

# AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



## CHAIRMAN'S REVIEW

I am pleased to report that West Indian Tobacco has recorded Profit Before Taxation of \$607.8 million for the Year ended 31 December 2019, a 3.5% improvement over the same period last year and Total Comprehensive Income of \$426.8 million.

This improved business performance was achieved through the Company's balanced portfolio targeting consumers in each segment of the market, continued focus on innovation and ongoing review of cost-saving opportunities. There was notable improvement in efficiencies and productivity in our Manufacturing Operations. Competition from the growing list of suspected illicit trade and low-price offerings continue to engage the industry, as a matter of concern.

Owing to the necessary safeguards put in place by the Government of Trinidad and Tobago arising out of the Covid-19 pandemic, the Annual Meeting was postponed from the planned date of 27 March 2020.

In these circumstances, the Board of Directors of the West Indian Tobacco Company Limited ("the Company") has approved the payment of a fourth interim dividend of \$0.40 per ordinary share payable on 13 May 2020 to shareholders on record at the close of business on 24 April 2020. The Register of Shareholders will be closed on 27 and 28 April 2020 for the processing of transfers. The 3-for-1 share split having been effected on 28 November 2019, the dividend per share is calculated on the increased number of shares in issue.

A final dividend of \$0.11 per ordinary share, once approved by shareholders, when added to the \$1.06 already paid in 2019 together with this fourth interim dividend of \$0.40, will achieve an overall dividend payment of \$1.57 per ordinary share for the fiscal year ended 31 December 2019. Based on the share price as at 31 December 2019, this maintains a dividend yield of 4% year on year. The final dividend will be paid after approval by shareholders at the Annual Meeting which will be held at a date to be determined.

**Anthony E Phillip**  
Chairman  
5 April 2020

## CONDENSED STATEMENT OF FINANCIAL POSITION

|  | AUDITED<br>31.12.19<br>TT\$'000 | AUDITED<br>31.12.18<br>TT\$'000 |
|--|---------------------------------|---------------------------------|
| <b>ASSETS</b>                              |                                 |                                 |
| <b>Non-current assets</b>                  |                                 |                                 |
| Property, plant and equipment              | 248,485                         | 238,252                         |
| Deferred income tax asset                  | 13,294                          | 19,354                          |
|  | <u>261,779</u>                  | <u>257,606</u>                  |
| <b>Current assets</b>                      |                                 |                                 |
| Inventories                                | 36,627                          | 48,707                          |
| Trade and other receivables                | 79,893                          | 74,469                          |
| Taxation recoverable                       | 5,071                           | 7,189                           |
| Cash and cash equivalents                  | 300,018                         | 284,870                         |
|  | <u>421,609</u>                  | <u>415,235</u>                  |
| <b>Total assets</b>                        | <u>683,388</u>                  | <u>672,841</u>                  |
| <b>EQUITY</b>                              |                                 |                                 |
| Share capital                              | 42,120                          | 42,120                          |
| Revaluation surplus                        | 60,836                          | 61,786                          |
| Retained earnings                          | 348,298                         | 309,771                         |
| <b>Total equity</b>                        | <u>451,254</u>                  | <u>413,677</u>                  |
| <b>LIABILITIES</b>                         |                                 |                                 |
| <b>Non-current liabilities</b>             |                                 |                                 |
| Deferred income tax liability              | 40,281                          | 37,465                          |
| Retirement benefit obligation              | 37,161                          | 52,963                          |
| Post-employment medical benefit obligation | 3,652                           | 3,192                           |
| Lease Liabilities                          | 2,953                           | -                               |
|  | <u>84,047</u>                   | <u>93,620</u>                   |
| <b>Current liabilities</b>                 |                                 |                                 |
| Trade and other payables                   | 99,348                          | 107,993                         |
| Due to parent company                      | 7,345                           | 3,753                           |
| Dividends payable                          | 38,816                          | 40,692                          |
| Taxation payable                           | 1,953                           | 13,106                          |
| Lease Liabilities                          | 625                             | -                               |
|  | <u>148,087</u>                  | <u>165,544</u>                  |
| <b>Total liabilities</b>                   | <u>232,134</u>                  | <u>259,164</u>                  |
| <b>Total equity and liabilities</b>        | <u>683,388</u>                  | <u>672,841</u>                  |

**Anthony E Phillip**  
Chairman

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

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

|  | UNAUDITED<br>Three Months<br>Ended<br>31.12.19<br>TT\$'000 | UNAUDITED<br>Three Months<br>Ended<br>31.12.18<br>TT\$'000 | AUDITED<br>Year<br>Ended<br>31.12.19<br>TT\$'000 | AUDITED<br>Year<br>Ended<br>31.12.18<br>TT\$'000 |
|--|--|--|--|--|
| <b>Revenue</b>   | <b>232,810</b>   | <b>231,432</b>   | <b>935,365</b>                                   | <b>919,644</b>                                   |
| Cost of sales  | (49,414)   | (53,654)   | (206,990)  | (208,628)  |
| <b>Gross profit</b>  | <b>183,396</b>   | <b>177,778</b>   | <b>728,375</b>                                   | <b>711,016</b>                                   |
| Distribution costs   | (3,682)  | (3,781)  | (14,354)   | (22,428)   |
| Administrative expenses  | (22,443)   | (21,966)   | (83,072)   | (79,760)   |
| Other operating expenses   | (3,115)  | (4,035)  | (25,627)   | (23,718)   |
| <b>Operating profit</b>  | <b>154,156</b>   | <b>147,996</b>   | <b>605,322</b>                                   | <b>585,110</b>                                   |
| Finance income   | 609  | 642  | 2,961  | 2,200  |
| Finance Costs  | (130)  | -  | (521)  | -  |
| <b>Profit before taxation</b>  | <b>154,635</b>   | <b>148,638</b>   | <b>607,762</b>                                   | <b>587,310</b>                                   |
| Taxation   | (51,610)   | (46,821)   | (189,526)  | (182,214)  |
| <b>Profit for the period</b>   | <b>103,025</b>   | <b>101,817</b>   | <b>418,236</b>                                   | <b>405,096</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-net of tax | 8,542  | 2,423  | 8,537  | 2,428  |
| Gains on revaluation of property plant and equipment-net of tax                | -  | 14,990   | -  | 14,990   |
| <b>Other comprehensive income - net of tax</b>                                 | <b>8,542</b>   | <b>17,413</b>  | <b>8,537</b>                                     | <b>17,418</b>                                    |
| <b>Total comprehensive income for the year</b>                                 | <b>111,567</b>   | <b>119,230</b>   | <b>426,773</b>                                   | <b>422,514</b>                                   |
| <b>Profit attributable to</b>  |  |  |  |  |
| Controlling interest   | 51,644   | 51,039   | 209,652  | 203,066  |
| Non-controlling interest   | 51,381   | 50,778   | 208,584  | 202,030  |
|  | <u>103,025</u>   | <u>101,817</u>   | <u>418,236</u>                                   | <u>405,096</u>                                   |
| <b>Total comprehensive income attributable to:</b>                             |  |  |  |  |
| Controlling interest   | 55,926   | 59,767   | 213,932  | 211,797  |
| Non-controlling interest   | 55,641   | 59,463   | 212,841  | 210,717  |
|  | <u>111,567</u>   | <u>119,230</u>   | <u>426,773</u>                                   | <u>422,514</u>                                   |
| Earnings per ordinary share  | \$0.41   | \$0.40   | \$1.65   | \$1.60   |
| Dividends per ordinary share   | \$0.39   | \$0.39   | \$1.57   | \$1.53   |

## CONDENSED STATEMENT OF CASH FLOWS

|  | AUDITED<br>Year<br>Ended<br>31.12.19<br>TT\$'000 | AUDITED<br>Year<br>Ended<br>31.12.18<br>TT\$'000 |
|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |  |
| Profit before taxation   | 607,762  | 587,310  |
| Adjustments for:   |  |  |
| Depreciation   | 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   | 521  | -  |
| <b>Operating profit before working capital changes</b>   | <b>614,543</b>                                   | <b>598,639</b>                                   |
| 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  |
| <b>Cash generated from operating activities</b>  | <b>616,146</b>                                   | <b>619,139</b>                                   |
| Tax refund received  | 1,905  | -  |
| Taxation paid  | (195,879)  | (172,078)  |
| <b>Net cash from operating activities</b>  | <b>422,172</b>                                   | <b>447,061</b>                                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |  |
| Purchase of property, plant and equipment  | (16,340)   | (17,683)   |
| Interest received  | 2,961  | 2,200  |
| <b>Net cash used in investing activities</b>   | <b>(13,379)</b>                                  | <b>(15,483)</b>                                  |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>   |  |  |
| Dividends paid   | (391,071)  | (381,363)  |
| Lease Payments   | (2,574)  | -  |
| <b>Net Cash Used In Financing Activities</b>   | <b>(393,645)</b>                                 | <b>(381,363)</b>                                 |
| <b>Net Increase in Cash &amp; Cash Equivalents</b>   | <b>15,148</b>                                    | <b>50,215</b>                                    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>  | <b>284,870</b>                                   | <b>234,655</b>                                   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b>300,018</b>                                   | <b>284,870</b>                                   |
| <b>Represented by:</b>   |  |  |
| Cash at bank and in hand   | 300,018  | 284,870  |
|  | <u>300,018</u>                                   | <u>284,870</u>                                   |

# AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



## CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

|  | Share<br>Capital | Revaluation<br>Surplus | Retained<br>Earnings | Shareholders'<br>Equity |
|--|------------------|------------------------|----------------------|-------------------------|
|  | TT\$'000         | TT\$'000               | TT\$'000             | TT\$'000                |
| <b>Audited Year ended<br/>31 December 2019</b>                                   |                  |                        |                      |                         |
| Balance at 1 January 2019  | 42,120           | 61,786                 | 309,771              | 413,677                 |
| <b>Comprehensive income</b>  |                  |                        |                      |                         |
| Profit for the year  | -                | -                      | 418,236              | 418,236                 |
| <b>Other comprehensive income</b>  |                  |                        |                      |                         |
| Remeasurement of retirement and post-employment benefit obligations - net of tax | -                | -                      | 8,537                | 8,537                   |
| Depreciation transfer on buildings - net of tax                                  | -                | (950)                  | 950                  | -                       |
| <b>Transactions with owners</b>  |                  |                        |                      |                         |
| Dividends  | -                | -                      | (390,873)            | (390,873)               |
| Write back of unclaimed dividends  | -                | -                      | 1,677                | 1,677                   |
| <b>Balance at 31 December 2019</b>   | <b>42,120</b>    | <b>60,836</b>          | <b>348,298</b>       | <b>451,254</b>          |
| <b>Audited Year ended<br/>31 December 2018</b>                                   |                  |                        |                      |                         |
| Balance at 1 January 2018  | 42,120           | 47,495                 | 288,210              | 377,825                 |
| <b>Comprehensive income</b>  |                  |                        |                      |                         |
| Profit for the year  | -                | -                      | 405,096              | 405,096                 |
| <b>Other comprehensive income</b>  |                  |                        |                      |                         |
| 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                  | -                       |
| <b>Transactions with owners</b>  |                  |                        |                      |                         |
| Dividends  | -                | -                      | (386,662)            | (386,662)               |
| <b>Balance at 31 December 2018</b>   | <b>42,120</b>    | <b>61,786</b>          | <b>309,771</b>       | <b>413,677</b>          |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 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.

### Note 2: Basis of Preparation

This condensed consolidated financial information for the year ended 31 December 2019, 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 2019, 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 2019, as described in those annual financial statements with the exception of taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### Note 4: Segment Information

Primary reporting format – geographical segment

|   | Domestic<br>TT\$'000 | CARICOM<br>TT\$'000 | Unallocated<br>TT\$'000 | Total<br>TT\$'000 |
|---|----------------------|---------------------|-------------------------|-------------------|
| <b>Year ended 31 December 2019</b>  |                      |                     |                         |                   |
| Revenue   | 832,642              | 102,723             | -                       | 935,365           |
| Gross Profit  | 716,077              | 12,298              | -                       | 728,375           |
| Profit for the year includes:   |                      |                     |                         |                   |
| - Depreciation  |                      |                     | (11,385)                | (11,385)          |
| <b>Year ended 31 December 2018</b>  |                      |                     |                         |                   |
| Revenue   | 817,027              | 102,617             | -                       | 919,644           |
| Gross Profit  | 696,765              | 14,251              | -                       | 711,016           |
| Profit for the year includes:   |                      |                     |                         |                   |
| - Depreciation  |                      |                     | (10,074)                | (10,074)          |
| <b>Total Segment assets</b>   |                      |                     |                         |                   |
| 31 December 2019  | 85,969               | 30,551              | 566,868                 | 683,388           |
| 31 December 2018  | 90,458               | 32,718              | 549,665                 | 672,841           |
| Total segment assets include additions to property, plant and equipment as follows: |                      |                     |                         |                   |
| 31 December 2019  | -                    | -                   | 21,971                  | 21,971            |
| 31 December 2018  | -                    | -                   | 17,683                  | 17,683            |

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

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

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

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

### Note 5: Initial Application of IFRS 16 Leases

As of 1 January 2019, IFRS 16, "Leases", amended the recognition of lease contracts so that the rent payments for the remaining term of the lease period are recognised in the statement of financial position at their present value as both assets and liabilities, and period rent expenses are not recognised in income statement, instead of that the depreciation and interest expense are recognised in the income statement. The company has applied IFRS 16 Leases and has not restated prior periods as allowed by the Standard. The company has recognised the present value of the remaining lease payments as the lease liabilities (Non Current \$2.9 million and Current \$0.6 million) and right-of-use assets (\$4.5 million) for material leases previously classified as operating leases. On initial application, the company applied the incremental borrowing rate of 9.25% on the lease liability.

|   | 31.12.19<br>TT\$'000 | 31.12.18<br>TT\$'000 |
|---|----------------------|----------------------|
| <b>Note 6: Related Party Transactions</b>                                       |                      |                      |
| Sale of Goods - Related Parties   | 102,723              | 102,617              |
| <b>Purchase of Goods and Services:</b>  |                      |                      |
| Purchase of Goods - Related Parties   | 50,682               | 47,662               |
| Purchase of Services - Related Parties  | 65,588               | 66,519               |
| Purchase of Services - Parent Company   | 37,059               | 32,576               |
| <b>Year-end balances arising from sales/purchases of goods and services:</b>    |                      |                      |
| Receivables from Related Parties  | 24,212               | 15,440               |
| Payables to Related Parties   | 27,193               | 7,152                |
| Payables to Parent Company  | 7,345                | 3,753                |
| <b>Key Management Compensation</b>  |                      |                      |
| Salaries and other short-term employee benefits                                 | 7,097                | 6,112                |
| Post-retirement medical obligations   | 1                    | 3                    |
| Post-retirement benefits  | 462                  | 806                  |
| <b>Note 7: Capital Commitments</b>  |                      |                      |
| Authorised and contracted for, and not provided for in the financial statements | 10,076               | 3,446                |
| <b>Note 8: Contingent Liabilities</b>   |                      |                      |
| Customs Bonds   | 16,937               | 16,400               |
| <b>Note 9: Dividends Paid On Ordinary Shares</b>                                |                      |                      |
| 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               |
|   | <b>390,873</b>       | <b>386,662</b>       |

The Directors have recommended a fourth interim dividend of \$0.40 and the final dividend of \$0.11 per ordinary share which will total \$0.51 (2018: \$0.49 cents per share) amounting to \$128,887,200 (2018: \$123,832,800). The total dividend for the year will be \$1.57, an increase of 2.6% compared to dividend distribution of \$1.53 with respect to 2018.