DEMERARA TOBACCO

ANNUAL REPORT 2016

RESILIENCE

Demerara Tobacco

ANNUAL REPORT 2016

Demerara Tobacco, in existence for 83 years has been a resilient company in an ever-changing and challenging environment.

Resilience is in our nature, and flows throughout our entire operating model. This has allowed us to become an efficient, effective and strong corporation citizen. In turn, your company has built a robust brand portfolio which has continuously driven and delivered shareholder value over the years.

Our strong and robust brand portfolio caters to a wide demographic of adult smokers. Dunhill offers exquisite taste and status for the premium-seeker, Bristol our local beauty offers freshness and heritage to the patriotic seeking customer, and Pall Mall offers a great product at an affordable price to the value-for-money market segment. It is through this unique and varied offering, that we have been able to deliver quality products that our consumers desire.

Moreover, our people are at the forefront of our portfolio's success. Over the years they built a wealth of insights and knowledge on ways to satisfy consumer moments. Having our valued products in the right place, at the right time and at the right price point, with the use of the appropriate communication channels, have been the winning ingredients for our employees' many success stories. Our team is passionate about success and satisfying consumers' smoking experiences.

Our resilient focus will continue to be pivotal as we strive for innovation, satisfaction and overall excellence, for the many years to come.

One resilient team, with one dream.

OUR BUSINESS PRINCIPLES

Our Business Principles cover the key issues that we believe underpin Corporate Social Responsibliitiy (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.

Demerara Tobacco

TABLE OF CONTENTS

CORPORATE INFORMATION

Chairman
Felicio Ferraz

Other Directors
Chandradat Chintamani
Charles Quintin
Raoul Glynn
Maurlain Kirton

Secretary
Michael Partab

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

DEMERARA TOBACCO

NOTICE OF MEETING

Michael Partab

SECRETARY

Notice is hereby given that the 83rd Annual General Meeting of the Demerara Tobacco Company Limited will be held at the **Pegasus Hotel, Seawall Road, Kingston, Georgetown 19 April 2017** 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 2016 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 2016 AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON BE AND ARE HEREBY APPROVED.”

3. To consider the declaration of a Final Dividend of $8.63 per share by the Board in addition of the four (4) Interim Dividends totalling $58.05 per share already declared and paid by the board and (if thought fit) pass the following resolution:

   “THAT THE FOUR (4) INTERIM DIVIDENDS TOTALLING $58.05 ALREADY PAID BE CONFIRMED, AND THAT A FINAL DIVIDEND OF $8.63 PER SHARE AS RECOMMENDED BY THE BOARD FOR THE YEAR ENDED 31 DECEMBER 2016 BE APPROVED AND PAID TO THOSE SHAREHOLDERS ON THE COMPANY’S SHARE REGISTER AT THE CLOSE OF BUSINESS ON 19 APRIL 2017.”

4. To elect Director:
   To propose and (if thought fit) pass the under mentioned resolutions:

   “THAT MR FELICIO FERRAZ, 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”

   “THAT MR RAOUL GLYNN, 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”

NOTICE OF MEETING (CONTINUED)

5. To re-elect Directors:
To propose and (if thought fit) pass the under mentioned resolutions:

5.1 “THAT MRS MAURLAIN KIRTON, 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 CHANDRADAT CHINTAMANI, 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 INDEPENDENT DIRECTORS 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

M. Partab

Michael Partab
Secretary

Dated: 20 March 2017

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report for the year ended 31 December 2016.

Principal Activities

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

Financial Results

	G$'000
Gross Turnover	6,396,701
Cost of Sales	(2,566,492)
Gross Profit	3,830,209
Other Operating Income	4,409
Operating Expenses	(1,047,646)
Profit Before Taxation	2,786,972
Taxation	(1,226,710)
Profit After Taxation	1,560,262

Cash, Deposits and Capital Expenditure

Cash & Bank Balances at 31 December 2016 totalled $518 million compared to $787 million at the prior year end, a decrease of $269 million.

Operations generated cash of $2.6 billion for the year under review.

Taxation paid during the year amounted to $1.2 billion. Total dividends paid amounted to $1.6 billion. Capital Expenditure for the year amounted to $26 million.

Intercompany Loan

The Company did not have any intercompany loan transactions for 2016.

Dividend

In May, August, and November 2016 and February 2017 there were four (4) interim dividend payments totalling $58.05 per share. A final dividend of $8.63 per share is proposed by your directors making a total payment for the year of $66.68 per share.

Directors

In accordance with By-Law 17 (5) of the Company's By-Laws, Mr Alan Bergin and Mr Oscar Quesada resigned from the Board of Directors on 1 November 2016 and 31 January 2017, respectively. In light of the casual vacancies caused by the resignations, Mr Felicio Ferraz and Mr Raoul Glynn were appointed to the Board.

Mrs Maurlain Kirton and Mr Chandradat Chintamani 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

M. Partab

Michael Partab
Secretary

FIVE YEARS AT A GLANCE

G $ 000	2012	2013	2014	2015	2016
Balance Sheet Items					
Non - Current Assets	46,900	43,529	58,834	22,612	40,108
Current Assets	1,434,066	1,495,702	1,427,447	1,331,130	1,246,191
Total Assets	1,480,966	1,539,231	1,486,281	1,353,742	1,286,299
Current Liabilities	907,185	887,699	733,920	765,539	756,762
Non - Current Liabilities	14,297	15,220	49,145	-	-
Net Assets	559,484	636,312	703,216	588,203	529,537
Net Assets per Share	23.91	27.19	30.05	25.14	22.63
Profits and Distribution					
Net Profit before Tax	2,934,322	3,231,848	2,831,720	2,851,375	2,786,972
Taxation	1,254,914	1,381,208	1,207,028	1,244,841	1,226,710
Net Profit after Tax	1,679,408	1,850,640	1,624,692	1,606,534	1,560,262
Statistics					
Ordinary Shares in issue ('000)	23,400	23,400	23,400	23,400	23,400
Earning per share	71.77	79.09	69.43	68.66	66.68
Dividends declared per share	77.41	79.06	72.29	70.82	66.68

Financial Calendar

ANNUAL MEETING:

19 April 2017

REPORTS:

Interim Report for six months to 30.06.2017

August 2017

DIVIDENDS:

Final
April 2017

First Interim
April 2017

Second Interim
July 2017

Third Interim
October 2017

Fourth Interim
February 2018

Final 2017
April 2018

DIRECTORS & SHAREHOLDERS' INTERESTS

Directors' Beneficial Interest:

	Shares Held As at 31/12/2016	Shares Held As at 31/12/2015
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:

	31/12/2016	31/12/2015
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	892	89	1,458,725
10,001 - 20,000	55	5	789,271
20,001 - 50,000	36	4	1,150,400
50,001 - 100,000	10	1	720,595
100,001 - 500,000	9	1	1,325,681
500,001 - 1,000,000	2	0	1,515,908
1,000,001 & Over	1	0	16,439,420
Total	**1,005**	**100**	**23,400,000**

BOARD OF DIRECTORS

Felicio Ferraz

CHAIRMAN

Area Head of Marketing, British America Tobacco - Caribbean and Central America

Maurlain Kirton

MANAGING DIRECTOR

Ra Gly

DIREC

Country Manager, Br - Caribbean and

BOARD OF DIRECTORS

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CTOR

itish America Tobacco
Central America

Charles Quintin

DIRECTOR

Independent Director

Chandradat Chintamani

DIRECTOR

Senior Vice President, Laparkan Trading (Guyana) Company Ltd.

Note: Other directors who served during the year were **Mr. Alan Bergin** and **Mr. Oscar Quesada**.

High quality tobacco products to Guyana for over eighty-three years.

Felicio Ferraz

CHAIRMAN

CHAIRMAN'S STATEMENT

For the year under review, the Demerara Tobacco Company was faced with challenges common to those encountered by other business entities within the private sector. The widely available smuggled brands of cigarettes made it exceptionally difficult for the company. Despite these challenges, your company was able to deliver a profit before tax of $2.8B, representing only a 2.3% decline from that of 2015.

For the third consecutive year the country of Guyana has experienced a decline in the growth rate of its GDP from 5.2% in 2013 to 2.6% in 2016. The primary influences were attributable to the performances of the main economic sectors, in particular gold, rice and sugar.

Some inflationary pressure was seen in the local economy as evident by the country's change from a deflationary position in 2015 (1.8%) to having an inflation rate of 1.3% in 2016. Moreover, there has been a significant reduction in total consumer & business consumption (as a percentage of GDP) from 70.3% (2012) to 56.4% (2016).

As a natural result of the aforementioned factors, the company's portfolio performance reflected the need by our consumers for more affordable offers. Fortunately, your company has made a substantial investment in a sustainable portfolio of products catering for discerning Guyanese consumers. One of our Global Drive Brands, Pall Mall, acted as an obvious choice for Dunhill & Bristol consumers who are seeking quality products at a lower price. The impact on revenue was a reduction reflecting a 2% year-on-year decline.

Smuggled brands which avoid the tax net of the revenue authority, continue to pose a challenge to the company. In addition, most of the smuggled brands do not comply with existing product regulation.

Demerara Tobacco Company continued its efforts to invest and reward our consumers for making the adult choice of selecting our brands. We also joined with the national community in celebrating the historic achievement of the 50th Anniversary. Your company launched a highly successful limited edition pack of Bristol and we also brought innovation with Bristol Vibes.

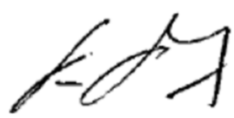
The Board of Directors approved the fourth interim dividend of $12.62 per share which, together with a proposed final dividend of $8.63 per share, bringing the total dividend for the year to $66.68 per share. This represents a return of 6.5% on current share price. Once the final dividend is approved, 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 programs. The company has been campaigning and educating retailers nationwide that tobacco products should only be made available for sale to persons above the age of 18 years. The company's trading partners have been very supportive of this initiative.

Your company has provided high quality tobacco products to Guyana for over eighty-three years. With our wealth of knowledge and experience, we are indeed the industry leader, and will continuously seek to explore opportunities to satisfy consumer moments. Moreover, the company will persistently engage regulators with respect to the introduction of balanced regulation, which safeguards consumers' right of choice and smoking experiences.

The economic, business and wider environment continues to remain challenging for 2017. However, I am fully confident that with the vision and guidance of the Board of Directors, the exceptional execution and delivery of both management and staff, our resilient portfolio and the continued focus on efficiencies, the company will progressively drive and sustain shareholder value for the years to come.

Finally, I take this opportunity to express the Board of Directors' sincere appreciation to the management and staff of Demerara Tobacco Company, our committed distribution partner, Edward B. Beharry, our valued retail partners and our loyal consumers. Our success stories over the past years would not have been possible without them all and the company will continue to leverage on their support to deliver in 2017 and beyond.



Felicio Ferraz
Chairman

Maurlain Kirton
MANAGING DIRECTOR

It is my pleasure to deliver to the Board of Directors a report on the Company's performance and audited financial statements for the year ended 31 December 2016.

MANAGING DIRECTOR'S REVIEW

BUSINESS PERFORMANCE AND STRATEGY

Demerara Tobacco Company was able to deliver a sustainable performance for the financial year 2016, in a year of potential tobacco regulation and difficult macro-economic circumstances.

The above was primarily exemplified in the high-rate of consumers seeking less costly alternatives within our portfolio. Pall Mall fulfilled its role of retaining consumers seeking quality products at an affordable price. This along with increased incidence of smugglers operating without constraints contributed to a 7.8% overall year-on-year volume decline, and a 2% gross revenue decline as well.

PROFITABILITY

Gross revenue for the year declined by $144M. However, we were able to be more efficient with our Cost of sales, reducing by $216M in manufacturing cost. As a result of same, we were able to grow our gross profit by $72M.

The operating expenses increased by 14% mainly as a result of increased overheads. This was a renewed investment in the sustainability of the Bristol brand family. We also needed to refocus our resources in administrative support in the face of pending unbalanced regulation and increased availability of smuggled products.

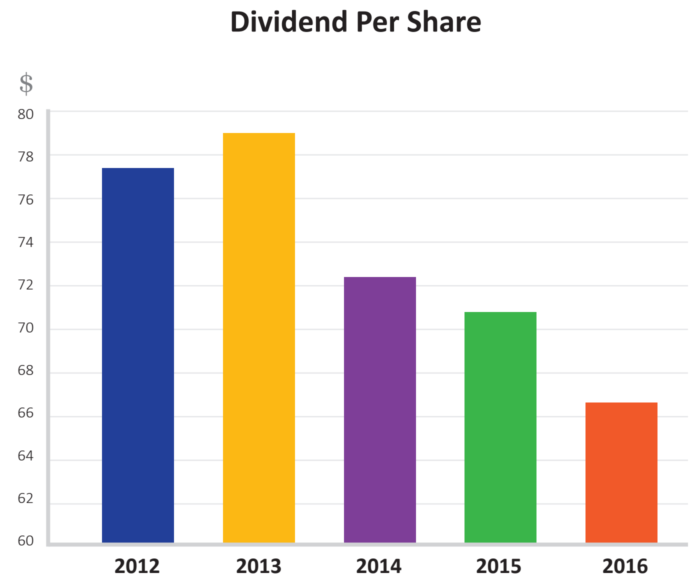
Our performance this year while challenging, was primarily attributable to our strides in cost efficiencies at the gross profit level, while simultaneously initiating activities, so as to secure our volume base and satisfy consumer moments.

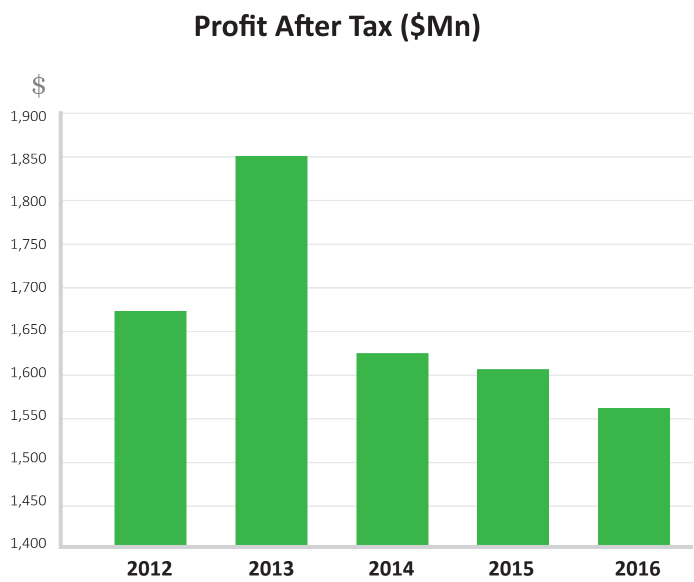
Our performance in 2016 was a testimony to the resilience and global nature of our business model. In the face of challenges, the company and distribution partner were able to ensure we delivered the results and ultimately, deliver shareholder value.

CONSUMER FOCUS

Our attention was refocused on the brand of Guyana, BRISTOL. Consumer relevant Innovation was introduced into the brand family for the first time, via the launch of Bristol Vibes. This innovation was widely supported by a nationwide activity, meeting the needs of the modern consumer, driving brand awareness and trial. In addition, special limited edition packs were introduced to the market for both the 50th Independence anniversary and the New Year's celebration, which saw patriotic and colorful reflections of our culture, on how far we have come as a nation and how intrinsic Bristol is, to what makes us uniquely Guyanese.

Moreover, we continued to give back to consumers by means of our Bristol nationwide consumer promotion. The said activity was positively received by new and existing adult Bristol consumers. In particular, two consumers were well rewarded for their exceptional support towards the brand family over the years, with one Toyota motorcar each.





VOLUME PERFORMANCE

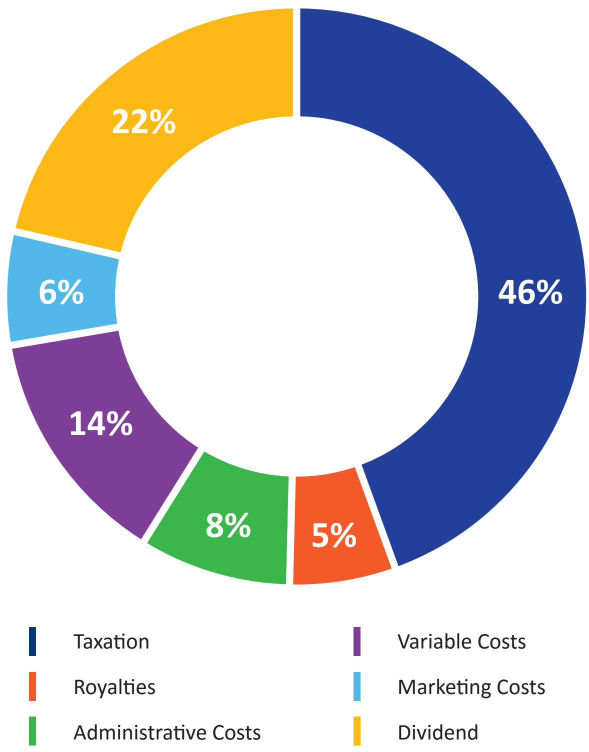
Reduced disposable income of our consumers negatively affected our portfolio in 2016. Consumers down-traded from Dunhill and Bristol to our value for money brand Pall Mall. As a result, volume of Bristol and Dunhill fell relative to that of 2015, while Pall Mall was able to effectively grow its volume base by 2%. Nevertheless, the Company and its team remains committed and resilient at delivering the strategic marketing plan, supporting our portfolio of products. In particular, maintaining and enhancing brand loyalty within the premium and aspirational segments of the portfolio, through enhancing consumer smoking experiences.

Moreover, our trade partners and distributor Edward B. Beharry remain committed and dedicated to the task of brilliantly contributing and supporting our marketing activities and consumer reward initiatives. Their excellence in distribution and meeting the needs of our valued retail partners, were the cornerstone of our success.

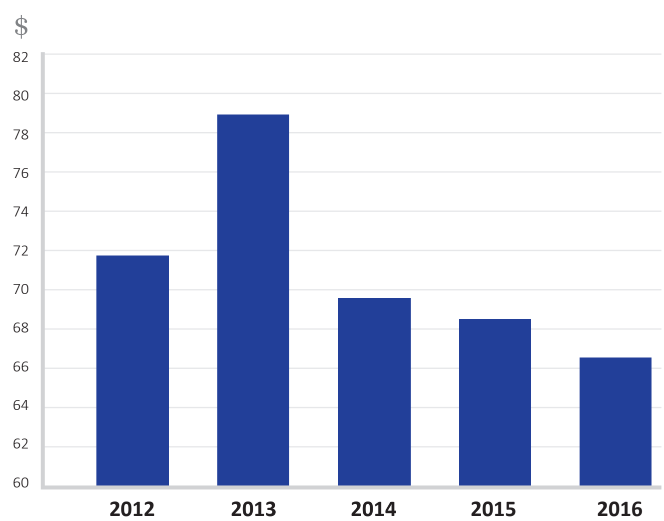
GREAT PEOPLE

The hallmark of our consistent success as a company has been the wealth of talent we have as an employee base. We are supported by an exceptionally talented, dedicated and resilient team, who are dedicated and committed to the vision. This attitude and passion enabled the company to drive and deliver good results over the past year. Moreover, the company continuously seeks to enhance its existing talent base through the growth and career development of its existing team, and the onboarding of fresh talent.

Income Distribution



Earnings Per Share



INCOME DISTRIBUTION

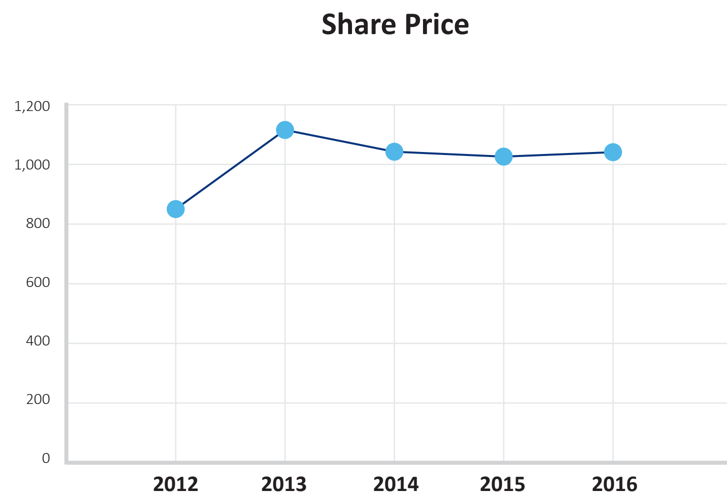
In 2016, total taxes paid amounted to $3.4B or 46% of our company's Gross turnover (including output VAT). Operating costs inclusive of Marketing and Administrative overheads accounted for 14% of Gross turnover (including output VAT). Investor returns amounted to $1.6B or 22%.

SUSTAINABILITY: THE HEART OF OUR BUSINESS

Our vision as an organization is to maintain the highest standards of distribution throughout the value chain, given our unique category of products. The team constantly seeks to engage retailers so as to ensure consumers extract the most value from their smoking moments. In particular, facilitating consumers' experiences via advocacy for pre-allotted outdoor smoking spaces for adults, and the execution of the youth smoking prevention program, aimed at encouraging responsible sale and consumption of our products, by adults only.

On the forefront of legislation, the company continues to advocate for the adoption of balanced regulation for the industry. The rights of smokers and non-smokers alike, consumer's right to choose to smoke, must all be protected, in a manner that is mutually beneficial. The company has, and will continue to engage regulators on this issue, as same would fundamentally affect the industry, our business model and the growing prevalence of smuggled brands, if not handled correctly and constructively.

On the corporate citizen frontier, the company made several noteworthy donations to various charitable institutions throughout the year. As a company, we recognize the pivotal role that we play in contributing to the development of our communities, and it is on this principle that the team went above and beyond at ensuring that society benefits from our operations. In particular, a much valued donation was made to the Help-and-Shelter organization, at a crucial time when they needed same the most. This action was most appreciated by the beneficiaries of the said organization.



CHALLENGES AND OPPORTUNITIES AHEAD

Success for 2017 will be determined by two factors – the resilience of our talented team in the face of adversities, and the relevance and brand loyalty of our portfolio of products.

In the foregone context, the business continuously seeks to develop on both frontiers. In 2016, the launch of Bristol Vibes and two limited edition packs were definable moments and testimony to same. Further, we shall continue to engage on excise, tax reform, illicit trade and tobacco regulation as key business priorities for 2017.

Finally, it is my belief that the business and its people will continue to deliver exceptional performance in an ever changing and challenging environment. We as a team, have proven our ability time-and-time again, at delivering outstanding shareholder value, and 2017 will be no different.

One team, one dream.

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.

BRISTOL MARKETING ACTIVITIES

Bristol, Guyana's local beauty was a part of Guyana's 50th Independence celebrations in May 2016. A memorable occasion in Guyana's history, celebrating with flavor as one Nation, with the Bristol 50th Anniversary Platform from April to June 2016.

To leverage on the strong local heritage of the Brand, an exclusive Limited Edition Pack was launched. The design of the Pack incorporated fireworks as well as the colors of the flag of Guyana and was well received by positive feedback from retailers and consumers.

Other activities under the 50th Anniversary Platform included an exciting Nationwide Consumer Promotion and Consumer Engagement activities executed countrywide with attractive games and prizes for Bristol consumers.

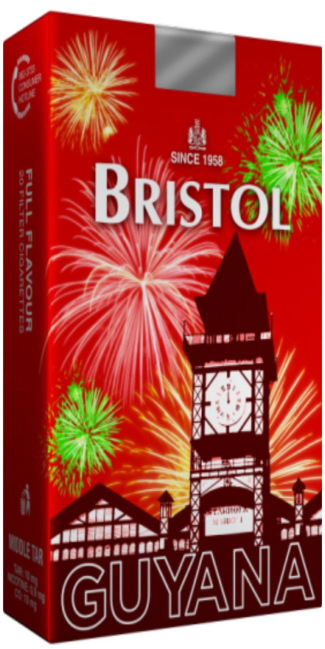
The activities added dynamism to the brand and Bristol remains the main profit driver within our portfolio.

BRISTOL VIBES

Bristol Vibes, a new Menthol offer was launched in October 2016 to add dynamism to the Bristol family. The format included 10's and 20's.

The offer was presented in a fresh and vibrant way, in a modern and superior pack design.

The communication platform included innovative graphics and elements such as 3D packs and metallic posters, a nationwide communication campaign and consumer engagement activities.



New Product Innovation was introduced via packaging enhancement with a special "Celebration Limited Edition Pack" in November and December 2016.

The pack design incorporated fireworks, an image of Guyana's most prominent landmark and a pack story capturing the festivities of the season.

PALL MALL MARKETING ACTIVITIES

Pall Mall, the value for money offer in the market continued to deliver great quality at an affordable price.

The offer was supported by a strategic trade initiatives and promotions as well as consumer engagement activities.

DUNHILL MARKETING ACTIVITIES

Dunhill continued to be a leader in the Premium segment of the market.

The brands image was reinforced with the "Gentlemen this is Taste" communication campaign in 2016 which highlighted the superior tobacco blend and Dunhill's heritage of delivering Tobacco Experiences Beyond the Ordinary for over a hundred years.

Jack A. Alli, Sons & Co.

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

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF DEMERARA TOBACCO COMPANY LIMITED

Opinion

We have audited the financial statements of Demerara Tobacco Company Limited which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 29 to 40.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Demerara Tobacco Company Limited as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Guyana Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit procedures addressed the key audit matter
Revenue recognition and existence of trade receivables The Company recorded revenue for the year of $6.4 billion and has trade receivables outstanding at the year end of $530 million. These related amounts are material to the financial statements.	Our audit procedures in relation to this key audit matter included: • testing of internal controls relevant to the recognition of revenue; • sample testing of revenue recognised to supporting invoices and delivery documentation; • sample testing of sales transactions around the year end date to supporting invoices and delivery documentation; • comparison of quantities sold to quantities imported and changes in stock holdings; and • comparison of the trade receivables to confirmation letters received and subsequent collections from customers.

Key audit matter	How our audit procedures addressed the key audit matter
Tax obligations arising on related party transactions The Company carries out several significant transactions with related entities based outside of Guyana, as disclosed in Note 8 (b) to the financial statements. These related party transactions give rise to various tax obligations in Guyana, the financial impact of which is material to the Company's financial results.	Our audit procedures in relation to this key audit matter included: • procedures to assess the completeness and accuracy of related party transaction disclosures; • sample testing of related party transactions to supporting documentation including contracts, invoices or delivery records, as applicable; and • assessment of the adequacy of tax liabilities recognised on related party transactions by reference to the provisions of the applicable Guyana tax legislation (including relevant Double Taxation Relief Agreements) and to previous engagements between the Company and the Guyana Revenue Authority.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2016 Annual Report but does not include the financial statements and our auditors' report thereon. The Company's 2016 Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance 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 Guyana 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.

In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

The engagement partner in charge of the audit resulting in this independent auditors' report in Khalil Alli.

Jack A. Alli, Sons & Co.

JACK A. ALLI, SONS & CO.
Georgetown, Guyana
20 March 2017

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2016

Thousands of Guyana Dollars	Note	2016	2015
ASSETS			
Non-current assets			
Plant and equipment	**3**	26,969	10,032
Intangible asset	**4**	0	50
Deferred taxation	**5**	13,139	12,530
		40,108	22,612
Current assets			
Inventories	**6**	92,284	161,407
Accounts receivable and prepayments	**7**	541,052	285,010
Amounts due from related parties	**8**	16,773	18,832
Taxation		78,136	78,139
Cash and cash equivalents	**9**	517,946	787,742
		1,246,191	1,331,130
TOTAL ASSETS		1,286,299	1,353,742
EQUITY AND LIABILITIES			
Equity			
Share capital	**10**	23,400	23,400
Retained earnings		506,137	564,803
		529,537	588,203
Current liabilities			
Accounts payable and accruals	**12**	430,768	470,573
Amounts due to related parties	**8**	241,297	225,749
Taxation		59,597	53,120
Provision for other liabilities	**13**	25,100	16,097
		756,762	765,539
TOTAL EQUITY AND LIABILITIES		1,286,299	1,353,742

The notes on pages 29 to 40 form an integral part of these financial statements. The Board of Directors approved these financial statements for issue on 20 March 2017.

DIRECTORS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

Thousands of Guyana Dollars	Note	2016	2015
Sales		6,396,701	6,541,502
Cost of sales	**14**	(2,566,492)	(2,782,901)
Gross profit		3,830,209	3,758,601
Distribution and marketing costs	**14**	(416,809)	(316,829)
Administrative expenses	**14**	(630,837)	(600,200)
Other income		4,279	3,477
Profit from operations		2,786,842	2,845,049
Finance income		130	6,326
Profit before taxation		2,786,972	2,851,375
Taxation	**17**	(1,226,710)	(1,244,841)
Profit for the year		1,560,262	1,606,534
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit plan		0	23,530
Deferred tax charge on remeasurement of retirement benefit plan		0	(9,412)
Other comprehensive income for the year		0	14,118
Total comprehensive income for the year		1,560,262	1,620,652
Earnings per share	**18**	66.68 Dollars	68.66 Dollars

The notes on pages 29 to 40 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

Thousands of Guyana Dollars	Note	Share Capital	Retained Earnings	Total
Year ended 31 December 2015				
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
Year ended 31 December 2016				
As at beginning of year		23,400	564,803	588,203
Profit for the year		0	1,560,262	1,560,262
Dividends paid	**19**	0	(1,621,620)	(1,621,620)
Forfeiture of unclaimed dividends	**19**	0	2,692	2,692
As at end of year		23,400	506,137	529,537

The notes on pages 29 to 40 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

Thousands of Guyana Dollars	Note	2016	2015
OPERATING ACTIVITIES			
Profit before taxation		2,786,972	2,851,375
Adjusted for:			
Depreciation and amortisation		9,430	15,880
Interest received		(130)	(1,567)
Retirement benefit plan		0	(25,614)
Net movement in provision for other liabilities		9,003	(3,416)
Operating profit before changes in working capital		2,805,275	2,836,658
Decrease in inventories		69,123	61,324
(Increase) / decrease in accounts receivable and prepayments		(256,042)	7,096
Increase in net amount due to related parties		17,607	72,229
Decrease in accounts payable and accruals		(39,805)	(41,948)
Cash generated from operations		2,596,158	2,935,359
Taxes paid		(1,220,839)	(1,226,610)
Net Cash Inflow - Operating Activities		1,375,319	1,708,749
INVESTING ACTIVITIES			
Acquisition of plant and equipment		(26,317)	0
Interest received		130	1,567
Net Cash (Outflow) / Inflow - Investing Activities		(26,187)	1,567
FINANCING ACTIVITIES			
Dividends paid	**19**	(1,621,620)	(1,772,298)
Forfeiture of unclaimed dividends	**19**	2,692	22,542
Net Cash Outflow - Financing Activities		(1,618,928)	(1,749,756)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(269,796)	(39,440)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR		787,742	827,182
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	9	517,946	787,742

The notes on pages 29 to 40 form an integral part of these financial statements.

31 DECEMBER 2016

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 estimation of the expected useful lives of plant and equipment.

Pronouncements effective in current year

The following new standard and 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.

IFRS 14	Regulatory deferral accounts
IFRS 10 / IAS 28	Amendments - Sale or contribution of assets between an investor and its associate or joint venture
IFRS 11	Amendments - Accounting for acquisition of interests in joint operations
IAS 1	Amendments - Disclosure initiative
IAS 16 / IAS 38	Amendments - Clarification of acceptable methods of depreciation and amortisation
IAS 27	Amendments - Equity method in separate financial statements
IAS 16 / IAS 41	Amendments - Agriculture: bearer plants

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

Pronouncements effective in future periods

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

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IAS 12	Amendments - Recognition of deferred tax assets for unrealised losses

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

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.

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.

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 vehicle	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 statement of comprehensive income 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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 operated a retirement benefit pension plan up to the prior year. The pension benefit was based on years of service and salary level at retirement. Service costs were recognised immediately in the statement of comprehensive income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions were 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.

Thousands of Guyana Dollars

3. PLANT AND EQUIPMENT	Plant and Machinery	Office and Other Equipment	Motor Vehicles	Total
Cost				
As at 01 January 2016	297	32,097	66,350	98,744
Additions	0	375	25,942	26,317
As at 31 December 2016	297	32,472	92,292	125,061
Accumulated Depreciation				
As at 01 January 2016	(297)	(30,963)	(57,452)	(88,712)
Charges for the year	0	(1,148)	(8,232)	(9,380)
As at 31 December 2016	(297)	(32,111)	(65,684)	(98,092)
Net Carrying Amount				
As at 31 December 2016	0	361	26,608	26,969
Cost				
As at 01 January and 31 December 2015	297	32,097	66,350	98,744
Accumulated Depreciation				
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)
Net Carrying Amount				
As at 31 December 2015	0	1,134	8,898	10,032

The Company has authorised, but not contracted, capital expenditure on plant and equipment of $42,782 for the coming year (2015 - $17,306).

31 DECEMBER 2016

Thousands of Guyana Dollars

		2016	2015
4.	**INTANGIBLE ASSET - COMPUTER SOFTWARE**	**2016**	**2015**
	Cost		
	As at beginning and end of year	34,349	34,349
	Accumulated Amortisation		
	As at beginning of year	(34,299)	(33,697)
	Amortisation during the year	(50)	(602)
	As at end of year	(34,349)	(34,299)
	Net Carrying Amount		
	As at end of year	0	50
5.	**DEFERRED TAXATION**		
	Deferred tax asset:		
	Accelerated accounts depreciation	13,139	12,530
	Movement in deferred tax asset:		
	As at beginning of year	12,530	32,872
	Credit / (charge) recognised in income	609	(25,020)
	Credit recognised in equity	0	4,678
	As at end of year	13,139	12,530
	Amount recoverable within 12 months	2,744	1,965
6.	**INVENTORIES**		
	Goods for resale	59,856	161,407
	Goods in transit	32,428	0
		92,284	161,407
7.	**ACCOUNTS RECEIVABLE AND PREPAYMENTS**		
	Trade receivables	530,435	277,710
	Other receivables	10,617	3,801
	Prepayments	0	3,499
		541,052	285,010

Thousands of Guyana Dollars

		2016	2015
8.	**RELATED PARTIES**		
(a)	Key management compensation:		
	Short term benefits	53,363	36,393
	Post-employment benefits	0	16,738
		53,363	53,131
(b)	*Transactions carried out with related parties:*		
	Acquisition of products from fellow group subsidiary	1,083,242	1,216,985
	Area service charges from fellow group subsidiary	370,698	339,939
	Royalties charged by fellow group subsidiary	360,597	359,837
	Technical and advisory services from fellow group subsidiary	74,754	106,781
	Information technology charges from fellow group subsidiaries	108,650	37,189
	Research and development charges from fellow group subsidiary	2,813	7,245
	Dividends paid to parent	1,139,252	1,245,122
(c)	*Outstanding balances at year end:*		
	Amounts due from fellow group subsidiaries	16,773	18,832
	Amounts due to fellow group subsidiaries	241,297	225,749

All balances are interest free, unsecured and repayable on demand.

9.	**CASH AND CASH EQUIVALENTS**		
	Short term deposits	18,106	18,019
	Other cash at bank	499,840	769,723
		517,946	787,742
10.	**SHARE CAPITAL**		
	Authorised		
	23,400,000 ordinary shares of no par value		
	Issued and fully paid		
	23,400,000 ordinary shares of no par value	23,400	23,400

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.

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 in the prior year. There was no amount recognised in the statement of financial position since the Plan's closure.

The movement in the present value of obligation was as follows:	**2016**	**2015**
As at beginning of year	0	130,090
Current service cost	0	16,526
Interest cost	0	8,347
Contributions by members	0	2,373
Past service cost	0	9,446
Remeasurement - experience gain	0	(21,970)
Settlement gain	0	(21,033)
Plan settlement	0	(123,779)
As at end of year	0	0

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

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

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

Current service cost	0	16,526
Interest cost	0	3,791
Past service cost	0	9,446
Settlement gain	0	(21,033)
Other	0	(2,373)
	0	6,357

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

Actuarial gain on plan assets	0	(1,560)
Actuarial gain on plan liabilities	0	(21,970)
	0	(23,530)

12. ACCOUNTS PAYABLE AND ACCRUALS

Sundry payables	401,883	448,489
Accruals	28,885	22,084
	430,768	470,573

Thousands of Guyana Dollars

13. PROVISION FOR OTHER LIABILITIES

	2016	2015
Provision for bonuses:		
As at beginning of year	16,097	19,513
Charged in the year	36,634	14,905
Used in the year	(27,631)	(18,321)
As at end of year	25,100	16,097

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

14. EXPENSES BY NATURE

Cost of inventories expensed	2,566,492	2,782,901
Advertising expenses	133,328	125,799
Area service charges	370,698	339,939
Information technology charges	108,650	37,189
Staff costs (note 15)	85,282	83,751
Technical and advisory services	74,754	106,781
Depreciation and amortisation	9,430	15,880
Operating lease charges	31,287	31,336
Utilities	2,674	4,203
Communications	23,890	20,738
Auditors’ remuneration	4,664	4,600
Directors’ remuneration (note 16)	1,100	1,100
Other	201,889	145,713
Total Cost of Sales, Distribution and Marketing Costs, and Administrative Expenses	3,614,138	3,699,930

15. STAFF COSTS

Wages and salaries	80,312	76,381
Pension costs (note 11)	0	6,357
Other benefits	4,970	1,013
	85,282	83,751

16. DIRECTORS’ REMUNERATION

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

Chandradat Chintamani	550	550
Charles Quintin	550	550
	1,100	1,100

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

31 DECEMBER 2016

Thousands of Guyana Dollars

17. TAXATION

	2016	2015
The provisional charge for taxation is made up as follows:		
Current tax	1,228,551	1,219,821
Deferred tax	(609)	25,020
Prior year adjustments	(1,232)	0
	1,226,710	1,244,841
Reconciliation of tax expense and accounting profit:		
Profit before taxation	2,786,972	2,851,375
Corporation tax at 40%	1,114,789	1,140,550
Income not subject to tax	(18)	(206)
Expenses not deductible for tax purposes	109,086	100,027
Property tax	4,085	4,470
Prior year adjustments	(1,232)	0
	1,226,710	1,244,841

18. EARNINGS PER SHARE

Profit attributable to shareholders	1,560,262	1,606,534
Weighed average number of ordinary shares in issue	23,400,000	23,400,000
Earnings per share	66.68 Dollars	68.66 Dollars

19. DIVIDENDS

Prior year interim paid $14.32 per share (2015 - $17.84)	335,088	417,456
Prior year final paid $9.55 per share (2015 - $10.95 per share)	223,470	256,230
Interim declared and paid $11.79 per share (2015 - $11.56 per share)	275,886	270,504
Interim declared and paid $16.69 per share (2015 - $18.11 per share)	390,546	423,774
Interim declared and paid $16.95 per share (2015 - $17.28 per share)	396,630	404,334
	1,621,620	1,772,298

A fourth interim dividend in respect of the financial year of $12.62 per share (2015 - $14.32), amounting to a total dividend of $295,308 (2015 - $335,088), has been declared and paid after the year end. A final dividend in respect of the financial year of $8.63 per share (2015 - $9.55 per share), amounting to a total dividend of $201,942 (2015 - $223,470), is to be proposed at the annual general meeting on 19 April 2017.

In accordance with By-law 26(6) of the Company's Amended By-Laws, the Company has recorded through equity recovery of $2,692 in forfeited unclaimed dividends (2015 - $22,542).

Thousands of Guyana Dollars

	2016	2015
20. OPERATING LEASE COMMITMENTS		
The future minimum lease payments under operating leases for properties are as follows:		
- within 1 year	30,582	27,418
- between 1 and 5 years	22,431	21,181
	53,013	48,599
21. CONTINGENT LIABILITY		
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 (2015 - 99 percent) of total revenue. As at the year end, no trade receivables were past due (2015 - 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 $547,208 (2015 - $296,542) are fully performing and have not been renegotiated during the year.

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 2016			
Accounts payable and accruals	219,097	211,671	430,768
Amounts due to related parties	241,297	0	241,297
Provision for other liabilities (based on contractual obligations)	0	21,100	21,100
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

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:

	2016	2015
Assets		
United States Dollars	16,773	17,356
British Pound Sterling	0	1,476
Liabilities		
United States Dollars	158,493	127,684
British Pound Sterling	245,423	134,917

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 losses of $13,270 in the year (2015 - net exchange gains of $4,759).

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 $850 (2015 - $662) lower / higher.

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 $1,473 (2015 - $801) 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-third Annual Meeting of The Demerara Tobacco Company Limited to be held at the Grand Savannah Suite, Pegasus Hotel, Seawall Road, Kingston, Georgetown on Wednesday, 19 April 2017 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 ______________ 2017

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 2016 and the Reports of the Directors and Auditors thereon be and are hereby approved.		
2	That the four (4) Interim Dividends totaling $58.05 already paid be confirmed and that a Final Dividend of $8.63 per share as recommended by the Board for the year ended 31 December 2016 be approved and paid to those shareholders on the Company's share register at the close of business on 19 April 2017.		
3	That Mr Felicio Ferraz, 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 Mr Raoul Glynn, 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 Mrs Maurlain Kirton, 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 Chandradat Chintamani, 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 independent Directors 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)

1 **Name of Company:**
THE DEMERARA TOBACCO COMPANY LIMITED Company No: 308

2 **Particulars of Meeting:**
Eighty-third Annual General Meeting of the Demerara Tobacco Company Limited to be held at the Pegasus Hotel, Seawall Road, Kingston, Georgetown on Wednesday, 19 April 2017.

3 **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.

4 **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.

5 **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.

6 **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
20 March 2017	Michael Partab Secretary and Authorised Signatory The Demerara Tobacco Company Limited	M. Partab

NOTES

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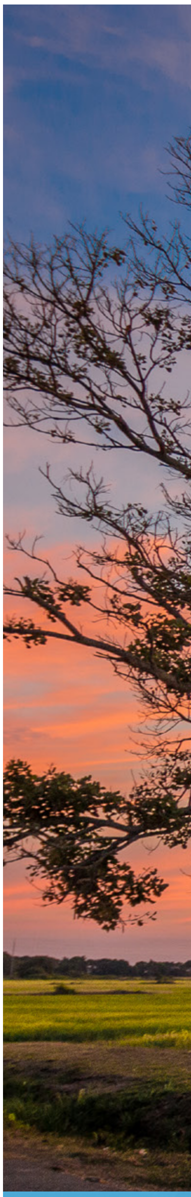

DEMERARA TOBACCO COMPANY LIMITED
A member of the **British American Tobacco** Group