



DEMERARA TOBACCO



ANNUAL  
REPORT  
2015





**SUSTAINABILITY**





We continue our efforts to sustain the business as we focus on building resilience, while we operate with integrity and responsibility in a dynamic environment.

Demerara Tobacco Company as a corporate citizen recognizes its fiduciary role to invest in the local economic, social and cultural development of the community. Throughout the past eighty-two years, we have honoured our obligation to Corporate Social Initiatives by responding to the needs of the community in which we operate. Our engagement efforts will continue to be one of the pillars of our business, as we strive to protect our brands, commercial interest and corporate reputation.

The secret of our resilience is proven in our brand portfolio which guarantees strategic alignment for positive business results. We possess great flexibility and strength, and good risk management strategies that can be tap into, and even increase our resources.

Resilience is not a single skill, but a collage of proficiencies and coping mechanisms which Demerara Tobacco has learnt, experienced and applied in finding avenues to rebound from challenging situations as we focus on delivering positive results.

We will strive to overcome the unexpected!



# Our Business Principles

Our Business Principles cover the key issues that we believe underpin Corporate Social Responsibility (CSR) for the unique characteristics of a tobacco business. Together, these three principles form the basis on which we expect our business to be run in terms of responsibility.

## The Principle of Mutual Benefit

This Principle is the basis on which we build relationships with our stakeholders. We are primarily in business to build long-term shareholder value and we believe the best way to do this is to seek to understand and take account of the needs of all our stakeholders.

## The Principle of Responsible Product Stewardship

This Principle is the basis on which we meet consumer demand for a legal product that is generally accepted as a cause of serious diseases. Therefore, our products and brands should be developed, manufactured and marketed in a responsible manner.

## The Principle of Good Corporate Conduct

This Principle is the basis on which our business should be managed. Business success brings with it an obligation for high standards of behavior and integrity in everything we do and wherever we operate. These standards should not be compromised for the sake of results.





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**Chairman**

Alan Bergin

**Other Directors**

Chandradat Chintamani

Charles Quintin

Oscar Quesada

Maurlain Kirton

**Secretary**

Shawn Rampersaud

**Registered Office**

90 Carmichael Street

South Cummingsburg

Georgetown

**Attorney-At-Law**

Cameron & Shepherd

2 Avenue of Republic

Georgetown

**Auditors**

Jack A Alli Sons & Co

Chartered Accountants

145 Crown Street

Queenstown

Georgetown

**Bankers**

Guyana Bank for Trade & Industry Limited

138 Regent Street

Lacytown

Georgetown

Scotiabank

104 Carmichael Street

North Cummingsburg

Georgetown

**Registrar**

Trust Company (Guyana) Limited

Lot 11 Lamaha Street

Queenstown

Georgetown





# Notice of Meeting



**Shawn Rampersaud**  
Secretary

Notice is hereby given that the 82nd Annual General Meeting of the Demerara Tobacco Company Limited will be held at the **Pegasus Hotel, Seawall Road, Kingston, Georgetown** on **12 April 2016** at 4.00 p.m. for the transaction of the following business:

1. To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon.
2. To consider and (if thought fit) pass the following resolution:

“THAT THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON BE AND ARE HEREBY APPROVED.”



# Notice of Meeting (continued)

3. To consider the declaration of a Final Dividend of \$9.55 per share by the Board in addition to the four (4) Interim Dividends totalling \$61.27 per share already declared and paid by the board and (if thought fit) pass the following resolution:  
  
“THAT THE FOUR (4) INTERIM DIVIDENDS TOTALLING \$61.27 ALREADY PAID BE CONFIRMED, AND THAT A FINAL DIVIDEND OF \$9.55 PER SHARE AS RECOMMENDED BY THE BOARD FOR THE YEAR ENDED 31 DECEMBER 2015 BE APPROVED AND PAID TO THOSE SHAREHOLDERS ON THE COMPANY’S SHARE REGISTER AT THE CLOSE OF BUSINESS ON 12 April 2016.”
4. To elect Directors:  
To propose and (if thought fit) pass the under mentioned resolutions:
  - 4.1 “THAT MR ALAN BERGIN, WHO WAS APPOINTED UNDER BY-LAW 18(7) OF THE COMPANY’S BY-LAWS AS A DIRECTOR OF THE COMPANY, BE AND IS HEREBY ELECTED AS A DIRECTOR”
  - 4.2 “THAT MRS MAURLAIN KIRTON, WHO WAS APPOINTED UNDER BY-LAW 18(7) OF THE COMPANY’S BY-LAWS AS A DIRECTOR OF THE COMPANY, BE AND IS HEREBY ELECTED AS A DIRECTOR”
5. To re-elect Directors:  
To propose and (if thought fit) pass the under mentioned resolutions:
  - 5.1 “THAT MR CHARLES QUINTIN, WHO RETIRES IN ACCORDANCE WITH BY-LAW 18 (1) OF THE COMPANY’S BY-LAWS AS A DIRECTOR OF THE COMPANY, BE AND IS HEREBY RE-ELECTED AS A DIRECTOR”
  - 5.2 “THAT MR OSCAR QUESADA, WHO RETIRES IN ACCORDANCE WITH BY-LAW 18 (1) OF THE COMPANY’S BY-LAWS AS A DIRECTOR OF THE COMPANY, BE AND IS HEREBY RE-ELECTED AS A DIRECTOR”
6. To fix the remuneration of the Directors.  
To consider and (if thought fit) pass the following resolution:  
  
“THAT IN ACCORDANCE WITH BY-LAW 16 OF THE COMPANY’S BY-LAWS, THE ANNUAL REMUNERATION OF THE NON-EXECUTIVE DIRECTOR BE FIXED AT \$550,000.”
7. To appoint auditors  
To consider and (if thought fit) pass the following resolution:  
  
“THAT JACK A. ALLI, SONS & CO BE AND ARE HEREBY APPOINTED AUDITORS FOR THE PERIOD ENDING WITH THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING.”
8. To fix the remuneration of auditors.  
To consider and (if thought fit) pass the following resolution:  
  
“THAT THE DIRECTORS ARE HEREBY AUTHORISED TO FIX THE REMUNERATION OF THE AUDITORS AT A SUM TO BE AGREED.”

BY ORDER OF THE BOARD



**Shawn Rampersaud**  
Secretary  
05 February 2016



# Report of the Directors

The Directors have pleasure in submitting their report for the year ended 31 December 2015.

## Principal Activities

The principal activities of the Company are the marketing and sale of tobacco products in Guyana, which are manufactured undercontract to predetermined specifications.

## Financial Results

	G\$'000
Gross Turnover	6,541,502
Cost of Sales	<u>(2,782,901)</u>
Gross Profit	3,758,601
Other Income	9,803
Operating Expenses	<u>(917,029)</u>
Profit Before Taxation	2,851,375
Taxation	<u>(1,244,841)</u>
Profit After Taxation	<u>1,606,534</u>

## Cash, Deposits and Capital Expenditure

Cash & Bank Balances at 31 December 2015 totalled \$787.7 million compared to \$827.2 million at the prior year end, a decrease of \$39.5 million.

Operating activities generated cash of \$2.9 billion for the year under review.

Taxation paid during the year amounted to \$1.2 billion. Total dividends paid amounted to \$1.8 billion. There was no Capital Expenditure for the year compared to \$12.4 million for the previous year.

## Dividend

In May, August, and November 2015 and February 2016 there were four (4) interim dividend payments totalling \$61.27 per share. A final dividend of \$9.55 per share is proposed by your directors making a total payment for the year of \$70.82 per share, a decrease of \$1.47 or 2.03%.

## Directors

Mrs Amanda Cavill de Zavaley resigned from the Board of Directors on 3 August 2015.

Mr Alan Bergin and Mrs Maurlain Kirton who were appointed under By-Law 18 (7) of the Company's By-Laws as Directors of the Company are proposed as Directors.

Mr Charles Quintin and Mr Oscar Quesada who retire in accordance with By-Law 18 (1) of the Company's By-Laws as Directors of the Company are proposed for re-election. The Directors who served during the year are shown on pages 10-11.

## Auditors

The Auditors, Jack A. Alli, Sons & Co, Chartered Accountants, have retired and are proposed for re-election.

BY ORDER OF THE BOARD



**Shawn Rampersaud**  
Secretary

# Five Years at a Glance

G \$ '000	2011	2012	2013	2014	2015
<b>Balance Sheet Items</b>					
Non-Current Assets	77,324	46,900	43,529	58,834	22,612
Current Assets	1,154,969	1,434,066	1,495,702	1,427,447	1,331,130
<b>Total Assets</b>	<b>1,232,293</b>	<b>1,480,966</b>	<b>1,539,231</b>	<b>1,486,281</b>	<b>1,353,742</b>
Current Liabilities	650,165	907,185	887,699	733,920	765,539
Non-Current Liabilities	36,494	14,297	15,220	49,145	-
<b>Net Assets</b>	<b>545,634</b>	<b>559,484</b>	<b>636,312</b>	<b>703,216</b>	<b>588,203</b>
<b>Net Asset per Share</b>	<b>23.32</b>	<b>23.91</b>	<b>27.19</b>	<b>30.05</b>	<b>25.14</b>
<b>Profits and Distribution</b>					
Net Profit before Tax	2,391,526	2,934,322	3,231,848	2,831,720	2,851,375
Taxation	1,038,897	1,254,914	1,381,208	1,207,028	1,244,841
<b>Net Profit after Tax</b>	<b>1,352,629</b>	<b>1,679,408</b>	<b>1,850,640</b>	<b>1,624,692</b>	<b>1,606,534</b>
<b>Statistics</b>					
Ordinary Shares in issue ('000)	23,400	23,400	23,400	23,400	23,400
Earnings per share	57.80	71.77	79.09	69.43	68.66
Dividends declared per share	57.80	77.41	79.06	72.29	70.82

## Financial Calendar

### ANNUAL MEETING

12 April 2016

### REPORTS:

Interim Report for six months to 30.06.2016

August 2016

### DIVIDENDS:

Final

April 2016

First Interim

April 2016

Second Interim

July 2016

Third Interim

October 2016

Fourth Interim

February 2017

Final 2016

April 2017



# Directors & Shareholders' Interests

## Directors' Beneficial Interest:

	Shares Held As at 31/12/2015	Shares Held As at 31/12/2014
Charles Quintin	40,039	40,039

At no time during the current financial year has any Director been a party to a material contract with the Company or was materially interested in any contract which was significant in relation to the company's business.

## Directors' Contracts:

There are no Service Contracts for the Directors proposed for re-election.

## Substantial Interests:

The following company held a substantial interest in the Share Capital of the Company:

	31/12/2015	31/12/2014
British American Tobacco International Holdings (UK) Limited (70%) (Fully owned subsidiary of British American Tobacco p.l.c, a company registered in the United Kingdom)	16,439,420	16,439,420

A Substantial Interest is defined as any holding of 5% or more of the issued Share Capital of the Company.

## Shareholders' Interests:

Holdings	# of Shareholders	% of Shareholders	# of Shares
1 - 10,000	858	88	1,451,151
10,001 - 20,000	56	6	800,649
20,001 - 50,000	36	4	1,148,936
50,001 - 100,000	10	1	720,595
100,001 - 500,000	9	1	1,323,341
500,001 - 1,000,000	2	0	1,515,908
1,000,001 & Over	1	0	16,439,420
<b>Total</b>	<b>972</b>	<b>100</b>	<b>23,400,000</b>

# Board of Directors

**Alan Bergin**  
Chairman

**Maurlain Kirton**  
Managing Director





# Board of Directors

**Oscar Quesada**  
Director

**Charles Quintin**  
Director

**Chandradat Chintamani**  
Director



A portrait of Alan Bergin, Chairman, standing with his arms crossed. He is wearing a dark blue suit jacket over a light blue shirt and a dark blue tie with light blue diagonal stripes. He has short, dark hair and is looking directly at the camera with a slight smile. The background is a blurred indoor setting with warm lighting. The image is framed by a yellow and blue graphic design at the bottom.

**Alan Bergin**  
Chairman



# Chairman's Statement

For the year under review, Demerara Tobacco Company was faced with an increasingly challenging external environment which impacted the results in 2015. The company still delivered an increase of \$20M in 2015 with profit before tax of \$2.85B compared with \$2.83B in 2014. Overall profit for the year was reduced by \$18M compared to previous year.

There was a slow-down in the economy with Guyana recording a GDP growth of 3.0% for 2015 compared to 3.9% for 2014. This was mainly driven by the reduced performance of the main economic revenue drivers such as; gold, rice, bauxite, forestry, sugar, and foreign remittances. There was also a mid-year election which generated some anxiety. In spite of the harsh realities, the exchange and inflation rates remained fairly stable.

The performance of our portfolio was impacted by these economic conditions. Consumers continued to seek cheaper brands due to affordability issues. The efforts last year were focused on driving the marketing strategy of our Flagship brand, Bristol, to mitigate the impact on sales performance.

In addition, our business continued to face increased challenges mainly through illicitly traded brands. This type of activity resulted in significant revenue loss to the economy. The company has been supportive of all enforcement efforts aimed at tackling this issue, which is occurring across other sectors/product category.

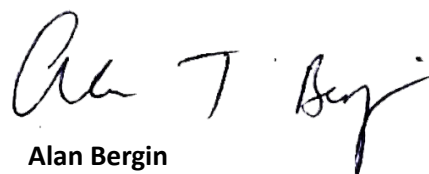
The Board of Directors had approved four interim dividends totaling \$61.27; which together with the proposed final dividend of \$9.55 per share, bring the total dividend to \$70.82 per ordinary share. This represents a return of 7% on current share price. Once the final dividend is approved, payment will be made in accordance with the established company guidelines.

Demerara Tobacco Company continued to uphold high standards in delivering its responsibility through its voluntary International Marketing Principles and Corporate Social Investment. The company has been campaigning and educating retailers nationwide that tobacco products should not be made available for sale to persons under the age of 18 years. The company continued to support various social and charitable causes in Guyana.

The company has been in existence for over eighty years and is the industry leader. Our wealth of experience and knowledge can provide practical solutions to help regulators address key issues surrounding our products. This will enable us to have balanced regulations that will provide measures which would be in the best interest of all. The company will continue to engage regulators and key stakeholders on this matter.

The environment is expected to remain demanding for 2016 however, I am confident that with our clear strategy, strong corporate presence, powerful brands, talented people and continued focus on efficiency, we will continue to deliver value to our shareholders.

Finally, I take this opportunity to express the Board's sincerest appreciation to the management and staff of Demerara Tobacco Company for contributing to another good year in spite of the many constraints. The continued success of the company is due to the dedication and determination of our trading partners to continually deliver against all odds.



**Alan Bergin**  
Chairman

**Maurlain Kirton**  
Managing Director





# Managing Director's Review

It is indeed a great pleasure for me to present to you on behalf of the Board of Directors, a report on the Company's performance and the annual accounts for the year ended 31 December 2015.

## BUSINESS PERFORMANCE AND STRATEGY

The company delivered a stable performance in spite of prevailing economic conditions and also in an election year.

These conditions resulted in down-trading and increased consumption of illicit brands. At the same time, Pall Mall maintained its position in the low price segment, serving as catcher brand for down trading. Dunhill and Bristol sales decreased as a direct result of contraction in our core consumers' income but remained key choices for the market. Overall volume decreased by 4.1%.

## PROFITABILITY

Gross Turnover for the year increased by \$20.2M. The contraction of volume resulted in a reduction of cost of sales by \$12.9M, which was partially offset by increased manufacturing cost.

Other expenses increased by \$12.5M as a result of increased overheads including the implementation of a global management and accounting system. Target Operating Model and One SAP (TaO) was launched in the last quarter of 2015 and its aim is intended to standardize business processes, provide real time information and robust controls. The benefit of this investment is expected to be realized in the upcoming years.

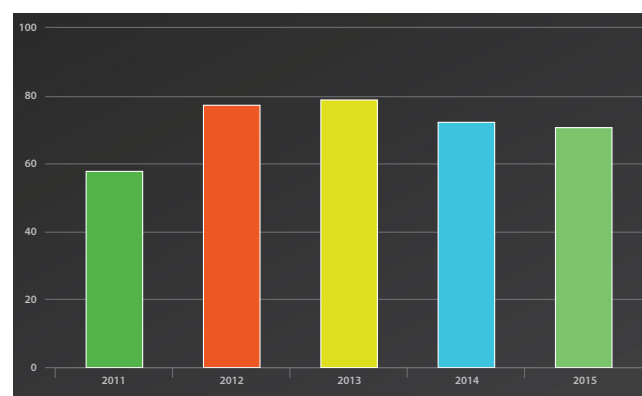
The performance this year, even though challenging, was directly influenced by the drive to manage an efficient cost base while remaining relevant and competitive to our consumers. Robust controls were adhered to as focus was placed on productivity improvements.

We focused on maintaining our leadership position, protecting brand share and securing sustained shareholder value. 2015 performance was a demonstration of the resilience of the business strategy to deliver the long-term vision of the company.

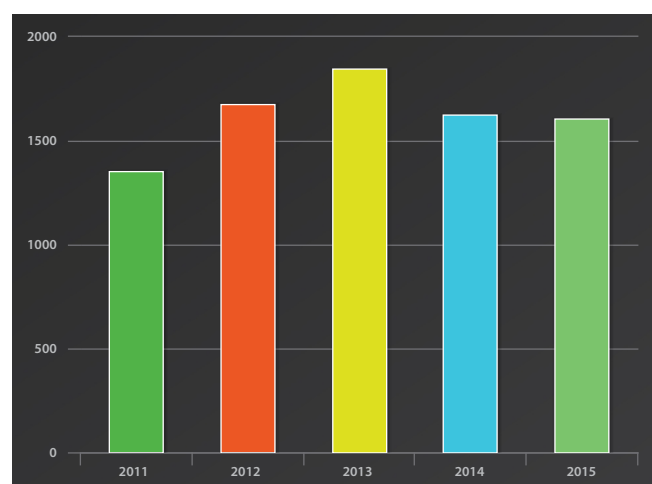
## CONSUMER FOCUS

Our attention continued to be focused on our flagship brand, Bristol. Brand awareness and availability were enhanced inclusive of a special package for the 49th Independence Anniversary of Guyana. Our overall distribution coverage allowed for our brands to be readily available at retail level across the market place. Our standards of quality continue to be high and this was reflected with minimal consumer complaints in 2015.

## Dividend Per Share



## Profit After Tax (\$Mn)



# Managing Director's Review

## VOLUME PERFORMANCE

The sales of our portfolio of brands were negatively affected in 2015. Bristol's performance was lower than anticipated. Dunhill sales also reduced, impacted directly by contraction in disposable income of its consumers. Pall Mall sales effectively remained stable as the offer built its equity largely through product availability. Nevertheless, the team remained committed to the marketing strategy and executional plans. Enhanced retailer relationships and optimised distribution coverage supported this year's achievement. Our business partner, E.B. Beharry and Company continued to support the marketing initiatives and had been instrumental in delivering full year volumes.

## GREAT PEOPLE

In 2015 we were supported by our people whose commitment, dedication and hard work toward implementing the business strategy enabled these results. We continued to invest in our people and attract new talent.

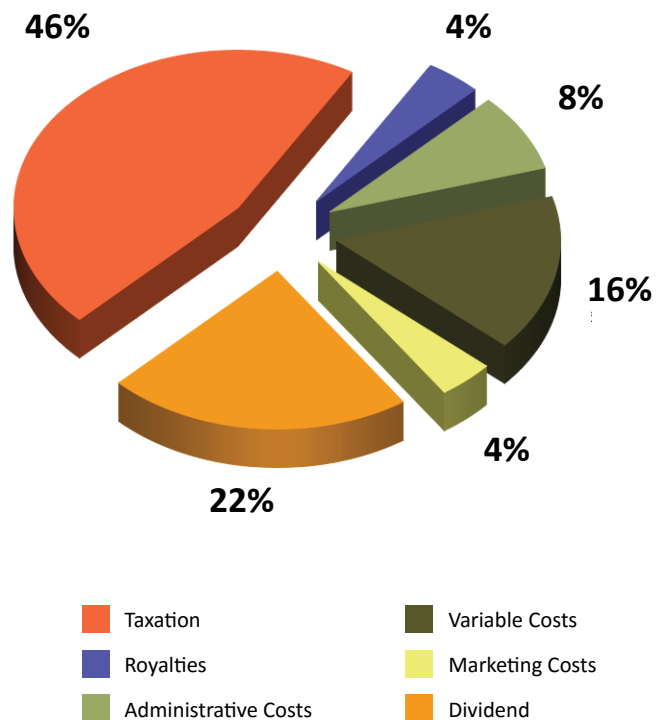
## INCOME DISTRIBUTION

In 2015, total taxes paid to the government amounted to \$3.5B or 46% of our Gross Income.

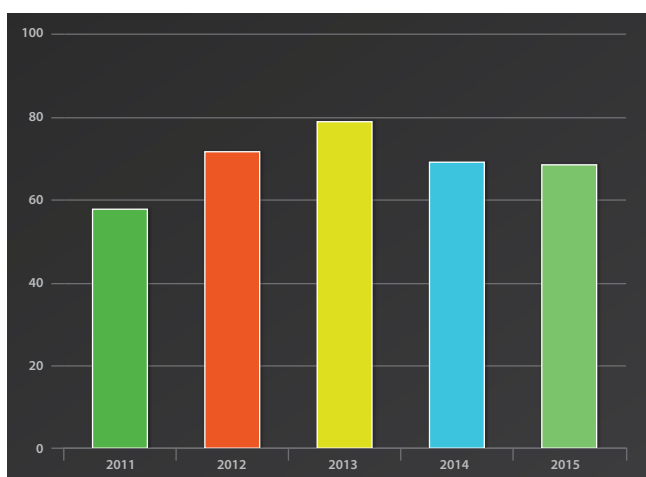
Operating costs inclusive of Marketing and Overheads accounted for 12.05% of Gross Income.

Return to investors amounted to \$1.77B or 23.35% compared to previous year of \$1.63B or 21.51%.

Income Distribution



Earnings Per Share



## SUSTAINABILITY: THE HEART OF OUR BUSINESS

It is our purpose to maintain high standards in our supply chain, and marketing our product responsibly. The engagement with retailers to create and enhance outdoor smoking spaces for adults who chose to smoke, yielded positive results. Our efforts in this area will continue.

We continued to promote our Youth Smoking Prevention Programme which is aimed at prohibiting sales of our products to minors as defined by local law. During 2015, we supported this programme through visible signage and branded attire at our retail outlets across the trade. Our distribution team continued to be educated on responsible marketing approach and have been an important part of the communication of the message in the market. There has been a high level of compliance to the voluntary International Marketing Principles which guide our market place behaviours and marketing activities.

# Managing Director's Review

The new business process, namely TaO is intended to secure future sustainability of the business.

We live in a world where consumer demands continue to change. As a responsible company we continue to advocate on behalf of the consumer and at same time satisfy their needs and demands in a changing environment.

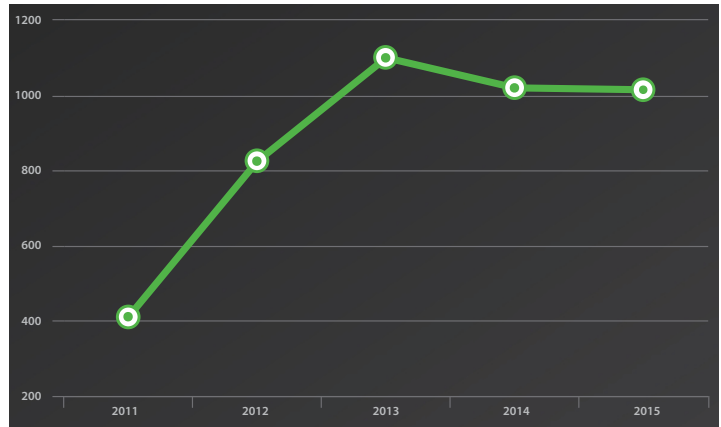
In response to the needs of the less fortunate, the company fully sponsored the Christmas social for one hundred residents at the Ministry of Social Protection's Night Shelter in East La Penitence. A complete Christmas meal along with a hamper was given to each resident. The tremendous support from Demerara Tobacco was highly appreciated by management and participants alike. In support of the initiative persons living with HIV, the company continued its monthly supply of food items. Donations were made toward various charitable organizations.

Sound regulation is important in the tobacco industry and where it is developed with all stakeholders involved; it can help to ensure an orderly marketplace that serves the interests of both consumers and governments. Unintended consequences of flawed regulation must be avoided as these measures can result in consumers switching to cheaper illegally trafficked products. Our approach continues to be one of consultation and collaboration. We continued to engage on the issue of tobacco regulation and are willing to work with the regulators to provide balanced laws that will support their objectives while maintaining consumers' rights.

Additionally, the company continued to engage the relevant authority on the issue of illicit products and their impact on our business, and the wider community. Cigarettes are among the most commonly traded products on the black market due to the profit margins, relative ease of production, and movement and low detection rates and penalties. Legitimate retailers and governments are also negatively affected as smugglers and criminals steal their trade and tax revenues respectively. For governments too, there is a huge cost as the illegal trade cheats governments out of taxes. The shadowy nature of this trade makes the scale of it hard to estimate.

Measures such as; excessive excise increases, retail display bans and plain packaging do more to disrupt stable markets and little to further their intended aims. The unintended consequences of such regulations create ideal conditions for counterfeiters and smugglers to thrive as demonstrated in other markets.

## Share Price



## CHALLENGES AND OPPORTUNITIES AHEAD

Success will be led by the resilience of our brand portfolio through relevant consumer innovation and a continued high level of dedication by our employees and business partners. Ongoing and effective engagement with stakeholders on the issues of tobacco regulation, tax control measures, excise reform and proposed marketing restriction will be priority areas in 2016.

Finally, it is our firm belief that the business will continue to deliver return to its shareholders. The proven marketing capabilities and resilient brands along with commitment and energies from all stakeholders will lead us into another successful year.

I take this opportunity to thank the management team and employees of Demerara Tobacco Company Limited for their support, team work, and perseverance in delivering our strategic agenda in 2015, and I look forward to 2016 with optimism to deliver in line with expectations.

**Maurlain Kirton**  
Managing Director



# Our Team



DEMERARA TOBACCO



## Purpose Statement

We, the employees of Demerara Tobacco Company Limited, as members of the British American Tobacco Caribbean and Central America Area Team, commit to sustain our market leadership by offering Superior Quality Products to our consumers, Superior Value to our shareholders and as an active and responsible Company, create a sense of pride in each and every Guyanese.

# Year in Review

Demerara Tobacco Company continued to focus on its portfolio strategy which is designed to deliver its vision of achieving leadership of the tobacco industry and as a result, build shareholder value.



## DUNHILL

Dunhill continued to be the premium offer in our portfolio.

In 2015 a new communication campaign was launched to support the brand's position and to modernize its image.

The campaign "Gentleman, This Is Taste" focused on highlighting the brand's Premium attributes and rich heritage through selected touch points across the retail universe.

## BRISTOL

Bristol, the flagship brand of Guyana was very active in 2015 as efforts continued to enhance the brand family.

Various activities were executed inclusive of nationwide consumer and trade promotions to reinforce the values of the brand.



A number of activities were executed inclusive of nationwide consumer, trade and Below The Line (BTL) promotions to reinforce the main brand values. A communication platform was also implemented to reinforce Bristol as a family to target consumers, to maintain brand loyalty and leverage on the flagship brand as an endorsement to the Menthol offer which was launched in 2014.

In recognition of Guyana's 49th Independence celebrations in May 2015, an exclusive Limited Edition Pack (LEP) was offered for sale.



# Year in Review

## BRISTOL



## Pall Mall

Pall Mall continued to be an affordable and attractive option to our consumers, representing great quality at an affordable price.

This global drive brand continued to perform positively.



Warning: The Minister of Health advises that  
SMOKING IS DANGEROUS TO HEALTH



# Year in Review

## Corporate Social Initiatives

### Clean Up Exercise – Carmichael Street

Demerara Tobacco Company joined with other business entities within the community in a clean-up campaign to restore beauty to the environment of Carmichael Street between Middle and Quamina Streets. All staff members and contract employees turned out from early in the morning to weed, sweep and do garbage removal. At the end of day, the area regained a new spruced up green look.



### Spreading Christmas Cheer

Demerara Tobacco Company in collaboration with the Ministry of Social Protection presented a Christmas Programme for residents of the East LaPenitence Night Shelter. The Honourable Minister of Social Protection, Mrs Volda Lawrence was the guest of honour and remarks

were also made by our Managing Director. This initiative was one of the Company's annual tradition of spreading Christmas cheers. Residents of the Night Shelter were treated to a sumptuous meal, and a gift package consisting of items for personal hygiene.

145 Crown Street  
Queenstown  
Georgetown 6  
P.O. Box 10351  
Guyana  
Telephone: (592) 226-2904  
Fax: (592) 225-3849  
Website: [www.jaasco.com](http://www.jaasco.com)

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DEMERARA TOBACCO COMPANY LIMITED

We have audited the accompanying financial statements of Demerara Tobacco Company Limited which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 27 to 42.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

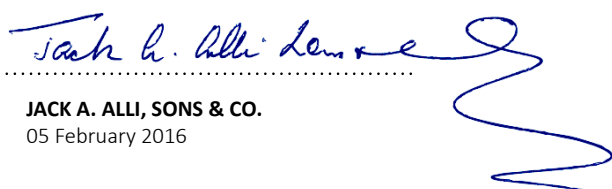
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion the financial statements give a true and fair view of the financial position of Demerara Tobacco Company Limited as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act.



JACK A. ALLI, SONS & CO.  
05 February 2016

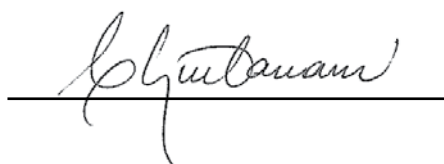


# Statement of Financial Position

AS AT 31 DECEMBER 2015

Thousands of Guyana Dollars	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	3	10,032	25,310
Intangible asset	4	50	652
Deferred taxation	5	12,530	32,872
		22,612	58,834
<b>Current assets</b>			
Inventories	6	161,407	222,731
Accounts receivable and prepayments	7	285,010	292,106
Amounts due from related parties	8	18,832	7,292
Taxation		78,139	78,136
Cash and cash equivalents	9	787,742	827,182
		1,331,130	1,427,447
<b>TOTAL ASSETS</b>		1,353,742	1,486,281
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	23,400	23,400
Retained earnings		564,803	679,816
		588,203	703,216
<b>Non-current liability</b>			
Retirement benefit plan deficit	11	0	49,145
<b>Current liabilities</b>			
Accounts payable and accruals	12	470,573	512,521
Amounts due to related parties	8	225,749	141,980
Taxation		53,120	59,906
Provision for other liabilities	13	16,097	19,513
		765,539	733,920
<b>TOTAL EQUITY AND LIABILITIES</b>		1,353,742	1,486,281

The notes on pages 27 to 42 form an integral part of these financial statements. The Board of Directors approved these financial statements for issue on 02 February 2016.




DIRECTORS

# Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

Thousands of Guyana Dollars	Note	2015	2014
Sales		6,541,502	6,521,227
Cost of sales	14	(2,782,901)	(2,795,864)
Gross profit		3,758,601	3,725,363
Distribution and marketing costs	14	(316,829)	(347,359)
Administrative expenses	14	(600,200)	(557,130)
Other income		3,477	10,575
Profit from operations		2,845,049	2,831,449
Finance income		6,326	271
Profit before taxation		2,851,375	2,831,720
Taxation	17	(1,244,841)	(1,207,028)
<b>Profit for the year</b>		<b>1,606,534</b>	<b>1,624,692</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of retirement benefit plan		23,530	3,569
Deferred tax charge on remeasurement of retirement benefit plan		(9,412)	(1,428)
<b>Other comprehensive income for the year</b>		<b>14,118</b>	<b>2,141</b>
<b>Total comprehensive income for the year</b>		<b>1,620,652</b>	<b>1,626,833</b>
<b>Earnings per share</b>	18	<b>68.66 Dollars</b>	<b>69.43 Dollars</b>

The notes on pages 27 to 42 form an integral part of these financial statements.



# Statement of Changes in Equity

## FOR THE YEAR ENDED 31 DECEMBER 2015

Thousands of Guyana Dollars

Note

		Share Capital	Retained Earnings	Total
<b>Year ended 31 December 2014</b>				
As at beginning of year		23,400	612,912	636,312
Profit for the year		0	1,624,692	1,624,692
Other comprehensive income for the year		0	2,141	2,141
Dividends paid	19	0	(1,627,002)	(1,627,002)
Forfeiture of unclaimed dividends	19	0	67,073	67,073
As at end of year		23,400	679,816	703,216
<b>Year ended 31 December 2015</b>				
As at beginning of year		23,400	679,816	703,216
Profit for the year		0	1,606,534	1,606,534
Other comprehensive income for the year		0	14,118	14,118
Recovery on pension plan settlement, net of taxes		0	14,091	14,091
Dividends paid	19	0	(1,772,298)	(1,772,298)
Forfeiture of unclaimed dividends	19	0	22,542	22,542
As at end of year		23,400	564,803	588,203

The notes on pages 27 to 42 form an integral part of these financial statements.

# Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2015

Thousands of Guyana Dollars

2015

2014

## OPERATING ACTIVITIES

Profit before taxation	2,851,375	2,831,720
Adjusted for:		
Depreciation and amortisation	15,880	15,413
Interest received	(1,567)	(271)
Gain on disposal of plant and equipment	0	(746)
Retirement benefit plan	(25,614)	37,494
Net movement in provision for other liabilities	(3,416)	(6,175)
Operating profit before changes in working capital	2,836,658	2,877,435
Decrease / (increase) in inventories	61,324	(84,776)
Decrease / (increase) in accounts receivable and prepayments	7,096	(8,936)
(Increase) / decrease in amounts due from related parties	(11,540)	263,096
Increase / (decrease) in amounts due to related parties	83,769	(80,264)
(Decrease) / increase in accounts payable and accruals	(41,948)	51,698
<b>Cash generated from operations</b>	<b>2,935,359</b>	<b>3,018,253</b>
Taxes paid	(1,226,610)	(1,345,865)
<b>Net Cash Inflow - Operating Activities</b>	<b>1,708,749</b>	<b>1,672,388</b>

## INVESTING ACTIVITIES

Proceeds from sale of plant and equipment	0	800
Acquisition of plant and equipment	0	(12,401)
Interest received	1,567	271
<b>Net Cash Inflow / (Outflow) - Investing Activities</b>	<b>1,567</b>	<b>(11,330)</b>

## FINANCING ACTIVITIES

Dividends paid	19	(1,772,298)	(1,627,002)
Forfeiture of unclaimed dividends	19	22,542	67,073
<b>Net Cash Outflow - Financing Activities</b>		<b>(1,749,756)</b>	<b>(1,559,929)</b>

NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(39,440)	101,129
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR		827,182	726,053
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	9	787,742	827,182

The notes on pages 27 to 42 form an integral part of these financial statements.

31 DECEMBER 2015

## 1. INCORPORATION AND PRINCIPAL ACTIVITIES

The Company was incorporated in Guyana on 14 June 1934. Its registered office is 90 Carmichael Street, Georgetown.

The Company is a subsidiary of British American Tobacco International Holdings (UK) Limited, a company registered in the United Kingdom. The ultimate parent company is British American Tobacco plc., a company registered in the United Kingdom.

The principal activities of the Company are the marketing and sale of tobacco products in Guyana, which are manufactured under contract to pre-determined specifications.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements have been prepared under the historical cost convention. The Company's accounting policies conform with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain judgements, estimates and assumptions concerning the future. The most significant of these arises on the determination of the retirement benefit plan position and the estimation of the expected useful lives of plant and equipment.

#### *Pronouncements effective in current year*

The following new amendments and improvements to existing standards have been published and are effective for the current financial period but do not have a significant impact on the Company's financial reporting.

- IAS 19	Amendments - Defined benefit plans: employee contributions
Annual improvements cycle (2010 - 2012):	
- IFRS 2	Definition of vesting condition
- IFRS 3	Accounting for contingent consideration in a business combination
- IFRS 8	Aggregation of operating segments and reconciliation of reportable assets
- IFRS 13	Short term receivables and payables
- IAS 16 / IAS 38	Revaluation method - proportionate restatement of accumulated depreciation
- IAS 24	Key management personnel
Annual improvements cycle (2011 - 2013):	
- IFRS 1	Meaning of effective IFRSs
- IFRS 3	Scope exceptions for joint ventures
- IFRS 13	Portfolio exception
- IAS 40	Relationship with IFRS 3 when classifying property



# Notes to the Financial Statements

31 DECEMBER 2015

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of Preparation (cont'd)

#### *Pronouncements effective in future periods*

The following new standards and amendments and improvements to existing standards have been published and are effective in future financial years.

- IFRS 9	Financial instruments
- IFRS 11	Amendments - Accounting for acquisition of interests in joint operations
- IFRS 14	Regulatory deferral accounts
- IFRS 15	Revenue from contracts with customers
- IFRS 16	Leases
- IAS 1	Amendments - Disclosure initiative
- IAS 12	Amendments - Recognition of deferred tax assets for unrealised losses
- IAS 16 / IAS 38	Amendments - Clarification of acceptable methods of depreciation and amortisation
- IAS 16 / IAS 41	Amendments - Bearer plants
- IAS 27	Amendments - Equity method in separate financial statements
Annual improvements cycle (2012 - 2014):	
- IFRS 5	Changes in methods of disposal
- IFRS 7	Servicing contracts
- IAS 19	Discount rate: regional market issue
- IAS 34	Disclosure of information elsewhere in the interim financial report

Of these pronouncements, those that are expected to be relevant to the Company's financial reporting are described below.

#### *IFRS 9 - Financial instruments*

The standard will be effective for the financial period beginning on 01 January 2018. One component of the standard sets out a single approach to determine whether a financial asset is measured at amortised cost or fair value based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The other components of the standard introduce a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. Management is reviewing the provisions of this standard to determine the impact against current practices.

#### *IFRS 15 - Revenue from contracts with customers*

The standard will be effective for the financial period beginning on 01 January 2018. The core principle of the new standard is the recognition of revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which an entity expects to be entitled in exchange for those goods or services. The standard contains enhanced disclosure requirements relative to revenue. Management is reviewing the provisions of this standard to determine the impact, if any, against current practices.

31 DECEMBER 2015

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of Preparation (*cont'd*)

#### *IFRS 16 - Leases*

The standard will be effective for the financial period beginning on 01 January 2019. It replaces IAS 17 and removes the classification of leases as either operating or finance leases. A single model is introduced for lessee accounting that requires assets and liabilities for all leases with a term of more than 12 months to be recognised, and the depreciation of lease assets to be shown separately from interest on lease liabilities in the income statement. Management is reviewing the provisions of this standard to determine the impact, if any, against current practices.

### (b) Foreign Currencies

#### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Guyana Dollars, which is the Company's functional currency.

#### *Transactions and balances*

Transactions involving foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end rates are recognised in the statement of comprehensive income.

### (c) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated on a straight line basis at rates estimated to write off the assets over their expected useful economic lives. The current rates of depreciation are:

Plant and machinery	7%
Office and other equipment (excluding computers and ancillary equipment)	10 - 20%
Computers and ancillary equipment	33.33%
Motor vehicles	25% - 33.33%

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and at least at every reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

# Notes to the Financial Statements

31 DECEMBER 2015

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Intangible Assets (Computer Software)

The costs of acquiring and installing computer software are capitalised and amortised on a straight line basis over the estimated useful economic life of three years. Costs associated with maintenance of computer software are expensed as incurred.

### (e) Taxation

The tax expense for the year comprises of current and deferred tax and is recognised in the income statement and the other comprehensive income as appropriate. The current corporate tax charge is identified on the basis of laws enacted at the reporting date. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company provides for deferred tax using the liability method for all temporary differences arising between the tax bases of the assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred corporate tax. The principal temporary differences arise from depreciation on plant and equipment and from the retirement benefit plan position.

### (f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on an average cost basis and net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### (g) Receivables, including amounts due from Related Parties

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the receivable is impaired. If impaired, the carrying amount is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the statement of comprehensive income.

### (h) Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at cost and comprise short term deposits, other cash at bank and cash in hand.

### (i) Share Capital and Dividends

Ordinary shares with discretionary dividends are classified as equity.



31 DECEMBER 2015

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) Share Capital and Dividends (*cont'd*)

Dividends are recognised as a deduction from shareholders' equity in the period in which they are approved by shareholders or, as in the case of interim dividends, when paid by the directors as authorised under the Company's By-laws. Dividends unclaimed for six years are forfeited to the Company, as authorised under the Company's By-laws, and are recovered through shareholders' equity.

### (j) Retirement Benefit Plan

The Company operates a defined benefit pension scheme for its eligible employees, which is funded by payments from members and the Company, taking account of the recommendations of a qualified external actuary. The pension benefit is based on years of service and salary level at retirement. Service costs are recognized immediately in the statement of comprehensive income. The governance of the plan is the responsibility of Trustees and it is subject to regulation under the Insurance Act of Guyana.

The position in respect of the retirement benefit plan is the present value of the defined benefit obligation minus the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income immediately.

### (k) Payables, including amounts due to Related Parties

Payables are recognised initially at fair value and subsequently at amortised cost.

### (l) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The Company recognises a liability for bonuses to employees and the distributor.

### (m) Revenue Recognition

Sales represent the value of goods sold to third parties, after deducting sales discounts. Sales are recognised upon delivery of products and customer acceptance.

Interest income is recognised on a time-proportion basis using the effective interest method.

### (n) Operating Lease

Payments made under the operating lease are charged to the statement of comprehensive income on a systematic basis over the period of the associated lease.

### (o) Operating Segments

The Company is managed as a single unit engaged in operations exclusively in Guyana.

# Notes to the Financial Statements

31 DECEMBER 2015

Thousands of Guyana Dollars

3. PLANT AND EQUIPMENT	Plant and Machinery	Office and Other Equipment	Motor Vehicles	Total
<i>Cost</i>				
As at 01 January and 31 December 2015	297	32,097	66,350	98,744
<i>Accumulated Depreciation</i>				
As at 01 January 2015	(297)	(23,885)	(49,252)	(73,434)
Charges for the year	0	(7,078)	(8,200)	(15,278)
As at 31 December 2015	(297)	(30,963)	(57,452)	(88,712)
<i>Net Carrying Amount</i>				
As at 31 December 2015	0	1,134	8,898	10,032
<i>Cost</i>				
As at 01 January 2014	297	34,749	57,830	92,876
Additions	0	0	12,401	12,401
Disposals	0	(2,652)	(3,881)	(6,533)
As at 31 December 2014	297	32,097	66,350	98,744
<i>Accumulated Depreciation</i>				
As at 01 January 2014	(297)	(23,003)	(41,802)	(65,102)
Charges for the year	0	(3,480)	(11,331)	(14,811)
Written back on disposals	0	2,598	3,881	6,479
As at 31 December 2014	(297)	(23,885)	(49,252)	(73,434)
<i>Net Carrying Amount</i>				
As at 31 December 2014	0	8,212	17,098	25,310

The Company has authorised, but not contracted, capital expenditure on plant and equipment of \$17,306 for the coming year (2014 - \$1,068).

31 DECEMBER 2015

Thousands of Guyana Dollars

4. INTANGIBLE ASSET - COMPUTER SOFTWARE	2015	2014
<i>Cost</i>		
As at beginning and end of year	34,349	34,349
<i>Accumulated Amortisation</i>		
As at beginning of year	(33,697)	(33,095)
Amortisation during the year	(602)	(602)
As at end of year	(34,299)	(33,697)
<i>Net Carrying Amount</i>		
As at end of year	50	652
<b>5. DEFERRED TAXATION</b>		
Deferred tax assets:		
Accelerated accounts depreciation	12,530	10,213
Retirement benefit plan	0	22,659
	12,530	32,872
Movement in deferred tax assets:		
As at beginning of year	32,872	14,501
(Charge) / credit recognised in income	(25,020)	19,799
Credit / (charge) recognised in equity	4,678	(1,428)
As at end of year	12,530	32,872
Amount recoverable within 12 months	1,965	40
An amount of \$6,913 was reclassified between the two categories representing the deferred tax asset for the prior year.		
<b>6. INVENTORIES</b>	<b>2015</b>	<b>2014</b>
Goods for resale	161,407	156,452
Goods in transit	0	66,279
	161,407	222,731
<b>7. ACCOUNTS RECEIVABLE AND PREPAYMENTS</b>		
Trade receivables	277,710	287,725
Other receivables	3,801	945
Prepayments	3,499	3,436
	285,010	292,106



# Notes to the Financial Statements

31 DECEMBER 2015

Thousands of Guyana Dollars

8. RELATED PARTIES	2015	2014
(a) <i>Key management compensation:</i>		
Short term benefits	36,393	46,916
Post-employment benefits	16,738	21,931
	<u>53,131</u>	<u>68,847</u>
(b) <i>Transactions carried out with related parties:</i>		
Acquisition of products from fellow group subsidiary	1,216,985	1,239,021
Management services from fellow group subsidiary	339,939	278,682
Royalties charged by fellow group subsidiary	359,837	321,688
Technical and advisory services from fellow group subsidiary	106,781	120,805
Dividends paid to parent	1,245,122	1,143,033
	<u></u>	<u></u>
(c) <i>Outstanding balances at year end:</i>		
Amounts due from fellow group subsidiaries	18,832	7,292
	<u></u>	<u></u>
Amounts due to fellow group subsidiaries	225,749	141,980
	<u></u>	<u></u>
All balances are interest free, unsecured and repayable on demand.		
9. CASH AND CASH EQUIVALENTS		
Short term deposits	18,019	17,890
Other cash at bank	769,723	807,526
Cash in hand	0	1,766
	<u>787,742</u>	<u>827,182</u>
10. SHARE CAPITAL		
<i>Authorised</i>		
23,400,000 ordinary shares of no par value		
<i>Issued and fully paid</i>		
23,400,000 ordinary shares of no par value	23,400	23,400
	<u></u>	<u></u>

The Company's ordinary share confers upon its holder the right to (i) vote at any meeting of shareholders, (ii) receive any dividend declared by the Company, and (iii) receive the remaining property of the Company on its dissolution.

31 DECEMBER 2015

Thousands of Guyana Dollars

## 11. RETIREMENT BENEFIT PLAN

In accordance with the dissolution provisions of the Pension Plan, and after receiving legal advice and the agreement of members, the Board of Directors approved the closure of the Plan by terminating outstanding liabilities.

<i>The position of plan at the statement of financial position date:</i>	2015	2014
Present value of obligation	0	130,090
Fair value of plan assets	0	(80,945)
Recognised in the statement of financial position	0	49,145

*The movement in the present value of obligation is as follows:*

As at beginning of year	130,090	91,524
Current service cost	16,526	16,683
Interest cost	8,347	6,359
Contributions by members	2,373	2,530
Past service cost	9,446	23,333
Transfer out	0	(1,369)
Remeasurement - experience gain	(21,970)	(8,970)
Settlement gain	(21,033)	0
Plan settlement	(123,779)	0
As at end of year	0	130,090

*The movement in the fair value of plan assets is as follows:*

As at beginning of year	80,945	76,304
Expected return on plan assets	4,556	4,982
Contributions by members	2,373	2,530
Contributions by Company	2,373	2,530
Remeasurement - experience gain / (loss)	1,560	(5,401)
Plan settlement	(91,807)	0
As at end of year	0	80,945

Composition of plan assets:	2015		2014	
Equity (quoted)	N/a	N/a	74,169	92%
Cash resources	N/a	N/a	6,776	8%
	N/a	N/a	80,945	100%

# Notes to the Financial Statements

31 DECEMBER 2015

Thousands of Guyana Dollars

## 11. RETIREMENT BENEFIT PLAN (CONT'D)

The amount recognised in the income statement is comprised as follows:

	2015	2014
Current service cost	16,526	16,683
Interest cost	3,791	1,377
Past service cost	9,446	21,964
Settlement gain	(21,033)	0
Other	(2,373)	0
	<u>6,357</u>	<u>40,024</u>

The amount recognised in the other comprehensive income is comprised as follows:

	2015	2014
Actuarial (gain) / loss on plan assets	(1,560)	5,401
Actuarial gain on plan liabilities	(21,970)	(8,970)
	<u>(23,530)</u>	<u>(3,569)</u>

Principal assumptions:

Discount rate	7%	7%
Future salary growth	8%	8%
Expected return on plan assets	7%	7%

Sensitivity of the defined benefit plan obligation to changes in assumptions:

	2015	2014
Decrease of future salary growth rate by 1%	N/a	Decrease of \$13,367
Increase of future salary growth rate by 1%	N/a	Increase of \$15,798
Decrease of discount rate by 1%	N/a	Increase of \$31,268
Increase of discount rate by 1%	N/a	Decrease of \$23,783

In calculating the sensitivity analysis the same method has been applied as when calculating the pension liability recognised in the statement of financial position.



31 DECEMBER 2015

Thousands of Guyana Dollars

## 12. ACCOUNTS PAYABLE AND ACCRUALS

	2015	2014
Sundry payables	448,489	490,112
Accruals	22,084	22,409
	<u>470,573</u>	<u>512,521</u>

## 13. PROVISION FOR OTHER LIABILITIES

	2015	2014
Provision for bonuses:		
As at beginning of year	19,513	25,688
Charged in the year	14,905	20,920
Used in the year	(18,321)	(27,095)
	<u>16,097</u>	<u>19,513</u>

The bonuses are payable after the finalisation of the audited financial statements.

## 14. EXPENSES BY NATURE

	2015	2014
Cost of inventories expensed	2,782,901	2,795,864
Advertising expenses	125,799	108,985
Management services	339,939	278,682
Staff costs (note 15)	83,751	124,967
Technical and advisory services	106,781	120,805
Depreciation and amortisation	15,880	15,413
Operating lease charges	31,336	30,050
Utilities	4,203	4,687
Communications	20,738	15,419
Auditors' remuneration	4,600	4,998
Directors' remuneration (note 16)	1,100	1,100
Other	182,902	199,383
Total Cost of Sales, Distribution and Marketing Costs, and Administrative Expenses	<u>3,699,930</u>	<u>3,700,353</u>

# Notes to the Financial Statements

31 DECEMBER 2015

Thousands of Guyana Dollars

15. STAFF COSTS	2015	2014
Wages and salaries	76,381	82,695
Pension costs (note 11)	6,357	40,024
Other benefits	1,013	2,248
	<u>83,751</u>	<u>124,967</u>

## 16. DIRECTORS' REMUNERATION

Remuneration paid to Directors for services as directors, included in key management compensation:

Chandradat Chintamani	550	550
Charles Quintin	550	550
	<u>1,100</u>	<u>1,100</u>

Other Directors waived their rights to remuneration for their services as directors.

## 17. TAXATION

The provisional charge for taxation is made up as follows:

Current tax	1,219,821	1,221,638
Deferred tax	25,020	(15,197)
Prior year adjustments	0	587
	<u>1,244,841</u>	<u>1,207,028</u>

Reconciliation of tax expense and accounting profit:

Profit before taxation	2,851,375	2,831,720
Corporation tax at 40% (2014 - 40%)	1,140,550	1,132,688
Income not subject to tax	(206)	(2,022)
Expenses not deductible for tax purposes	100,027	70,163
Property tax	4,470	5,612
Prior year adjustments	0	587
	<u>1,244,841</u>	<u>1,207,028</u>

31 DECEMBER 2015

Thousands of Guyana Dollars

18. EARNINGS PER SHARE	2015	2014
Profit attributable to shareholders	1,606,534	1,624,692
Weighted average number of ordinary shares in issue	23,400,000	23,400,000
Earnings per share	68.66 Dollars	69.43 Dollars

19. DIVIDENDS		
Prior year interim paid \$17.84 per share (2014 - \$16.43)	417,456	384,462
Prior year final paid \$10.95 per share (2014 - \$9.60 per share)	256,230	224,640
Interim declared and paid \$11.56 per share (2014 - \$8.41 per share)	270,504	196,794
Interim declared and paid \$18.11 per share (2014 - \$18.72 per share)	423,774	438,048
Interim declared and paid \$17.28 per share (2014 - \$16.37 per share)	404,334	383,058
	1,772,298	1,627,002

A fourth interim dividend in respect of the financial year of \$14.32 per share (2014 - \$17.84), amounting to a total dividend of \$335,088 (2014 - \$417,456), has been declared and paid after the year end. A final dividend in respect of the financial year of \$9.55 per share (2014 - \$10.95 per share), amounting to a total dividend of \$223,470 (2014 - \$256,230), is to be proposed at the annual general meeting on 12 April 2016.

In accordance with By-law 26(6) of the Company's Amended By-Laws, the Company has recorded through equity recovery of \$22,542 in forfeited unclaimed dividends (2014 - \$67,073).

20. OPERATING LEASE COMMITMENTS	2015	2014
The future minimum lease payments under a non-cancellable operating leases for properties are as follows:		
- within 1 year	27,418	25,338
- between 1 and 5 years	21,181	13,038
	48,599	38,376



# Notes to the Financial Statements

31 DECEMBER 2015

Thousands of Guyana Dollars

21. CONTINGENT LIABILITY	2015	2014
Bonds in favour of the Comptroller of Customs and Excise	19,500	19,500

## 22. LITIGATION

The Company is currently defending a litigation matter regarding the sale of a property. In the Directors' opinion, after taking legal advice, the outcome of this matter will not give rise to any significant loss.

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### (a) Financial Instruments

Financial instruments carried at the reporting date include accounts receivable, related parties' balances, cash and cash equivalents, accounts payable, accruals and provision for liabilities based on contractual obligations.

Financial assets (accounts receivables, related parties' balances and cash and cash equivalents) are classified as Loans and Receivables. Financial liabilities (accounts payable, related parties' balances, accruals and provision for liabilities based on contractual obligations) are classified as Financial Liabilities measured at Amortised Cost.

### (b) Credit Risk

Credit risk arises from cash holdings and receivables from customers and related parties. The maximum exposure to credit risk at the reporting date is represented by the carrying amounts of these financial assets.

Cash resources are held with financial institutions licensed in Guyana.

The Company's credit risk from customers is managed by restricting credit to between five to ten working days. Also, the majority of the Company's sales are made to a single distributor which management considers to be of good credit quality based on its financial condition, past trading experience and other factors. Revenue earned from this distributor amounted to 99 percent (2014 - 99 percent) of total revenue. As at the year end, no trade receivables were past due (2014 - nil). During the current year and prior year there was no impairment of trade receivables. No collateral is held as security for customers' balances.

Management considers the credit risk arising on balances due from related parties to be minimal given that the entities are controlled by British American Tobacco plc. and are of good financial standing. None of the amounts receivable from related parties are past due or impaired and repayments have been received regularly and on time historically. No collateral is held as security for related parties' balances.

As at the year end, trade and related party receivables of \$296,542 (2014 - \$295,017) are fully performing and have not been renegotiated during the year.

31 DECEMBER 2015

Thousands of Guyana Dollars

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

### (c) Liquidity Risk

The table below shows the contractual undiscounted cash flows arising on financial liabilities.

	Within 1 month	Between 1 and 3 months	Total
As at 31 December 2015			
Accounts payable and accruals	245,976	224,597	470,573
Amounts due to related parties	225,749	0	225,749
Provision for other liabilities (based on contractual obligations)	0	7,900	7,900
As at 31 December 2014			
Accounts payable and accruals	251,603	260,918	512,521
Amounts due to related parties	141,980	0	141,980
Provision for other liabilities (based on contractual obligations)	0	8,925	8,925

The Company manages this risk by monitoring expected cash flows arising on financial instruments.

### (d) Capital Risk Management

The Company's objectives when managing its capital (ordinary shares) are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

### (e) Foreign Currency Risk

The Company is exposed to foreign currency risk through its holding of financial instruments denominated in the following foreign currencies as expressed in the Guyana dollar equivalent in the table below:

	2015	2014
<i>Assets</i>		
United States Dollars	17,356	8,898
British Pound Sterling	1,476	0
<i>Liabilities</i>		
United States Dollars	127,684	86,053
British Pound Sterling	134,917	55,927

# Notes to the Financial Statements

31 DECEMBER 2015

Thousands of Guyana Dollars

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

### (e) Foreign Currency Risk (cont'd)

The Company's exposure to foreign exchange risk is limited by the denomination of the underlying transactions in stable foreign currencies.

The Company recognised net exchange gains of \$4,759 in the year (2014 - net exchange losses of \$1,034).

As at the year end, if the Guyana Dollar had weakened / strengthened by 1% against the United States Dollar, with all other variables held constant, post-tax profit for the year would have been \$662 (2014 - \$463) higher / lower.

As at the year end, if the Guyana Dollar had weakened / strengthened by 1% against the British Pound Sterling, with all other variables held constant, post-tax profit for the year would have been \$801 (2014 - \$335) lower / higher.

### (f) Fair Values

The carrying values of financial assets and liabilities approximate to their fair values given their short term maturity.



# Proxy Form



## THE COMPANIES ACT, 1991 (Section 114)

1. **Name of Company**  
DEMERARA TOBACCO COMPANY LIMITED Company No: 308
2. **Particulars of Meeting:**  
Eighty-second Annual Meeting of The Demerara Tobacco Company Limited to be held at the Grand Savannah Suite, Pegasus Hotel, Seawall Road, Kingston, Georgetown on Tuesday, 12 April 2016 at 4.00 pm.
3. I/We \_\_\_\_\_  
  
of \_\_\_\_\_  
  
or failing him/her \_\_\_\_\_  
  
of \_\_\_\_\_

to be my/our proxy to vote for me/us and on my/our behalf at the above meeting and any adjournment thereof in the same manner, to the same extent and with the same powers as if I/we was/were present at the said meeting or such adjournment or adjournments thereof and in respect of the resolutions listed overleaf to vote in accordance with my/our instructions.

Signature/s \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Please indicate with an "X" in the spaces overleaf your instructions on how you wish your votes to be cast. Unless otherwise instructed, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.

Please consider Notes 1 to 5 below for assistance to complete and deposit the Proxy Form.

### Notes:

- 1 If the appointer is a corporation, this Proxy Form must be under its common seal or under the hand of an officer of the corporation or attorney duly authorized in that behalf.
- 2 A shareholder who is a body corporate may, in lieu of appointing a proxy, authorize an individual by resolution of its directors or governing body to represent it at this Annual Meeting.
- 3 In the case of joint shareholders, the names of all the joint shareholders must be stated on the Proxy Form and any one shareholder must sign on the Proxy Form.
- 4 If the Proxy Form is returned without any indication as to how the person-appointed proxy shall vote, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
- 5 To be valid, this Proxy Form must be completed and deposited at the Registered Office of the Company at the address below at least 48 hours before the time for holding the Annual Meeting.

Return to: THE SECRETARY  
THE DEMERARA TOBACCO COMPANY LIMITED  
90 CARMICHAEL STREET  
SOUTH CUMMINGSBURG  
GEORGETOWN GUYANA


# Proxy Form

RESOLUTION		FOR	AGAINST
1	That the Financial Statements of the Company for the financial year ended 31 December 2015 and the Reports of the Directors and Auditors thereon be and are hereby approved.		
2	That the four (4) Interim Dividends totalling \$61.27 already paid be confirmed and that a Final Dividend of \$9.55 per share as recommended by the Board for the year ended 31 December 2015 be approved and paid to those shareholders on the Company's share register at the close of business on 12 April 2016.		
3	That Mr Alan Bergin, who was appointed under By-Law 18(7) of the Company's By-Laws as a Director of the Company, be and is hereby elected as a Director.		
4	That Mrs Maurlain Kirton, who was appointed under By-Law 18(7) of the Company's By-Laws as a Director of the Company, be and is hereby elected as a Director.		
5	That Mr Charles Quintin, who retires in accordance with By-Law 18 (1) of the Company's By-Laws as a Director of the Company, be and is hereby re-elected as a Director.		
6	That Mr Oscar Quesada, who retires in accordance with By-Law 18 (1) of the Company's By-Laws as a Director of the Company, be and is hereby re-elected as a Director.		
7	That in accordance with By-Law 16 of the Company's By-Laws the annual remuneration of the non-executive Director be fixed at \$550,000.		
8	That Jack A Alli, Sons & Co be and hereby appointed Auditors for the period ending with the conclusion of the next Annual General Meeting.		
9	That the Directors are hereby authorized to fix the remuneration of the Auditors at a sum to be agreed.		

## Management Proxy Circular - Guyana

THE COMPANIES ACT, 1991 - (Section 115)

- Name of Company:**  
THE DEMERARA TOBACCO COMPANY LIMITED Company No: 308
- Particulars of Meeting:**  
Eighty-second Annual General Meeting of the Demerara Tobacco Company Limited to be held at the Pegasus Hotel, Seawall Road, Kingston, Georgetown on Tuesday, 12 April 2016.
- Solicitation:**  
It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the Shareholder directs otherwise) in favour of all resolutions specified in the Proxy Form sent to the Shareholders with this Circular and, in the absence of a specific direction, in the discretion of the Proxy Holder in respect of any other resolution.
- Any Director's statement submitted pursuant to Section 72 (2):**  
No statement has been received from any Director pursuant to Section 72 (2) of the Companies Act, 1991.
- Any Auditor's statement submitted pursuant to Section 178:**  
No statement has been received from any Auditors pursuant to Section 178 of the Companies Act, 1991.
- Any Shareholder's proposal submitted pursuant to Sections 114 (a) and 115 (2):**  
No statement has been received from any Shareholder pursuant to Sections 114 (a) and 115 (2) of the Companies Act, 1991.

DATE	NAME AND TITLE	SIGNATURE
05 February 2016	Shawn Rampersaud Secretary and Authorised Signatory The Demerara Tobacco Company Limited	



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**DEMERARA TOBACCO**

**DEMERARA TOBACCO COMPANY LIMITED**  
A member of the British American Tobacco Group