

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 interim financial information was approved for issue on 22nd July 2014.

Note 2: Basis of Preparation

This condensed consolidated financial information for the six-month period ended 30 June 2014, 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 2013, 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 2013, as described in those annual financial statements with the exception of taxes on income in the interim periods which 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 TTS'000	CARICOM TTS'000	Unallocated TTS'000	Total TTS'000
Six Months Ended 30 June 2014				
Revenue	416,761	61,069	–	477,830
Gross Profit	362,358	4,867	–	367,225
Profit or loss for the year includes:				
- Depreciation	–	–	(9,427)	(9,427)
- Taxation	–	–	(72,530)	(72,530)
Six Months Ended 30 June 2013				
Revenue	379,683	61,107	–	440,790
Gross Profit	323,333	1,653	–	324,986
Profit or loss for the year includes:				
- Depreciation	–	–	(8,954)	(8,954)
- Taxation	–	–	(66,241)	(66,241)
Total Segment assets				
30 June 2014	80,474	40,765	401,162	522,401
30 June 2013	72,055	49,296	335,632	456,983
Total segment assets include additions to property, plant and equipment as follows:				
30 June 2014	–	–	4,409	4,409
30 June 2013	–	–	5,943	5,943

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 Group companies for Intra-Group sales of material, manufactured goods, charges for royalties, commissions, services and fees, are based on normal commercial practices which would apply between independent businesses.

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

Note 5: Related Party Transactions

	30.06.14 TTS'000	30.06.13 TTS'000
Sale of Goods and Services		
Sale of Goods - Related Parties	61,069	61,107
Sale of Services - Related Parties	139	412
Purchase of Goods and Services		
Purchase of Goods - Related Parties	34,982	35,992
Purchase of Services - Related Parties	15,954	26,415
Purchase of Services - Parent Company	28,702	25,479
Period end balances arising from sales/ purchases of goods and services:		
Receivables from Related Parties	12,090	12,238
Payables to Related Parties	24,583	25,275
Payables to Parent Company	7,261	3,778
Key Management Compensation		
Salaries and other short-term employee benefits	5,115	5,046
Post-retirement medical obligations	4	4
Post-retirement benefits	389	437
Note 6: Capital Commitments		
Authorised and contracted for, and not provided for in the financial statements	2,358	4,055

Note 7: Contingent Liabilities

Taxation
During the financial year ended 31 December 2011, the Board of Inland Revenue (BIR) conducted an audit of the 2007 tax return and subsequently issued a letter of proposed adjustments. The Company has provided documentary evidence to support its position and is currently engaged in further discussions with the BIR. The Directors, based on these discussions and appropriate professional advice, are satisfied that they can actively defend the matter and as such the Company has not recorded any additional provisions in the financial statements. The adjustments relate to the deductibility of certain expenses amounting to \$74,772,830. The tax impact of these adjustments at the statutory rate of 25% is \$18,693,208.

Customs and Immigration Bonds 10,975 10,786

Note 8: Dividends Paid On Ordinary Shares

Final dividend – prior year	135,626	102,773
First interim dividend	82,555	69,077
	<u>218,181</u>	<u>171,850</u>

An interim dividend of \$1.20 per share (2013: \$1.04 per share) was approved by the Board of Directors on 22nd July 2014 and will be paid to shareholders of record as at 06 August 2014 on the 15 August 2014. This interim dividend, amounting to \$101,088,000 (2013: \$87,609,600) has not been recognised in these interim financial statements. It will be recognised in shareholders' equity in the year to 31 December 2014.



**UNAUDITED
INTERIM RESULTS
FOR THE
SIX MONTHS ENDED
30 JUNE 2014**