

# FINANCIAL RESULTS

## FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017



### CHAIRMAN'S REVIEW

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

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

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

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

**Anthony E Phillip**  
Chairman  
06 April 2018

### CONDENSED STATEMENT OF FINANCIAL POSITION

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

**Anthony E Phillip**  
Chairman

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

### CONDENSED STATEMENT OF COMPREHENSIVE INCOME

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

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

### CONDENSED STATEMENT OF CASH FLOWS

	AUDITED Year Ended 31.12.17 TT\$'000	AUDITED Year Ended 31.12.16 TT\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	549,672	693,656
Adjustments for:		
Depreciation	18,781	18,293
Loss/(Profit) on disposal of property, plant and equipment	701	(3)
Net increase in retirement and other post-employment benefit obligations excluding actuarial gains	3,045	4,809
Interest income	(1,195)	(879)
<b>Operating profit before working capital changes</b>	<b>571,004</b>	<b>715,876</b>
Changes in working capital:		
Increase in inventories	(1,148)	(5,862)
Decrease/(increase) in trade and other receivables	7,959	(14,396)
Increase/(decrease) in trade and other payables	4,934	(11,654)
Increase/(decrease) in due to parent company	283	(4,846)
<b>Cash generated from operating activities</b>	<b>583,032</b>	<b>679,118</b>
Taxation paid	(165,057)	(183,290)
<b>Net cash from operating activities</b>	<b>417,975</b>	<b>495,828</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(28,040)	(25,084)
Proceeds from sale of property, plant & equipment	–	3
Interest received	1,195	879
<b>Net cash used in investing activities</b>	<b>(26,845)</b>	<b>(24,202)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Dividends paid	(425,958)	(488,921)
<b>Net decrease in cash &amp; cash equivalents</b>	<b>(34,828)</b>	<b>(17,295)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT BEGINNING OF YEAR</b>	<b>269,483</b>	<b>286,778</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>234,655</b>	<b>269,483</b>
<b>Represented by:</b>		
Cash at bank and in hand	234,655	219,391
Short-term deposits	–	50,092
	<u>234,655</u>	<u>269,483</u>

# FINANCIAL RESULTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017



## CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital TT\$'000	Revaluation Surplus TT\$'000	Retained Earnings TT\$'000	Shareholders' Equity TT\$'000
<b>Audited year ended 31 December 2017</b>				
Balance at 1 January 2017	42,120	48,194	328,565	418,879
<b>Comprehensive income</b>				
Profit for the year	–	–	380,218	380,218
<b>Other comprehensive income</b>				
Remeasurement of retirement and post-employment benefit obligations – net of tax	–	–	10,879	10,879
Depreciation transfer on buildings – net of tax	–	(699)	699	–
<b>Transactions with owners</b>				
Dividends	–	–	(432,151)	(432,151)
<b>Balance at 31 December 2017</b>	<b>42,120</b>	<b>47,495</b>	<b>288,210</b>	<b>377,825</b>
<b>Audited year ended 31 December 2016</b>				
Balance at 1 January 2016	42,120	48,893	290,554	381,567
<b>Comprehensive income</b>				
Profit for the year	–	–	515,495	515,495
<b>Other comprehensive income</b>				
Remeasurement of retirement and post-employment benefit obligations – net of tax	–	–	16,487	16,487
Depreciation transfer on buildings – net of tax	–	(699)	699	–
<b>Transactions with owners</b>				
Dividends	–	–	(495,331)	(495,331)
Write back of unclaimed dividends	–	–	661	661
<b>Balance at 31 December 2016</b>	<b>42,120</b>	<b>48,194</b>	<b>328,565</b>	<b>418,879</b>

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

### Note 1: General Information

The West Indian Tobacco Company Limited is incorporated in the Republic of Trinidad and Tobago. The Company is listed on the Trinidad and Tobago Stock Exchange. The address of the registered office is Corner Eastern Main Road and Mount D'Or Road, Champs Fleurs, Trinidad, West Indies. It is a subsidiary of British American Tobacco (Investments) Limited, a company registered in the United Kingdom. Its ultimate parent company is British American Tobacco p.l.c., a company registered in the United Kingdom.

The principal business activities of the Company are the manufacture and sale of cigarettes.

This condensed consolidated financial information was approved for issue on 6th April 2018.

### Note 2: Basis of Preparation

This condensed consolidated financial information for the year ended 31 December 2017, has been prepared in accordance with International Accounting Standard 34 (IAS34), 'Interim Financial Reporting' as well as the requirements of the Securities Act 2012 which goes beyond IAS 34. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

### Note 3: Significant Accounting Policies

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and in accordance with International Financial Reporting Standards (IFRS).

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements with the exception of taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### Note 4: Segment Information

Primary reporting format – geographical segment

	Domestic TT\$'000	CARICOM TT\$'000	Unallocated TT\$'000	Total TT\$'000
<b>Year ended 31 December 2017</b>				
Revenue	772,350	95,299	–	867,649
Gross Profit	655,867	6,654	–	662,521
Profit or loss for the year includes: Depreciation	–	–	(18,781)	(18,781)
<b>Year ended 31 December 2016</b>				
Revenue	908,456	109,909	–	1,018,365
Gross Profit	791,430	7,785	–	799,215
Profit or loss for the year includes: Depreciation	–	–	(18,293)	(18,293)
<b>Total Segment assets</b>				
31 December 2017	95,978	33,892	474,489	604,359
31 December 2016	102,739	33,942	504,785	641,466
Total segment assets include additions to property, plant and equipment as follows:				
31 December 2017	–	–	28,040	28,040
31 December 2016	–	–	25,084	25,084

The Company is organised and managed on the basis of two geographic regions, namely the Domestic market and the Caricom market. These are the reportable segments for the Company as they form the focus of the Company's internal reporting systems and are the basis used by the Managing Director and the local management team, as the chief operating decision makers, for assessing performance and allocating resources.

The Company is a single product business providing cigarettes. While the Company has clearly differentiated brands, segmentation among a wide portfolio of brands is not part of the regular internally reported financial information.

The prices agreed between related parties for sale of manufactured goods are based on normal commercial practices between independent businesses. Charges for royalties, commissions, purchases, services and fees are also based on the principles of normal commercial practice between independent businesses.

With the exception of the Domestic market, no other individual country within the Caricom market contributes more than 10% of total revenue. Information is analysed by segment only where relevant and applicable. Where there is no logical allocation basis, items have been disclosed as unallocated.

	31.12.17 TT\$'000	31.12.16 TT\$'000
<b>Note 5: Related Party Transactions</b>		
<b>Sale of Goods and Services:</b>		
Sale of Goods – Related Parties	95,299	109,909
<b>Purchase of Goods and Services:</b>		
Purchase of Goods – Related Parties	49,406	60,936
Purchase of Services – Related Parties	55,957	34,573
Purchase of Services – Parent Company	25,938	56,731
<b>Year end balances arising from sales /purchases of goods and services:</b>		
Receivables from Related Parties	12,783	11,235
Payables to Related Parties	10,560	8,452
Payables to Parent Company	2,618	2,335
<b>Key Management Compensation</b>		
Salaries and other short-term employee benefits	5,551	5,907
Post-retirement medical obligations	3	4
Post-retirement benefits	752	1,188
<b>Note 6: Capital Commitments</b>		
Authorised and contracted for, and not provided for in the financial statements	9,558	3,684
<b>Note 7: Contingent Liabilities</b>		
Customs and immigration bonds	16,900	15,900
<b>Note 8: Dividends paid on ordinary shares</b>		
Final dividend – prior year	183,643	183,643
First interim dividend	64,022	84,240
Second interim dividend	88,452	106,142
Third interim dividend	96,034	121,306
	432,151	495,331

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