

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018



CHAIRMAN'S REVIEW

I am pleased to report that West Indian Tobacco has recorded Profit Before Taxation of \$283.7 million, for the six months ended 30 June 2018, representing an increase of 10.7% over the corresponding period in 2017. Profit for the period is \$193.7 million reflecting an increase of 8.7% over 2017.

The Board has accordingly approved the payment of a second interim dividend of \$1.14 per ordinary share payable on 27 August 2018 to shareholders of record at close of business on 08 August 2018. The Register of Shareholders will be closed on 09 and 10 August 2018 for the processing of transfers.

Anthony E Phillip
Chairman
25 July 2018

CONDENSED STATEMENT OF FINANCIAL POSITION

	UNAUDITED 30.06.18 TT\$'000	UNAUDITED 30.06.17 TT\$'000	AUDITED 31.12.17 TT\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	213,375	199,299	211,974
Deferred income tax asset	19,951	–	20,671
	<u>233,326</u>	<u>199,299</u>	<u>232,645</u>
Current assets			
Inventories	30,098	46,779	44,751
Trade and other receivables	83,454	113,703	85,119
Taxation recoverable	7,189	7,190	7,189
Cash and cash equivalents	279,223	166,290	234,655
	<u>399,964</u>	<u>333,962</u>	<u>371,714</u>
Total assets	<u>633,290</u>	<u>533,261</u>	<u>604,359</u>
EQUITY			
Share capital	42,120	42,120	42,120
Revaluation surplus	47,146	47,845	47,495
Retained earnings	290,215	259,540	288,210
Total equity	<u>379,481</u>	<u>349,505</u>	<u>377,825</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	34,395	6,812	33,641
Retirement benefit obligation	54,501	67,577	53,834
Post-employment medical benefit obligation	3,642	4,468	3,771
	<u>92,538</u>	<u>78,857</u>	<u>91,246</u>
Current liabilities			
Trade and other payables	108,488	68,424	95,323
Due to parent company	9,283	1,564	2,618
Dividends payable	38,603	34,911	35,390
Taxation payable	4,897	–	1,957
	<u>161,271</u>	<u>104,899</u>	<u>135,288</u>
Total liabilities	<u>253,809</u>	<u>183,756</u>	<u>226,534</u>
Total equity and liabilities	<u>633,290</u>	<u>533,261</u>	<u>604,359</u>

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED Three Months Ended 30.06.18 TT\$'000	UNAUDITED Three Months Ended 30.06.17 TT\$'000	UNAUDITED Six Months Ended 30.06.18 TT\$'000	UNAUDITED Six Months Ended 30.06.17 TT\$'000
Gross Turnover – including excise *	334,611	299,192	570,673	513,030
Revenue	<u>267,746</u>	<u>236,821</u>	<u>455,555</u>	<u>407,981</u>
Cost of sales	(56,883)	(54,358)	(103,238)	(100,866)
Gross profit	<u>210,863</u>	<u>182,463</u>	<u>352,317</u>	<u>307,115</u>
Distribution costs	(3,998)	(1,263)	(10,268)	(6,406)
Administrative expenses	(22,802)	(18,221)	(38,455)	(33,123)
Other operating expenses	(6,661)	(6,002)	(20,706)	(11,724)
Operating profit	<u>177,402</u>	<u>156,977</u>	<u>282,888</u>	<u>255,862</u>
Interest income	548	351	846	560
Profit before taxation	<u>177,950</u>	<u>157,328</u>	<u>283,734</u>	<u>256,422</u>
Taxation	(56,693)	(46,418)	(90,015)	(78,160)
Profit for the period	<u>121,257</u>	<u>110,910</u>	<u>193,719</u>	<u>178,262</u>
Other comprehensive income: Items that will not be reclassified to profit or loss				
Remeasurement of retirement and post-employment benefit obligations	1	15	3	30
Other comprehensive income – net of tax	<u>1</u>	<u>15</u>	<u>3</u>	<u>30</u>
Total comprehensive income for the period	<u>121,258</u>	<u>110,925</u>	<u>193,722</u>	<u>178,292</u>
Earnings per ordinary share	\$1.44	\$1.32	\$2.30	\$2.12
Dividends per ordinary share	\$1.14	\$1.05	\$1.96	\$1.81

* Gross Turnover includes excise of: three months ended 30.06.18 – \$66,865, three months ended 30.06.17 \$62,371; six months ended 30.06.18 – \$115,118 and six months ended 30.06.17 – \$105,049 respectively.

CONDENSED STATEMENT OF CASH FLOWS

	UNAUDITED Six Months Ended 30.06.18 TT\$'000	UNAUDITED Six Months Ended 30.06.17 TT\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	283,734	256,422
Adjustments for:		
Depreciation	5,071	9,631
Net increase in retirement and other post-employment benefit obligations excluding actuarial gains	543	1,984
Interest income	(846)	(560)
Operating profit before working capital changes	<u>288,502</u>	<u>267,477</u>
Changes in working capital:		
Decrease/(increase) in inventories	14,653	(3,176)
Decrease/(increase) in trade and other receivables	1,665	(20,625)
Increase/(decrease) in trade and other payables	13,161	(11,398)
Increase/(decrease) in due to parent company	6,665	(771)
Cash generated from operating activities	<u>324,646</u>	<u>231,507</u>
Taxation paid	(85,601)	(87,795)
Net cash from operating activities	<u>239,045</u>	<u>143,712</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,469)	(5,514)
Interest received	846	560
Net cash used in investing activities	<u>(5,623)</u>	<u>(4,954)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(188,854)	(241,951)
Net increase in Cash & Cash Equivalents	<u>44,568</u>	<u>(103,193)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>234,655</u>	<u>269,483</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>279,223</u>	<u>166,290</u>
Represented by:		
Cash at bank and in hand	177,421	85,217
Short-term deposits	101,802	81,073
	<u>279,223</u>	<u>166,290</u>

Anthony E Phillip
Chairman

Jean-Pierre S du Coudray
Managing Director

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018



CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital TT\$'000	Revaluation Surplus TT\$'000	Retained Earnings TT\$'000	Shareholders' Equity TT\$'000
Unaudited six months ended 30 June 2018				
Balance at 1 January 2018	42,120	47,495	288,210	377,825
Comprehensive income				
Profit for the year	–	–	193,719	193,719
Other comprehensive income				
Remeasurement of retirement and post-employment benefit obligations – net of tax	–	–	3	3
Depreciation transfer on buildings – net of tax	–	(349)	349	–
Transactions with owners				
Dividends	–	–	(192,066)	(192,066)
Balance at 30 June 2018	42,120	47,146	290,215	379,481
Unaudited six months ended 30 June 2017				
Balance at 1 January 2017	42,120	48,194	328,565	418,879
Comprehensive income				
Profit for the year	–	–	178,262	178,262
Other comprehensive income				
Remeasurement of retirement and post-employment benefit obligations – net of tax	–	–	30	30
Depreciation transfer on buildings – net of tax	–	(349)	349	–
Transactions with owners				
Dividends	–	–	(247,666)	(247,666)
Balance at 30 June 2017	42,120	47,845	259,540	349,505

Note 4: Segment Information

Primary reporting format – geographical segment

	Domestic TT\$'000	CARICOM TT\$'000	Unallocated TT\$'000	Total TT\$'000
Six months ended 30 June 2018				
Revenue	401,592	53,963	–	455,555
Gross Profit	349,871	2,446	–	352,317
Profit for the six months includes: – Depreciation			(5,071)	(5,071)
Six months ended 30 June 2017				
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)
Total Segment assets				
30 June 2018	84,157	29,395	519,738	633,290
30 June 2017	125,126	35,356	372,779	533,261
Total segment assets include additions to property, plant and equipment as follows:				
30 June 2018			6,469	6,469
30 June 2017			5,514	5,514

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 2018

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 July 2018.

Note 2: Basis of Preparation

This condensed consolidated financial information for the six-month period ended 30 June 2018, 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 2017, 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 2017, 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:

Sale of Goods – Related Parties	53,963	47,767
Sale of Services – Related Parties	204	157

Purchase of Goods and Services:

Purchase of Goods – Related Parties	18,181	29,765
Purchase of Services – Related Parties	20,664	22,735
Purchase of Services – Parent Company	12,481	13,001

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

Receivables from Related Parties	14,257	12,450
Payables to Related Parties	27,774	2,420
Payables to Parent Company	9,283	1,564

Key Management Compensation

Salaries and other short-term employee benefits	3,320	3,012
Post-retirement medical obligations	1	2
Post-retirement benefits	376	594

Note 6: Capital Commitments

Authorised and contracted for, and not provided for in the financial statements	4,861	4,112
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Note 7: Contingent Liabilities

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

An interim dividend of \$1.14 per share (2017: \$1.05 per share) was approved by the Board of Directors on 25 July 2018 and will be paid to shareholders of record as at 8 August 2018 on the 27 August 2018. This interim dividend, amounting to \$96,033,600 (2017: \$88,452,000) has not been recognised in these interim financial statements. It will be recognised in shareholders' equity in the year to 31 December 2018.