with the IAS 19 guidelines.

12. Pensions and Other Post-Retirement Obligations *(continued)*

(ii) ***Post-employment medical benefit obligation*** *(continued)*

The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	**Decrease**
	$'000	**$'000**
Effect on the aggregate of the current service cost		
and interest cost	7	(6)
Effect on the defined benefit obligation	369	(314)

(iii) ***Defined benefit pension plan***

The Company operates a defined benefit pension plan regulated by the Insurance Act 1980 of Trinidad and Tobago. This is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The pension payments are increased by 3% each year. The majority of benefit payments are from trustee administered funds; however, a small number of pension payments are met by the Company. Plan assets held in trust are governed by local regulations and practice. Responsibility for governance of the plan, including investment decisions, lies jointly with the Company and the Board of Trustees. The Board of Trustees must be composed of representatives of the Company and plan participants in accordance with the plan's regulations.

The weighted average duration of the defined benefit obligation is 16.4 years.

The weighted average duration of the post-employment medical benefit obligation is 17.7 years.

In the case of the funded plan, the Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

The Company has taken measures to reduce the pension plan deficit and to date there has been lumpsum injections totalling $31.4m during the period 2008 to 2012 with $4.5m also injected in 2019. Based on the recommendation of the actuary, the Company continues its higher contributions, and with additional planned measures, anticipates the elimination of the deficit.

12. Pensions and Other Post-Retirement Obligations *(continued)*

(iv) Sensitivity of assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate:	0.50%	Decrease by 7.0%	Increase by 7.9%
Salary growth rate:	0.50%	Increase by 2.1%	Decrease by 1.9%
Pension growth rate:	0.25%	Increase by 2.5%	Decrease by 2.4%

As at December 31, 2019, if the discount rate had been 0.5% higher or lower with all other variables held constant, the carrying amount of pension obligations would have been $17,485,000 lower or $19,744,000 higher (2018: $18,414,000 lower or $20,868,000 higher.

	Increase by 1 Year in Assumption	**Decrease by 1 Year in Assumption**
Life expectancy:	Increase by 3.2%	Decrease by 3.3%

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

(v) The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The defined benefit pension plan and post-employment medical plan are exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan's liabilities are calculated using a discount rate set with reference to Government bond yields (Trinidad and Tobago does not have a deep or liquid market in Government or corporate debt); if plan assets underperform this yield, this will create a deficit. The plan holds a portion of assets in equities (approximately 41% of plan assets), which are expected to outperform Government bonds in the long term while providing volatility and risk in the short term.

12. Pensions and Other Post-Retirement Obligations *(continued)*

Changes in bond yields

A decrease in Government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Inflation risk

Some of the Company's pension obligations are loosely linked to inflation to the extent that inflation influences salary increases, and higher inflation leads to higher salaries which in turn will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation can also increase the deficit.

13. Trade and Other Payables

	2019 $'000	2018 $'000
Trade payables and accruals	42,953	69,266
Statutory liabilities	29,202	31,575
Due to related parties (Note 19)		
– trade	10,606	4,267
– other	16,587	2,885
	99,348	107,993

14. Revenue

	2019 $'000	2018 $'000
Billings excluding VAT – including excise	1,165,106	1,153,059
Less excise	(229,741)	(233,415)
Revenue	935,365	919,644

The Company collects excise duty on behalf of the Comptroller of Customs and remits this excise duty to the Comptroller of Customs when a sale is made to a domestic distributor.

15. Expenses by Nature

	2019 $'000	2018 $'000
Cost of sales		
– Raw materials and consumables	99,734	91,957
– Employee benefits	36,055	40,036
– Royalties	34,348	33,233
– Manufacturing overheads	28,175	35,083
– Depreciation	8,678	8,319
	206,990	**208,628**
Distribution costs		
– Brand support expenses	5,788	5,548
– Employee benefits	4,564	4,798
– Technical and advisory services	2,166	2,620
– Inventory write-off	391	7,274
– Other distribution costs	1,444	2,188
	14,354	**22,428**
Administrative expenses		
– Technical and advisory services	35,625	37,318
– Employee benefits	14,022	9,546
– IT expenses	11,300	12,526
– Travel and related expenses	2,354	1,746
– Professional Fees	2,689	2,408
– Other administrative expenses	17,102	16,216
	83,072	**79,760**
Other operating expenses		
– Selling expenses	10,229	8,787
– IT expenses	7,750	6,517
– Employee benefits	3,354	2,783
– Depreciation	2,382	1,756
– Other expenses	1,912	3,875
	25,627	**23,718**

15. Expenses by Nature *(continued)*

(a) Employee benefit expense

	2019 $'000	2018 $'000
Wages and salaries and other termination benefits	45,680	41,306
Other benefits	12,296	15,869
Pension costs:		
– defined benefit plan (Note 12)	6,277	6,273
– defined contribution plan	850	850
Post-employment medical benefits (Note 12)	176	195
	65,279	64,493

Number of employees as at year-end 192 (2018: 185).

16. Taxation

	2019 $'000	2018 $'000
Corporation tax:		
– current year	184,357	183,137
– adjustment to prior year's estimates	581	92
Deferred income tax (Note 6)	4,588	(1,015)
	189,526	182,214

The tax on the Company's profit before tax differs from that calculated at the statutory tax rate applicable to profits of the Company as follows:

	2019 $'000	2018 $'000
Profit before taxation	607,762	587,310
Tax calculated at 30%	182,329	176,193
Expenses not deductible for tax	6,643	5,935
Income/allowances not subject to tax	(27)	(6)
Corporation tax – adjustment to prior year's estimates	581	92
	189,526	182,214

17. Earnings per Share

Basic earnings per ordinary share are calculated by dividing the profit for the year attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	2019	2018
Profit for the year attributable to equity holders ($'000)	418,236	405,096
Number of ordinary shares in issue ('000)	252,720	252,720
Basic earnings per share	$1.65	$1.60

18. Dividends Paid on Ordinary Shares

	2019 $'000	2018 $'000
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
	390,873	386,662

A final dividend in respect of 2019 of $0.51 per share (2018: $0.49 per share) amounting to $128,887,200 (2018: $123,832,800) is to be proposed at the Annual General Meeting to be held on March 27, 2020. If approved, the total dividend for the year will be $1.57, 2.6% higher than the dividend distribution of $1.53 with respect to 2018.

The 3-for-1 share split which was effected November 28, 2019 means the issued share capital now consists of Ordinary shares of 252,720,000, with the earning per share for the prior year having to be restated. Refer to Note 25 (a) for further details.

The Company's Bye-Laws allow for the forfeiture of dividends unclaimed after a period of twelve (12) years. The Company undertook to conduct due diligence to ensure that any shareholder who is entitled to dividend payments receive same prior to its forfeiture. Unclaimed dividends of $1.7M for periods 2005, 2006 and 2007 were written back to the retained earnings in equity in 2019. The next review is scheduled to take place in 2021.

19. Related Party Transactions and Balances

The Company is a subsidiary of British American Tobacco (Investments) Limited which owns 50.13% of the issued share capital. The remaining 49.87% of the shares are widely held. Its ultimate parent company is British American Tobacco p.l.c., a company registered in the United Kingdom.

The following transactions were carried out with related parties:

	2019 $'000	2018 $'000
(a) Sale of goods and services		
Sale of goods – related parties	102,723	102,617
(b) Purchases of goods and services		
Purchases of goods – related parties	50,682	47,662
Purchases of services – related parties	65,588	66,519
Purchases of services – parent company	37,059	32,576

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.

19. Related Party Transactions and Balances *(continued)*

	2019 $'000	2018 $'000
(c) 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
(d) Receivable from related parties (Note 9)	24,212	15,440
Payable to related parties (Note 13)	27,193	7,152
Payable to parent company	7,345	3,753

The receivables from related parties arise mainly from sales transactions and are due 30 days after the end of the month in which the invoice is dated. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2018: NIL).

The payables to related parties arise mainly from purchase transactions and are due 30 days after the end of the month in which the invoice is dated. The payables bear no interest.

20. Contingent Liabilities

	2019 $'000	2018 $'000
Customs and immigration bonds	16,937	16,400

21. Commitments

(a) Capital commitments

	2019 $'000	2018 $'000
Authorised and contracted for, and not provided for in the financial statements.	10,076	3,446

22. IFRS 16 Leases as a Lessee

The Company leases vehicles and a warehouse, both connected to trade and merchandising activities. The leases for the vehicles are for a four-year period. The lease for the warehouse is renewed and renegotiated every year with the foreseeable renewal period being 3 years as at December 31, 2019.

22. IFRS 16 Leases as a Lessee *(continued)*

(i) Right-of-use assets

	Vehicle	Warehouse	Total
Balance as at January 1, 2019	**4,268**	**1,363**	**5,631**
Depreciation charge for the year	(1,046)	(23)	(1,069)
Balance as at December 31, 2019	**3,222**	**1,340**	**4,562**

(ii) Lease Liability

	2019
Balance as at January 1, 2019	**5,631**
Interest on lease liabilities	521
Principal payments	(2,574)
Balance as at December 31, 2019	**3,578**
Non-current (One to Four years)	2,953
Current (Less than one year)	625

(iii) Amounts recognised in profit or loss

	2019
Interest on lease liabilities	521
Depreciation expense on right-of-use assets	1,069

(iv) Amounts recognised in statement of cash flows

	2019
Total Cash Outflow for Leases	2,574

23. Segment Information

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.

Primary reporting format – geographical segment

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.

23. Segment Information *(continued)*

The segment results for the year are as follows:

	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 or loss 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 or loss for the year includes:				
Depreciation	–	–	(10,074)	(10,074)
Total Segment Assets				
December 31, 2019	85,969	30,551	566,868	683,388
December 31, 2018	90,458	32,718	549,665	672,841

Total segment assets include additions to property, plant and equipment as follows:

	Domestic	CARICOM	Unallocated	Total
	TT$'000	TT$'000	TT$'000	TT$'000
December 31, 2019	–	–	21,971	21,971
December 31, 2018	–	–	17,683	17,683

24. Reclassification

In reference to prior year ended December 31, 2018, the following have been reclassified on the Statement of Profit and Loss and Other Comprehensive Income in the current year:

a. *Impairment (loss) on trade receivables*

The adoption of IFRS 9, effective January 1, 2018 requires consideration of the possibility that a credit loss can occur. The Company has considered at a minimum to use a provision matrix approach wherein 0.05% of the invoice value of all external trade receivables assumed to be recoverable at each balance sheet date, be the basis for provision calculation under IFRS 9. This translated to the inclusion of a Potential Credit Loss included in the Company's expenses as follows:

December 31, 2018	$26,245
December 31. 2019	$22,784

24. Reclassification *(continued)*

Due to the immateriality of these amounts, the Company has reclassified these balances within "Other Operating expenses" with the prior year reclassified as follows:

	As previously stated (000)	Adjustment (000)	Revised (000)
Other operating expenses	(23,692)	(26)	(23,718)
Impairment (loss) on receivables	(26)	26	–

25. Restatement

a. *Earnings per ordinary share*

A 3-for-1 share split was effected November 28, 2019. The issued share capital now consists of Ordinary shares of 252,720,000, with the earning per share for the prior year having to be restated to ensure comparison to that of the current year as follows:

	As previously stated	Adjustment	Restated
Earning per ordinary share	4.81	3 for 1	1.60

b. *Statement of Profit or Loss and Other Comprehensive income*

In keeping with continued improvement and alignment to the requirements of IAS 1 *'Presentation of Financial Statements'*, the Company has now opted to include the ratio of its 'Profit' and 'Total comprehensive income' attributable to its shareholders with controlling interest and its non-controlling interest.

This is articulated in the Statement of Profit or Loss and Other Comprehensive income as follows:

Profit attributable to:	**2019**	**2018**
Controlling interest	209,652	203,066
Non-controlling interest	208,584	202,030
	418,236	405,096
Total comprehensive income attributable to:		
Controlling interest	213,932	211,797
Non-controlling interest	212,841	210,717
	426,773	422,514

26. Subsequent Events

There are no subsequent events occurring after the statement of financial position date and before the date of approval of these financial statements by the Board of Directors that require adjustment to or disclosure in these financial statements.

Management Proxy Circular

REPUBLIC OF TRINIDAD AND TOBAGO

THE COMPANIES ACT, CH.81:01 S.144

1 **Name of Company:** THE WEST INDIAN TOBACCO COMPANY LIMITED

Company No: W.17(C)

2 **Particulars of Meeting:**
One Hundred and Fifteenth Annual Meeting of the West Indian Tobacco Company Limited to be held at the Jade Conference Room, Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad on Friday 27 March 2020 at 10.30 a.m.

3 **Solicitation:**
It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the Shareholder directs otherwise) in favour of all resolutions specified in the Proxy Form sent to the Shareholders with this Circular and, in the absence of a specific direction, in the discretion of the Proxy Holder in respect of any other resolution.

4 **Any Director's statement submitted pursuant to Section 76(2):**
No statement has been received from any Director pursuant to Section 76(2) of the Companies Act, Ch.81:01.

5 **Any Auditor's statement submitted pursuant to Section 171(1):**
No statement has been received from the Auditors of the Company pursuant to Section 171(1) of the Companies Act, Ch.81:01.

6 **Any Shareholder's proposal submitted pursuant to Sections 116(a) and 117(2):**
No proposal has been received from any Shareholder pursuant to Sections 116(a) and 117(2) of the Companies Act, Ch 81:01.

DATE	NAME AND TITLE	SIGNATURE
27 February 2020	Kathryn Anne Abdulla Secretary and Authorised Signatory	Kabdulla

Notes

Notes

Proxy Form

REPUBLIC OF TRINIDAD AND TOBAGO
THE COMPANIES ACT, CH. 81:01 s.143(1)

1 Name of Company:
THE WEST INDIAN TOBACCO COMPANY LIMITED Company No: W.17 (C)

2 Particulars of Meeting:
One Hundred and Fifteenth Annual Meeting of The West Indian Tobacco Company Limited to be held at the Jade Conference Room, Hyatt Regency Trinidad, No. 1 Wrightson Road, Port of Spain, Trinidad on Friday 27 March 2020 at 10.30 a.m.

3 I/We ______________________________
(BLOCK LETTERS PLEASE)

of ______________________________

shareholder/s in the above Company appoint:

☐ the Chairman of the Meeting

or failing him

☐ ______________________ of ______________________

to be my/our proxy to vote for me/us and on my/our behalf at the above meeting and any adjournments thereof in the same manner, to the same extent and with the same powers as if I/we was/were present at the said meeting or such adjournment or adjournments thereof and in respect of the resolutions listed below to vote in accordance with my/our instructions.

Please indicate with an "x" in the spaces below and overleaf your instructions on how you wish your votes to be cast. Unless otherwise instructed, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.

Please consider Notes 1 to 6 below for assistance to complete and deposit this Proxy Form.

Proxy Form (CONTINUED)

RESOLUTION		FOR	AGAINST
1	To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.		
2	To declare a Final Dividend for the financial year ended 31 December 2019.		
3	To re-elect Mrs Isha P Reuben Theodore, who retires in accordance with paragraph 4.7:5 of Bye-Law No.1 of the Company, as a Director of the Company in accordance with paragraph 4.7:7 of Bye-Law No.1 for a term from the date of her election until the close of the third Annual Meeting of the Company following her election or until her retirement in accordance with paragraph 4.7:5.		
4	To re-elect Mr Anthony E Phillip, who retires in accordance with paragraph 4.7:2(g) of Bye-Law No.1 of the Company, as a Director of the Company in accordance with paragraph 4.7:10 of Bye-Law No.1 for a term from the date of his election until the close of the next Annual Meeting.		
5	To re-elect Mr Ranjit R Jeewan, who retires in accordance with paragraph 4.7:2(g) of Bye-Law No.1 of the Company, as a Director of the Company in accordance with paragraph 4.7:10 of Bye-Law No.1 for a term from the date of his election until the close of the next Annual Meeting.		
6	To elect Mr Juan Carlos Restrepo Piedrahita a Director of the Company to fill a vacancy in accordance with paragraph 4.3 of Bye-Law No.1 of the Company for a term from the date of his election until the close of the third Annual Meeting of the Company following his election or until his retirement In accordance with paragraph 4.7:5.		
7	To elect Ms Diana Hernandez Gonzalez as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No.1 of the Company, to fill a vacancy, for a term from the date of her election until the close of the third Annual Meeting of the Company following her election or until her retirement in accordance with paragraph 4.7:5		

Proxy Form (CONTINUED)

RESOLUTION		FOR	AGAINST
8	To elect Mr Arturo Rodriguez Lordmendez as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No.1 of the Company to fill a vacancy, for a term from the date of his election until the close of the third Annual Meeting of the Company following his election or until his retirement in accordance with paragraph 4.7:5		
9	To elect Mrs Danielle F Chow as a Director of the Company in accordance with paragraph 4.3 of Bye-Law No1 of the Company, for a term form the date of her election until the close of the third Annual Meeting of the Company following her election or until her retirement in accordance with paragraph 4.7:5		
10	To reappoint Messrs KPMG as Auditors of the Company to hold office until the close of the next Annual Meeting.		

Signature/s of Shareholder/s ______________________________

____

Dated this ______________ *day of* ______________ *2020.*

Proxy Form (CONTINUED)

NOTES:

1. *A shareholder may appoint a proxy of his/her own choice. If such an appointment is made, delete the words "the Chairman of the Meeting" from the Proxy Form and insert the name and address of the person-appointed proxy in the space provided and initial the alteration.*

2. *If the appointor is a corporation, this Proxy Form must be under its common seal or under the hand of an officer of the corporation or attorney duly authorised in that behalf.*

3. *A shareholder who is a body corporate may, in lieu of appointing a proxy, authorise an individual by resolution of its directors or governing body to represent it at this Annual Meeting.*

4. *In the case of joint shareholders, the names of all joint shareholders must be stated on the Proxy Form and all joint shareholders must sign the Proxy Form.*

5. *If the Proxy Form is returned without any indication as to how the person-appointed proxy shall vote, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.*

6. *To be valid, this Proxy Form must be completed and deposited with the Secretary of the Company at the Registered Office of the Company at the address below at least 48 hours before the time appointed for the Annual Meeting.*

Return to: THE SECRETARY
THE WEST INDIAN TOBACCO COMPANY LIMITED
CORNER EASTERN MAIN ROAD AND MOUNT D'OR ROAD
CHAMPS FLEURS
TRINIDAD, WEST INDIES
Email: kathryn_abdulla@bat.com
rowan_brathwaite@bat.com

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WEST INDIAN
TOBACCO

A member of the British American Tobacco Group