

# UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017



## CHAIRMAN'S REVIEW

Given the prevailing economic conditions, the ongoing recession and 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 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 \$256.4 million and Profit for the Period of \$178.3 million for the six months ended 30 June 2017.

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

The Board has accordingly approved the payment of a second interim dividend of \$1.05 per ordinary share payable on 21 August 2017 to shareholders of record at close of business on 2 August 2017. The Register of Shareholders will be closed on 3 and 4 August 2017 for the processing of transfers.

**Anthony E Phillip**  
Chairman  
19 July 2017

## CONDENSED STATEMENT OF FINANCIAL POSITION

	UNAUDITED 30.06.17 TT\$'000	UNAUDITED 30.06.16 TT\$'000	AUDITED 31.12.16 TT\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	199,299	196,061	203,416
Deferred income tax asset	–	4,371	–
	199,299	200,432	203,416
<b>Current assets</b>			
Inventories	46,779	48,009	43,603
Trade and other receivables	113,703	118,135	93,078
Taxation recoverable	7,190	2,484	6,585
Cash and cash equivalents	166,290	233,193	269,483
	333,962	401,821	412,749
<b>Total assets</b>	533,261	602,253	616,165
<b>EQUITY</b>			
Share capital	42,120	42,120	42,120
Revaluation surplus	47,845	48,519	48,194
Retained earnings	259,540	272,826	328,565
	349,505	363,465	418,879
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liability	6,812	–	5,264
Retirement benefit obligation	67,577	85,745	65,530
Post-employment medical benefit obligation	4,468	5,385	4,571
	78,857	91,130	75,365
<b>Current liabilities</b>			
Trade and other payables	68,424	118,248	90,389
Due to parent company	1,564	2,721	2,335
Dividends payable	34,911	26,689	29,197
	104,899	147,658	121,921
<b>Total liabilities</b>	183,756	238,788	197,286
<b>Total equity and liabilities</b>	533,261	602,253	616,165

**Anthony E Phillip**  
Chairman

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

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED Three Months Ended 30.06.17 TT\$'000	UNAUDITED Three Months Ended 30.06.16 TT\$'000	UNAUDITED Six Months Ended 30.06.17 TT\$'000	UNAUDITED Six Months Ended 30.06.16 TT\$'000
<b>Gross Turnover *</b>	299,192	347,790	513,030	618,948
<b>Revenue</b>	<b>236,821</b>	<b>288,062</b>	<b>407,981</b>	<b>514,248</b>
Cost of Sales	(54,358)	(64,233)	(100,866)	(117,573)
<b>Gross Profit</b>	<b>182,463</b>	<b>223,829</b>	<b>307,115</b>	<b>396,675</b>
Distribution Costs	(1,263)	(2,726)	(6,406)	(7,149)
Administrative Expenses	(18,221)	(18,588)	(33,123)	(34,884)
Other Operating Expenses	(6,002)	(4,091)	(11,724)	(17,637)
<b>Operating Profit</b>	<b>156,977</b>	<b>198,424</b>	<b>255,862</b>	<b>337,005</b>
Interest Income	351	134	560	134
<b>Profit Before Taxation</b>	<b>157,328</b>	<b>198,558</b>	<b>256,422</b>	<b>337,139</b>
Taxation	(46,418)	(50,859)	(78,160)	(87,394)
<b>Profit for the Period</b>	<b>110,910</b>	<b>147,699</b>	<b>178,262</b>	<b>249,745</b>
<b>Other Comprehensive Gain:</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Re-measurement of retirement and post-employment benefit obligations	15	18	30	36
<b>Other Comprehensive Gain – net of tax</b>	<b>15</b>	<b>18</b>	<b>30</b>	<b>36</b>
<b>Total Comprehensive Income For The Period</b>	<b>110,925</b>	<b>147,717</b>	<b>178,292</b>	<b>249,781</b>
Earnings Per Ordinary Share	\$1.32	\$1.75	\$2.12	\$2.96
Dividends Per Ordinary Share	\$1.05	\$1.26	\$1.81	\$2.26

\* Gross Turnover includes excise of: three months ended 30.06.2017 - \$62,371, three months ended 30.06.2016 \$59,728; six months ended 30.06.17 - \$105,049 and six months ended 30.06.16 - \$104,700 respectively.

## CONDENSED STATEMENT OF CASH FLOWS

	UNAUDITED Six Months Ended 30.06.17 TT\$'000	UNAUDITED Six Months Ended 30.06.16 TT\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	256,422	337,139
Adjustments for:		
Depreciation	9,631	9,230
Net increase in retirement and other post-employment benefit obligations excluding actuarial gains	1,984	2,289
Interest income	(560)	(134)
<b>Operating profit before working capital changes</b>	<b>267,477</b>	<b>348,524</b>
Changes in working capital:		
Increase in inventories	(3,176)	(10,268)
Increase in trade and other receivables	(20,625)	(38,801)
Increase/(Decrease) in trade payables and accruals	22,170	(6,030)
(Decrease)/increase in due to related parties	(33,568)	24,295
Decrease in due to parent company	(771)	(4,460)
<b>Cash generated from operating activities</b>	<b>231,507</b>	<b>313,260</b>
Taxation paid	(87,795)	(93,671)
<b>Net cash from operating activities</b>	<b>143,712</b>	<b>219,589</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(5,514)	(8,667)
Interest received	560	134
<b>Net cash used in investing activities</b>	<b>(4,954)</b>	<b>(8,533)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Dividends paid	(241,951)	(264,641)
<b>Net decrease in cash and cash equivalents</b>	<b>(103,193)</b>	<b>(53,585)</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>166,290</b>	<b>233,193</b>
<b>Represented by:</b>		
Cash at bank and in hand	85,217	53,474
Short-term deposits	81,073	179,719
	<b>166,290</b>	<b>233,193</b>

# UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 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 Six Months Ended 30 June 2017</b>				
Balance at 1 January 2017	42,120	48,194	328,565	418,879
<b>Comprehensive income</b>				
Profit for the year	-	-	178,262	178,262
<b>Other comprehensive income</b>				
Remeasurement of retirement and post-employment benefit obligations – net of tax	-	-	30	30
Depreciation transfer on buildings – net of tax	-	(349)	349	-
<b>Transactions with owners</b>				
Dividends	-	-	(247,666)	(247,666)
<b>Balance at 30 June 2017</b>	<b>42,120</b>	<b>47,845</b>	<b>259,540</b>	<b>349,505</b>
<b>Unaudited Six Months Ended 30 June 2016</b>				
Balance at 1 January 2016	42,120	48,893	290,554	381,567
<b>Comprehensive income</b>				
Profit for the year	-	-	249,745	249,745
<b>Other comprehensive income</b>				
Remeasurement of retirement and post-employment benefit obligations – net of tax	-	-	36	36
Depreciation transfer on buildings – net of tax	-	(374)	374	-
Adjustment of revaluation of land and buildings and deferred tax impact	-	-	-	-
<b>Transactions with owners</b>				
Dividends	-	-	(267,883)	(267,883)
<b>Balance at 30 June 2016</b>	<b>42,120</b>	<b>48,519</b>	<b>272,826</b>	<b>363,465</b>

## Note 4: Segment Information

Primary reporting format – geographical segment

	Domestic TT\$'000	CARICOM TT\$'000	Unallocated TT\$'000	Total TT\$'000
<b>Six months ended 30 June 2017</b>				
Revenue	360,214	47,767	-	407,981
Gross Profit	304,963	2,152	-	307,115
Profit for the six months includes:				
- Depreciation			(9,631)	(9,631)
<b>Six months ended 30 June 2016</b>				
Revenue	459,521	54,727	-	514,248
Gross Profit	392,802	3,873	-	396,675
Profit for the six months includes:				
- Depreciation			(9,230)	(9,230)
<b>Total Segment assets</b>				
30 June 2017	125,126	35,356	372,779	533,261
30 June 2016	128,352	37,792	436,109	602,253
Total segment assets include additions to property, plant and equipment as follows:				
30 June 2017			5,514	5,514
30 June 2016			8,667	8,667

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.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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 19 July 2017.

### Note 2: Basis of Preparation

This condensed consolidated financial information for the six-month period ended 30 June 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 5: Related Party Transactions

#### Sale of Goods and Services:

	30.06.17 TT\$'000	30.06.16 TT\$'000
Sale of Goods – Related Parties	47,767	54,727
Sale of Services – Related Parties	157	-

#### Purchase of Goods and Services:

	30.06.17 TT\$'000	30.06.16 TT\$'000
Purchase of Goods – Related Parties	29,765	38,874
Purchase of Services – Related Parties	22,735	20,501
Purchase of Services – Parent Company	13,001	38,333

#### Year end balances arising from sales/purchases of goods and services:

	30.06.17 TT\$'000	30.06.16 TT\$'000
Receivables from Related Parties	12,450	10,448
Payables to Related Parties	2,420	35,988
Payables to Parent Company	1,564	2,721

#### Key Management Compensation

	30.06.17 TT\$'000	30.06.16 TT\$'000
Salaries and other short-term employee benefits	3,012	3,442
Post-retirement medical obligations	2	3
Post-retirement benefits	594	539

### Note 6: Capital Commitments

	30.06.17 TT\$'000	30.06.16 TT\$'000
Authorised and contracted for, and not provided for in the financial statements	4,112	4,563

### Note 7: Contingent Liabilities

Customs Bonds	16,900	16,036
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### Note 8: Dividends Paid on Ordinary Shares

Final dividend – prior year	179,676	183,643
First interim dividend	62,639	84,240
	<u>242,315</u>	<u>267,883</u>

An interim dividend of \$1.05 per share (2016: \$1.26 per share) was approved by the Board of Directors on 19 July 2017 and will be paid to shareholders of record as at 2 August 2017 on the 21 August 2017. This interim dividend, amounting to \$88,452,000 (2016: \$106,142,000) has not been recognised in these interim financial statements. It will be recognised in shareholders' equity in the year to 31 December 2017.