

UNAUDITED INTERIM RESULTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019



CHAIRMAN'S REVIEW

I am pleased to report that West Indian Tobacco has recorded Profit Before Taxation of \$453.1 million for the nine month period ended 30 September 2019, representing an increase of \$14.5 million or 3.3% over the corresponding period in 2018. Profit for the period is \$315.2 million reflecting an increase of \$11.9 million or 3.9% over comparative 2018.

Contributors to our improved performance include innovation to maintain the value of our Brands, consistent review of cost saving opportunities and efficiencies in our Manufacturing Operations. Our commitment to safety is evidenced by our achievement of three years with no Lost Time Injury.

The Board has accordingly approved the payment of a third interim dividend of \$1.18 per ordinary share payable on 26 November 2019 to shareholders of record at close of business on 07 November 2019. The Register of Shareholders will be closed on 08 and 11 November 2019 for the processing of transfers.

Immediately following the Shareholders' approval of the Share Split in October 2018, applications for all regulatory requirements were made. However we continue to experience delay in obtaining Licenses for the current Foreign Investors / Shareholders to hold the additional shares in the Company.

Anthony E Phillip
Chairman
24th October 2019

CONDENSED STATEMENT OF FINANCIAL POSITION

	UNAUDITED 30.09.19 TT\$'000	UNAUDITED 30.09.18 TT\$'000	AUDITED 31.12.18 TT\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	239,932	211,747	238,252
Deferred income tax asset	19,992	20,031	19,354
Right-of-Use Asset	4,835	-	-
	<u>264,759</u>	<u>231,778</u>	<u>257,606</u>
Current assets			
Inventories	34,810	34,670	48,707
Trade and other receivables	98,819	80,577	74,469
Taxation recoverable	7,189	7,189	7,189
Cash and cash equivalents	264,734	332,136	284,870
	<u>405,552</u>	<u>454,572</u>	<u>415,235</u>
Total assets	<u>670,311</u>	<u>686,350</u>	<u>672,841</u>
EQUITY			
Share capital	42,120	42,120	42,120
Revaluation surplus	61,074	46,972	61,786
Retained earnings	334,221	303,916	309,771
Total equity	<u>437,415</u>	<u>393,008</u>	<u>413,677</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	38,703	32,957	37,465
Retirement benefit obligation	50,158	54,835	52,963
Post-employment medical benefit obligation	2,964	3,578	3,192
Lease Liabilities	3,356	-	-
	<u>95,181</u>	<u>91,370</u>	<u>93,620</u>
Current liabilities			
Trade and other payables	91,739	149,565	107,993
Due to parent company	2,721	2,717	3,753
Dividends payable	41,949	39,673	40,692
Taxation payable	-	10,017	13,106
Lease Liabilities	1,306	-	-
	<u>137,715</u>	<u>201,972</u>	<u>165,544</u>
Total liabilities	<u>232,896</u>	<u>293,342</u>	<u>259,164</u>
Total equity and liabilities	<u>670,311</u>	<u>686,350</u>	<u>672,841</u>

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED Three Months Ended 30.09.19 TT\$'000	UNAUDITED Three Months Ended 30.09.18 TT\$'000	UNAUDITED Nine Months Ended 30.09.19 TT\$'000	UNAUDITED Nine Months Ended 30.09.18 TT\$'000
Revenue	232,549	232,657	702,555	688,212
Cost of sales	(53,562)	(51,736)	(157,576)	(154,974)
Gross profit	178,987	180,921	544,979	533,238
Distribution costs	(4,317)	(8,379)	(10,672)	(18,647)
Administrative expenses	(20,614)	(19,339)	(60,629)	(57,794)
Other operating expenses	(2,453)	1,023	(22,512)	(19,683)
Operating profit	151,603	154,226	451,166	437,114
Interest income	725	712	2,352	1,558
Finance costs	(131)	-	(391)	-
Profit before taxation	152,197	154,938	453,127	438,672
Taxation	(47,147)	(45,378)	(137,916)	(135,393)
Profit for the period	105,050	109,560	315,211	303,279
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Remeasurement of retirement and post-employment benefit obligations - net of tax	(2)	2	(5)	5
Other comprehensive income - net of tax	(2)	2	(5)	5
Total comprehensive income for the period	105,048	109,562	315,206	303,284
Earnings per ordinary share	\$1.25	\$1.30	\$3.74	\$3.60
Dividends per ordinary share	\$1.18	\$1.17	\$3.17	\$3.13

CONDENSED STATEMENT OF CASH FLOWS

	UNAUDITED Nine Months Ended 30.09.19 TT\$'000	UNAUDITED Nine Months Ended 30.09.18 TT\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	453,127	438,672
Adjustments for:		
Depreciation	8,459	7,580
Loss on disposal of property, plant and equipment	357	1,436
Net (decrease)/increase in retirement and other post-employment benefit obligations excluding actuarial losses	(3,040)	815
Interest income	(2,352)	(1,558)
Interest Expense (IFRS16)	391	-
Operating profit before working capital changes	456,942	446,945
Changes in working capital:		
Decrease in inventories	13,897	10,081
(Increase)/decrease in trade and other receivables	(24,350)	4,542
(Decrease)/Increase in trade and other payables	(16,254)	54,241
(Decrease)/Increase in due to parent company	(1,032)	99
Increase in Lease Liabilities (IFRS16)	4,662	-
Cash generated from operating activities	433,865	515,908
Taxation paid	(150,422)	(127,378)
Net cash from operating activities	283,443	388,530
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(15,327)	(8,789)
Interest received	2,352	1,558
Interest Paid (IFRS16)	(391)	-
Net cash used in investing activities	(13,366)	(7,231)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(290,213)	(283,818)
Net Cash Used In Financing Activities	(290,213)	(283,818)
Net (Decrease)/Increase in Cash & Cash Equivalents	(20,136)	97,481
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	284,870	234,655
CASH AND CASH EQUIVALENTS AT END OF PERIOD	264,734	332,136
Represented by:		
Cash at bank and in hand	163,475	230,554
Short-term deposits	101,259	101,582
	264,734	332,136

Anthony E Phillip
Chairman

Jean-Pierre S du Coudray
Managing Director

UNAUDITED INTERIM RESULTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019



CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital TT\$'000	Revaluation Surplus TT\$'000	Retained Earnings TT\$'000	Shareholders' Equity TT\$'000
Unaudited nine months ended 30 September 2019				
Balance at 1 January 2019	42,120	61,786	309,771	413,677
Comprehensive income				
Profit for the year	–	–	315,211	315,211
Other comprehensive income				
Remeasurement of retirement and post-employment benefit obligations - net of tax	–	–	(5)	(5)
Depreciation transfer on buildings - net of tax	–	(712)	712	–
Transactions with owners				
Dividends	–	–	(291,468)	(291,468)
Balance at 30 September 2019	42,120	61,074	334,221	437,415
Unaudited nine months ended 30 September 2018				
Balance at 1 January 2018	42,120	47,495	288,210	377,825
Comprehensive income				
Profit for the year	–	–	303,279	303,279
Other comprehensive income				
Remeasurement of retirement and post-employment benefit obligations - net of tax	–	–	5	5
Depreciation transfer on buildings - net of tax	–	(523)	523	–
Transactions with owners				
Dividends	–	–	(288,101)	(288,101)
Balance at 30 September 2018	42,120	46,972	303,916	393,008

Note 4: Segment Information

Primary reporting format – geographical segment

	Domestic TT\$'000	CARICOM TT\$'000	Unallocated TT\$'000	Total TT\$'000
Nine months ended 30 September 2019				
Revenue	625,488	77,067	–	702,555
Gross Profit	536,930	8,049	–	544,979
Profit for the nine months includes:				
- Depreciation	–	–	(8,459)	(8,459)
Nine months ended 30 September 2018				
Revenue	609,510	78,702	–	688,212
Gross Profit	529,473	3,765	–	533,238
Profit for the nine months includes:				
- Depreciation	–	–	(7,580)	(7,580)
Total Segment assets				
30 September 2019	106,408	27,220	536,683	670,311
30 September 2018	88,486	26,761	571,103	686,350

Total segment assets include additions to property, plant and equipment as follows:

30 September 2019	–	–	15,327	15,327
30 September 2018	–	–	8,789	8,789

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 \$3.3 million and Current \$1.3 million) and right-of-use assets (\$4.8 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

This condensed consolidated financial information was approved for issue on 24 October 2019.

Note 2: Basis of Preparation

This condensed consolidated financial information for the nine-month period ended 30 September 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 2018, 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 2018, 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 6: Related Party Transactions

Sale of Goods and Services:

Sale of Goods - Related Parties	77,068	78,702
Sale of Services - Related Parties	791	404

Purchase of Goods and Services:

Purchase of Goods - Related Parties	40,351	33,445
Purchase of Services - Related Parties	46,501	33,885
Purchase of Services - Parent Company	25,283	19,662

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

Receivables from Related Parties	11,640	8,379
Payables to Related Parties	18,761	11,584
Payables to Parent Company	2,721	2,717

Key Management Compensation

Salaries and other short-term employee benefits	5,777	4,665
Post-retirement medical obligations	2	2
Post-retirement benefits	605	564

Note 7: Capital Commitments

Authorised and contracted for, and not provided for in the financial statements	6,653	5,312
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Note 8: Contingent Liabilities

Customs Bonds	16,900	16,900
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Note 9: Dividends Paid On Ordinary Shares

Final dividend – prior year	123,833	122,990
First interim dividend	69,919	69,077
Second interim dividend	97,718	96,034
	291,470	288,101

An interim dividend of \$1.18 per share (2018: \$1.17 per share) was approved by the Board of Directors on 24 October 2019 and will be paid to shareholders of record as at 07 November 2019 on the 26 November 2019. This interim dividend, amounting to \$99,403,200 (2018: \$98,560,800) has not been recognised in these interim financial statements. It will be recognised in shareholders' equity in the year to 31 December 2019.