

# UNAUDITED INTERIM RESULTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017



## CHAIRMAN'S REVIEW

Given the prevailing economic conditions, the ongoing recession together with increased Excise and Corporation Tax, the business environment continues to be challenging. This has resulted in significant changes in consumption patterns adversely affecting revenue.

The Company continues to engage with relevant authorities and stakeholders on the issue of the increased presence of suspected illicit products in the Market which has negatively affected our business.

Against this backdrop, West Indian Tobacco has recorded Profit Before Taxation of \$398.2 million and Total Comprehensive Income for the Period of \$275.7 million for the nine months ended 30 September 2017.

The Company continues to proactively respond to the evolving market conditions with ongoing reviews of its Brand Portfolio, Trade Marketing, and Distribution strategies, as well as careful cost management across its operation.

The Board has accordingly approved the payment of a third interim dividend of \$1.14 per ordinary share payable on 24 November 2017 to shareholders of record at close of business on 7 November 2017. The Register of Shareholders will be closed on 8 and 9 November 2017 for the processing of transfers.

**Anthony E Phillip**  
Chairman  
25 October 2017

## CONDENSED STATEMENT OF FINANCIAL POSITION

	UNAUDITED 30.09.17 TT\$'000	UNAUDITED 30.09.16 TT\$'000	AUDITED 31.12.16 TT\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	198,936	196,957	203,416
Deferred income tax asset	–	5,721	–
	198,936	202,678	203,416
<b>Current assets</b>			
Inventories	43,843	47,672	43,603
Trade and other receivables	103,731	119,023	93,078
Taxation recoverable	7,189	2,484	6,585
Cash and cash equivalents	190,695	224,239	269,483
	345,458	393,418	412,749
<b>Total assets</b>	<b>544,394</b>	<b>596,096</b>	<b>616,165</b>
<b>EQUITY</b>			
Share capital	42,120	42,120	42,120
Revaluation surplus	47,670	48,331	48,194
Retained earnings	268,666	289,784	328,565
	358,456	380,235	418,879
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liability	6,628	–	5,264
Retirement benefit obligation	68,600	86,933	65,530
Post-employment medical benefit obligation	4,417	5,342	4,571
	79,645	92,275	75,365
<b>Current liabilities</b>			
Trade and other payables	70,548	91,543	90,389
Due to parent company	1,044	881	2,335
Dividends payable	34,701	31,162	29,197
	106,293	123,586	121,921
<b>Total liabilities</b>	<b>185,938</b>	<b>215,861</b>	<b>197,286</b>
<b>Total equity and liabilities</b>	<b>544,394</b>	<b>596,096</b>	<b>616,165</b>

**Anthony E Phillip**  
Chairman

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

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED Three Months Ended 30.09.17 TT\$'000	UNAUDITED Three Months Ended 30.09.16 TT\$'000	UNAUDITED Nine Months Ended 30.09.17 TT\$'000	UNAUDITED Nine Months Ended 30.09.16 TT\$'000
<b>Gross Turnover *</b>	274,000	272,043	787,030	890,991
<b>Revenue</b>	<b>219,724</b>	<b>224,833</b>	<b>627,705</b>	<b>739,082</b>
Cost Of Sales	(51,104)	(44,061)	(151,970)	(161,634)
<b>Gross Profit</b>	<b>168,620</b>	<b>180,772</b>	<b>475,735</b>	<b>577,448</b>
Distribution Costs	(3,473)	(3,266)	(9,879)	(10,415)
Administrative Expenses	(16,281)	(15,772)	(49,404)	(50,656)
Other Operating Expenses	(7,383)	3,571	(19,107)	(14,066)
<b>Operating Profit</b>	<b>141,483</b>	<b>165,305</b>	<b>397,345</b>	<b>502,311</b>
Interest Income	336	351	896	484
<b>Profit Before Taxation</b>	<b>141,819</b>	<b>165,656</b>	<b>398,241</b>	<b>502,795</b>
Taxation	(44,431)	(42,760)	(122,591)	(130,154)
<b>Profit for the Period</b>	<b>97,388</b>	<b>122,896</b>	<b>275,650</b>	<b>372,641</b>
<b>Other Comprehensive Gain:</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of retirement and post-employment benefit obligations	15	18	45	54
<b>Other Comprehensive Gain – net of tax</b>	15	18	45	54
<b>Total Comprehensive Income For The Period</b>	<b>97,403</b>	<b>122,914</b>	<b>275,695</b>	<b>372,695</b>
Earnings Per Ordinary Share	\$1.16	\$1.46	\$3.27	\$4.42
Dividends Per Ordinary Share	\$1.14	\$1.44	\$2.95	\$3.70

\* Gross Turnover includes excise of: three months ended 30.09.2017 - \$54,276, three months ended 30.09.2016 - \$47,210; six months ended 30.09.17 - \$159,325 and six months ended 30.09.16 - \$151,909 respectively.

## CONDENSED STATEMENT OF CASH FLOWS

	UNAUDITED Nine Months Ended 30.09.17 TT\$'000	UNAUDITED Nine Months Ended 30.09.16 TT\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	398,241	502,795
Adjustments for:		
Depreciation	14,236	13,741
Net increase in retirement and other post-employment benefit obligations excluding actuarial gains	2,980	3,406
Interest income	(896)	(484)
<b>Operating profit before working capital changes</b>	<b>414,561</b>	<b>519,458</b>
Changes in working capital:		
Increase in inventories	(240)	(9,931)
Increase in trade and other receivables	(10,653)	(37,358)
Decrease in trade payables and accruals	(10,392)	(6,483)
Increase/(decrease) in due to related parties	393	(4,017)
Decrease in due to parent company	(1,291)	(6,300)
<b>Cash generated from operating activities</b>	<b>392,378</b>	<b>455,369</b>
Taxation paid	(131,693)	(138,008)
<b>Net cash from operating activities</b>	<b>260,685</b>	<b>317,361</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(9,756)	(14,073)
Interest received	896	484
<b>Net cash used in investing activities</b>	<b>(8,860)</b>	<b>(13,589)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Dividends paid	(330,613)	(366,311)
<b>Net decrease in cash &amp; cash equivalents</b>	<b>(78,788)</b>	<b>(62,539)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>269,483</b>	<b>286,778</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>190,695</b>	<b>224,239</b>
<b>Represented by:</b>		
Cash at bank and in hand	109,661	58,663
Short-term deposits	81,034	165,576
	<b>190,695</b>	<b>224,239</b>

# UNAUDITED INTERIM RESULTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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>Unaudited Nine Months Ended 30 September 2017</b>				
Balance at 1 January 2017	42,120	48,194	328,565	418,879
<b>Comprehensive Income</b>				
Profit for the year	-	-	275,650	275,650
<b>Other Comprehensive Income</b>				
Remeasurement of retirement and post-employment benefit obligations – net of tax	-	-	45	45
Depreciation transfer on buildings – net of tax	-	(524)	524	-
<b>Transactions with owners</b>				
Dividends	-	-	(336,118)	(336,118)
<b>Balance at 30 September 2017</b>	<b>42,120</b>	<b>47,670</b>	<b>268,666</b>	<b>358,456</b>
<b>Unaudited Nine Months Ended 30 September 2016</b>				
Balance at 1 January 2016	42,120	48,893	290,554	381,567
<b>Comprehensive Income</b>				
Profit for the year	-	-	372,641	372,641
<b>Other Comprehensive Income</b>				
Remeasurement of retirement and post-employment benefit obligations – net of tax	-	-	54	54
Depreciation transfer on buildings – net of tax	-	(562)	562	-
Adjustment of revaluation of land and buildings and deferred tax impact	-	-	-	-
<b>Transactions with owners</b>				
Dividends	-	-	(374,027)	(374,027)
<b>Balance at 30 September 2016</b>	<b>42,120</b>	<b>48,331</b>	<b>289,784</b>	<b>380,235</b>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 25 October 2017.

### Note 2: Basis of Preparation

This condensed consolidated financial information for the nine-month period ended 30 September 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 2016, 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 2016, 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>Nine Months Ended 30 September 2017</b>				
Revenue	556,654	71,051	-	627,705
Gross Profit	472,398	3,337	-	475,735
Profit for the nine months includes:				
- Depreciation	-	-	(14,236)	(14,236)
<b>Nine Months Ended 30 September 2016</b>				
Revenue	658,122	80,960	-	739,082
Gross Profit	571,645	5,803	-	577,448
Profit for the nine months includes:				
- Depreciation	-	-	(13,741)	(13,741)
<b>Total Segment Assets</b>				
30 September 2017	113,190	34,384	396,820	544,394
30 September 2016	130,025	36,670	429,401	596,096
Total segment assets include additions to property, plant and equipment as follows:				
30 September 2017	-	-	9,756	9,756
30 September 2016	-	-	14,073	14,073

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.

	30.09.17 TT\$'000	30.09.16 TT\$'000
<b>Note 5: Related Party Transactions</b>		
<b>Sale of Goods and Services:</b>		
Sale of Goods – Related Parties	71,052	80,960
Sale of Services – Related Parties	157	-
<b>Purchase of Goods and Services:</b>		
Purchase of Goods – Related Parties	37,387	50,258
Purchase of Services – Related Parties	41,806	56,226
Purchase of Services – Parent Company	20,138	18,164
<b>Year end balances arising from sales/ purchases of goods and services:</b>		
Receivables from Related Parties	12,055	9,452
Payables to Related Parties	8,068	7,675
Payables to Parent Company	1,044	881
<b>Key Management Compensation</b>		
Salaries and other short-term employee benefits	4,195	4,571
Post-retirement medical obligations	3	3
Post-retirement benefits	891	891
<b>Note 6: Capital Commitments</b>		
Authorised and contracted for, and not provided for in the financial statements	3,752	3,401
<b>Note 7: Contingent Liabilities</b>		
Customs Bonds	16,900	16,900
<b>Note 8: Dividends Paid On Ordinary Shares</b>		
Final dividend – prior year	183,644	183,645
First interim dividend	64,022	84,240
Second interim dividend	88,452	106,142
	336,118	374,027

An interim dividend of \$1.14 per share (2016: \$1.44 per share) was approved by the Board of Directors on 25 October 2017 and will be paid to shareholders of record as at 7 November 2017 on the 24 November 2017. This interim dividend, amounting to \$96,033,600 (2016: \$121,305,600) has not been recognised in these interim financial statements. It will be recognised in shareholders' equity in the year to 31 December 2017.