



DEMERARA TOBACCO

2017 ANNUAL REPORT



DELIVERING TODAY

while building a responsible and sustainable tomorrow



Demerara Tobacco is dedicated to delivering results while providing long term value to its shareholders and business partners in a sustainable and responsible manner.

We recognize that as a business, success brings with it an obligation to high standards of integrity and this must not be compromised for the sake of results.

We are also committed to good corporate governance and to achieving our business results in a manner which is responsible and compliant with the law at all times.

The theme of this year's annual report embodies these sentiments along with our core business principles: mutual benefit, responsible product stewardship and good corporate conduct.

We believe in giving back to the communities in which we operate and this has remained consistent for our 84 years of operation.

Demerara Tobacco remains committed to excellence and will continue to *"Deliver today, while building a responsible and sustainable tomorrow."*

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 behaviour 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

Marcus Steele

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



Michael Partab

SECRETARY



Notice is hereby given that the 84TH Annual General Meeting of the Demerara Tobacco Company Limited will be held at the **Pegasus Hotel, Seawall Road, Kingston, Georgetown 24 April 2018 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 2017 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 2017 AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON BE AND ARE HEREBY APPROVED."
3. To consider the declaration of a Final Dividend of \$7.07 per share by the Board in addition to the four (4) Interim Dividends totalling \$53.46 per share already declared and paid by the Board and (if thought fit) pass the following resolution:

"THAT THE FOUR (4) INTERIM DIVIDENDS TOTALLING \$53.46 ALREADY PAID BE CONFIRMED, AND THAT A FINAL DIVIDEND OF \$7.07 PER SHARE AS RECOMMENDED BY THE BOARD FOR THE YEAR ENDED 31 DECEMBER 2017 BE APPROVED AND PAID TO THOSE SHAREHOLDERS ON THE COMPANY'S SHARE REGISTER AT THE CLOSE OF BUSINESS ON **24 APRIL 2018**."
4. To elect Director:
To propose and (if thought fit) pass the under mentioned resolutions:

"THAT MR MARCUS STEELE, 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 RAOUL GLYNN, 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 Independent 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 \$1,036,800."
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



Michael Partab (Mr)
Company Secretary

Dated: 12 March 2018

The Directors have pleasure in submitting their report for the year ended 31 December 2017.

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	6,147,457
Cost of Sales	(2,638,821)
Gross Profit	3,508,636
Operating Expenses	(991,554)
Other Income	5,070
Profit from Operation	2,522,152
Finance Income	118
Profit Before Taxation	2,522,270
Taxation	(1,105,961)
Profit After Taxation	1,416,309

Cash, Deposits and Capital Expenditure

Cash & Bank Balances at 31 December 2017 totalled \$406 million compared to \$518 million at the prior year end, a decrease of \$112 million.

Operating activities generated cash of \$2.6 billion for the year under review.

Corporation tax accruing during the year amounted to \$1.1 billion. Total dividends paid amounted to \$1.5 billion. Capital Expenditure for the year amounted to \$4 million compared to \$26 million for the previous year.

Intercompany Loan

The Company did not have any intercompany loan transactions for 2017.

Dividend

In May, August, and November 2017 and March 2018 there were four (4) interim dividend payments totalling \$53.46 per share. A final dividend of \$7.07 per share is proposed by your Directors making a total payment for the Financial Year 2017 of \$60.53 per share.

Directors

Mr Felicio Ferraz resigned from the Board of Directors on 31 December 2017.

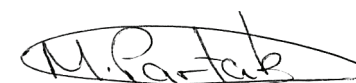
In accordance with By-Law 17 (5) of the Company's By-Laws, Mr Marcus Steele was appointed to the Board.

Mr Charles Quintin and Mr Raoul Glynn 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



Michael Partab
Secretary

G \$ 000	2013	2014	2015	2016	2017
Balance Sheet Items					
Non - Current Assets	43,529	58,834	22,612	40,108	32,419
Current Assets	1,495,702	1,427,447	1,331,130	1,246,191	1,109,745
Total Assets	1,539,231	1,486,281	1,353,742	1,286,299	1,142,164
Current Liabilities	887,699	733,920	765,539	756,762	648,609
Non - Current Liabilities	15,220	49,145	-	-	-
Net Assets	636,312	703,216	588,203	529,537	493,555
Net Assets per Share	27.19	30.05	25.14	22.63	21.09
Profits and Distribution					
Net Profit before Tax	3,231,848	2,831,720	2,851,375	2,786,972	2,522,270
Taxation	1,381,208	1,207,028	1,244,841	1,226,710	1,105,961
Net Profit after Tax	1,850,640	1,624,692	1,606,534	1,560,262	1,416,309
Statistics					
Ordinary Shares in issue ('000)	23,400	23,400	23,400	23,400	23,400
Earning per share	79.09	69.43	68.66	66.68	60.53
Dividends paid per share	79.06	72.29	70.82	66.68	62.71

Directors' Beneficial Interest:

	Shares Held As at 31/12/2017	Shares Held As at 31/12/2016
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:

	31/12/2017	31/12/2016
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 Shares	# of Shares
1 - 10,000	910	6%	1,445,464
10,001 - 20,000	54	3%	770,267
20,001 - 50,000	39	5%	1,198,577
50,001 - 100,000	12	4%	848,767
100,001 - 500,000	8	5%	1,181,597
500,001 - 1,000,000	2	7%	1,515,908
1,000,001 & Over	1	70%	16,439,420
Total	1,026	100%	23,400,000

Financial Calendar

ANNUAL MEETING:

24 April 2018

REPORTS:

Interim Report for six months to 30.06.2018

July 2018

DIVIDENDS:

Final 2017
April 2018

First Interim 2018
May 2018

Second Interim 2018
July 2018

Third Interim 2018
October 2018

Fourth Interim 2018
February 2019

Final 2018
April 2019



**Marcus
Steele**

CHAIRMAN

Managing Director - Carreras Limited



**Maurlain
Kirton**

MANAGING DIRECTOR

Managing Director - Demerara Tobacco Company



**Raoul
Glynn**

DIRECTOR

Country Manager for The BAT Group's interest
in the Caribbean



**Charles
Quintin**

DIRECTOR

Independent Director



**Chandradat
Chintamani**

DIRECTOR

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

Note: Mr. Felicio Ferraz also served as a director during the year.



Marcus Steele
CHAIRMAN

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

Undoubtedly, 2017 was a challenging year for Demerara Tobacco. In the first instance, the Guyanese economy experienced significant challenges including a reduction in sugar and gold revenues, which invariably impacted employment levels and had a direct effect on the general level of disposable income among the country's citizens. Additionally the country experienced a GDP growth rate of 2.1%, a reduction when compared to 2017, while the average inflation rate for the reporting period increased from 1.4% to 1.5%. There was also a significant level of volatility in the foreign exchange market, which impacted foreign currency transactions and the performance of the Company.

On the other hand, 2017 represented a fundamental change in the local regulatory landscape of the tobacco industry with the passage and promulgation of a Tobacco Control Act. The Company also experienced a major development as it relates to the ultimate decision by the Government to institute tax stamps for all tobacco products being traded and distributed within Guyana. Though these measures will come into effect sometime in 2018, the Company certainly as it relates to the Tobacco Act, has started to experience some market fluctuations.

As a result of these key macro-economic and industry related realities, the Company experienced a 5% volume decline over 2016, with gross revenues also declining by 4% when compared to the previous year. Profit before tax amounted to GYD\$2.5B – a decline of 9.5% as compared to last year.

I am pleased to report to shareholders, that despite the challenging economic environment, the Company was able to pay four interim dividend payments totaling GYD\$53.46 for the reporting period, with a final payment in the value of GYD\$7.07 per ordinary share. This represents a 6.73% return on investment (at December 31, 2017's share price). I am also pleased with the recognition that Demerara Tobacco still maintains the highest share price on the Guyana Stock Exchange. This speaks to the resilience of our brand portfolio, the strategy and plans being implemented by our management team, and the strong talent pipeline contained within the people who make up Demerara Tobacco.

Demerara Tobacco's management team is instituting measures aimed at effectively preparing the Company to transition into the new regulatory environment. The truth is, our industry globally faces increased regulatory measures, and while we are not opposed to these measures, we believe that regulations should be balanced and enforceable.

These measures will certainly impact the way we have operated our business and so we take this opportunity to urge the Government to provide the requisite clarity and to exercise the comprehensive public education and raise awareness which is required to minimize dislocations and anxiety during the enforcement of the Act.

The Company is also readying itself for the introduction of tax stamps by the Guyana Revenue Authority (GRA), which will be required on

all products from September 2018. This development came after several years of engagement between the management team and the Government. While the Government views the introduction of tax stamps as a tool to protect and increase their revenues from the tobacco industry, the business had proactively implemented a tax code measure on its packaging to demonstrate to the authorities that there is a more robust and cost-effective approach to track and trace the validity and authenticity of our products. The adoption of this platform by the Government for our products remains on the table as we do believe that much savings can be attained by the Government of Guyana if this recommended solution is accepted.

During the period under review, we were able to successfully engage with the authorities towards fully understanding the negative implications which could flow from the aggressive and unmitigated taxation of the industry. Examples wherein excessive excise increases led to reductions in government revenues and the growth in illicit trade in cigarettes were presented to the authorities. This trade is not only a local phenomenon, but has transnational characteristics. In this regard, the Company in June 2017, embarked upon a major initiative which involved the hosting of a Regional Conference involving law enforcement officials from Trinidad, Suriname and Guyana where high level discussions related to the illicit trade were held and the seeds of co-operation between these countries were further strengthened.

Despite this threat and the presence of other tobacco products within the Guyana market, our brands remain the preferred choice of consumers. There was clear evidence of our strong brand presence within the market and during the year, you would have been proud as shareholders of the various promotional and brand sponsorship activities involving our core brands which no doubt helped to build brand equity, brand awareness and reward loyal customers and consumers. The truth is though, that this marketing environment will no longer exist, but we are confident in our brands' ability to stand tall and remain vibrant within the overall industry.

Shareholders, the constantly evolving regulatory environment, presence of illicit products, and the changing economic landscape require us to be agile, responsible and innovative. We are certainly proud to have both strong brands and loyal consumers and we continue to collaborate with our business partners, shareholders, retailers, consumers, valued distributor, and local authorities to better improve our service and our overall contribution to society as we strive to continue to be a company that delivers superior shareholder value.

Despite the challenges of the period under review, and the new regulatory environment that beckons, your Chairman is confident that based on our strong trade marketing and distribution capabilities, the strong brand portfolio for long term sustainability and the management efficiencies including supply chain and overall management of Company expenses, that the future outlook for the Company remains positive and robust. This optimism is also rooted in the fact that Guyana is projected to grow and expand exponentially based on the recent oil discoveries and these economic gains would be realized for the economy and people overall.

In closing, I would like to thank my fellow board members, the staff at Demerara Tobacco and our key partners, including the Guyana Revenue Authority, and the various other agencies of Government with whom we engaged and whose contribution to the business has been exceptional. Your commitment and dedication have demonstrated that you are ready and willing to go above and beyond with us and we are indeed grateful. The Board also wishes to thank outgoing chairman Felicio Ferraz for his leadership and wish him all the best in his future endeavours.



Marcus Steele
Chairman



Delivering business results is important to us, but equally important is our commitment to responsible behaviour. 2018 will be a critical year for the Company as we will work closely with the Government and Ministry of Public Health on the implementation of the Tobacco Control Act.

Maurlain Kirton MANAGING DIRECTOR

Dear Shareholders,

It is my pleasure to deliver to you my annual review based on the Company's performance for the year ended 31 December 2017.

Demerara Tobacco did not remain insulated from the effects of the economic downturn in Guyana, which has persisted over the course of 2017. The economy saw a reduced growth rate versus initial projections at the start of the year, influenced by the shortfall in gold extraction and sugar production.

Whilst the performance of the Company in 2017 is proof that our strategic objectives are being met, we continue to closely manage the key business risks, including the recently passed Tobacco Control Act. In fact, we spent the greater part of 2017 anticipating and actively engaging on a Tobacco Control bill which was eventually passed in August 2017, with the commencement order signed in December 2017. The introduction of this more stringent regulation of tobacco, which includes a ban on all tobacco advertising, promotions and sponsorships, as well as the removal of our ability to engage with the Government on matters affecting our industry is indeed critical and will definitely impact the way we operate in the future.

Delivering business results is important to us, but equally important is our commitment to responsible behaviour. 2018 will be a critical year for the Company as we will work closely with the Government and Ministry of Public Health on the implementation of the Tobacco Control Act. Let me be clear, as a business, we are not opposed to regulations. We acknowledge the health risks associated with tobacco products, but it is our view that regulations should be balanced and enforceable.

We are particularly concerned with the new law which speaks to the fact that the tobacco industry is to be excluded from any discussions and consultations on the development of public policy that directly affect our business and industry. As part of our responsibility within this new regulatory environment, we will continue to engage with the Government with respect to tobacco legislation and ensure that our products and brands are marketed only to adult consumers who choose to smoke.

Brand Marketing and Trade Marketing & Distribution Review

Bristol and Pall Mall continue to satisfy consumers looking for an economical option. Bristol, our local beauty and the flavor of Guyana maintained a strong performance as the aspirational offer in our portfolio. To strengthen the equity of the Bristol brand and reward its loyal consumers, nationwide consumer promotions and consumer engagement activities were executed throughout 2017. Bristol celebrated the holidays with consumers by launching a special "Celebration Edition" Limited edition pack with a Consumer Promotion. The pack brought the spirit of the celebrations to the brand while giving incredible prizes to consumers during the holidays with the aim of making the season brighter. The activities resulted in a positive brand performance overall and strong appreciation from retailers, consumers and the distributor.

Pall Mall continued to deliver great quality at an affordable price as the value for money offer in the market. Throughout 2017, the brand maintained a strong and consistent presence nationwide despite high illicit product presence. To support the brand's performance activities, consumer and trade promotions and consumer engagement activities were executed to engage and reward Pall Mall consumers and retailers and to build and strengthen the brand's image. Dunhill, with its unique blends continued as the leader in the market for a premium experience with ongoing positive performance in 2017.

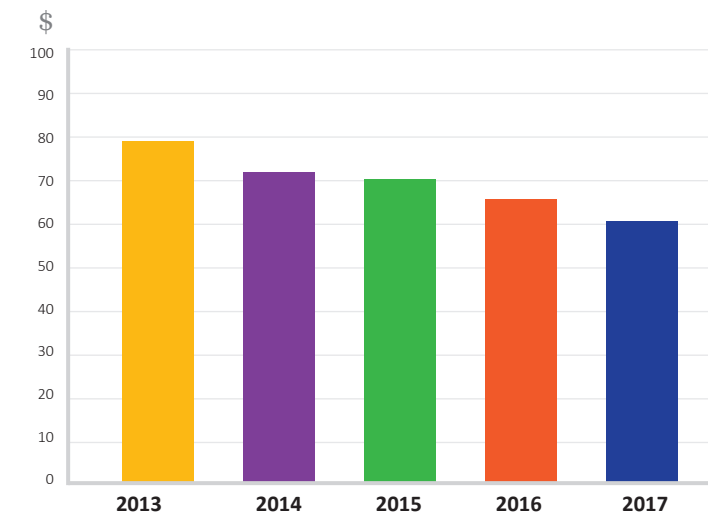
It is important to note that our Trade Marketing and Distribution capabilities are in a constant state of evolution, enabling us to meet the demands of an ever-changing retail environment. We continue to optimise our distribution resources through a route optimisation exercise aimed at improving our time to market while expanding our existing customer base. The Company experienced a volume decline by 5% in 2017 despite not implementing a price increase.

Business Performance and Profitability

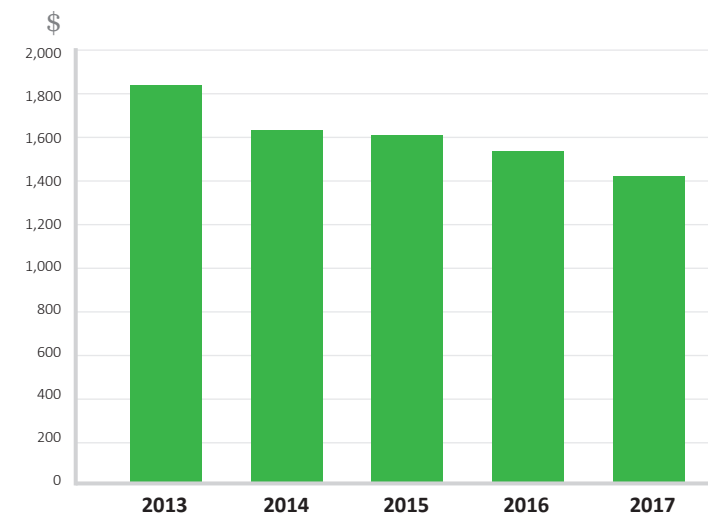
The strategy and plans implemented in 2017 continue to provide the framework for building a solid and robust portfolio for long term sustainability in a changing operating environment. Our 2017 performance may be attributed to a strategic brand portfolio, strong trade marketing and distribution capabilities, supply chain and logistic efficiencies as well as prudent cost management.

The macro-economic factors such as less consumer disposable income and foreign exchange fluctuations directly resulted in down trading from Bristol into Pall Mall. There was a decline in gross revenue by GYD\$249Mn. This can be attributed primarily to the corresponding reduction in sales volume. Gross profit also declined by GYD\$321Mn influenced by the aforementioned volume reduction and significant fluctuation in the foreign exchange rates. Profit before taxation declined by GYD\$265Mn aided by a reduced operating cost base.

Dividend Per Share



Profit After Tax (\$Mn)



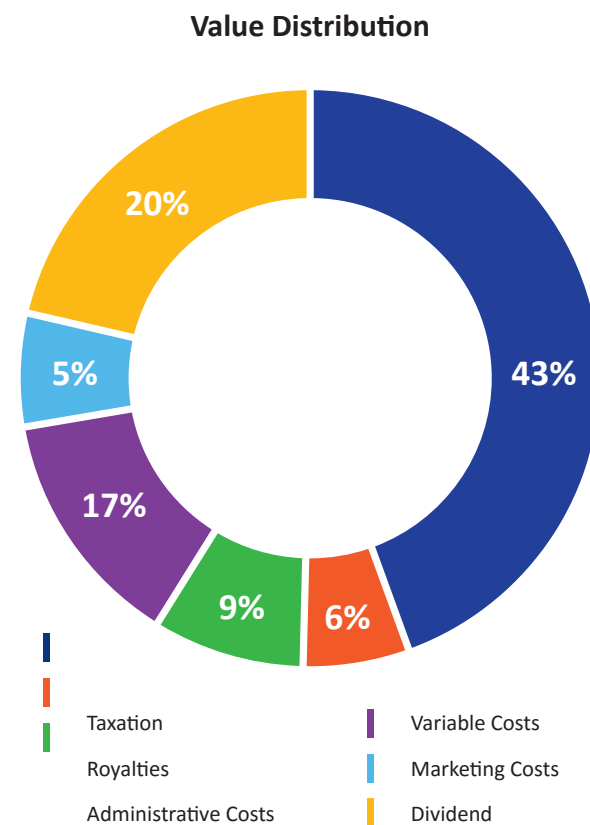
The truth is with lower consumer purchasing power and increased taxation, the illicit trade remains the business' biggest threat. We therefore continue to engage the Guyana Revenue Authority (GRA) and other relevant agencies which we commend for their continued efforts in addressing the prevalence of the illicit trade.

Great People

Our sustained performance in 2017 is primarily attributed to Demerara Tobacco's strong and talented team. A key component of our continued success is employee engagement and alignment to our goals, objectives and ideals. Our agenda for creating an atmosphere of openness, fun and camaraderie through various work-life balance activities is important and the Company continues to enhance its talent pool via continuous training and international learning opportunities. 2017 also saw some internal movements and many opportunities for growth as we continued to build a strong talent pipeline. In this regard, the Company has become a global exporter of talent, having had a local member of staff being selected as an international assignee to our regional office located in Colombia.

Demerara Tobacco Company continues to be an employer of choice in the market.

Value Distribution



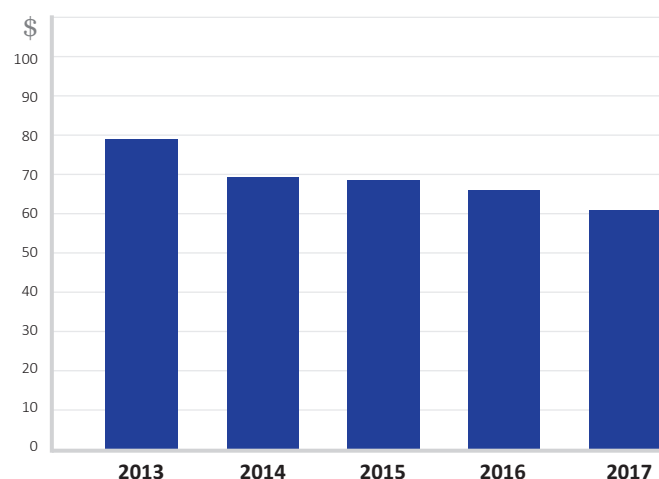
We continue to be a prime contributor of government revenue having distributed 43% of our gross income (including output VAT) in the form of taxation during 2017. Operating costs inclusive of marketing and administrative overheads continue to remain low having accounted for only 14% of value distribution. The Company remains committed towards delivering shareholder value year-on-year. This is primarily exemplified by the fact that dividends accounted for 20% of our value distribution, the second highest use after government taxation.

Sustainability: The heart of our business

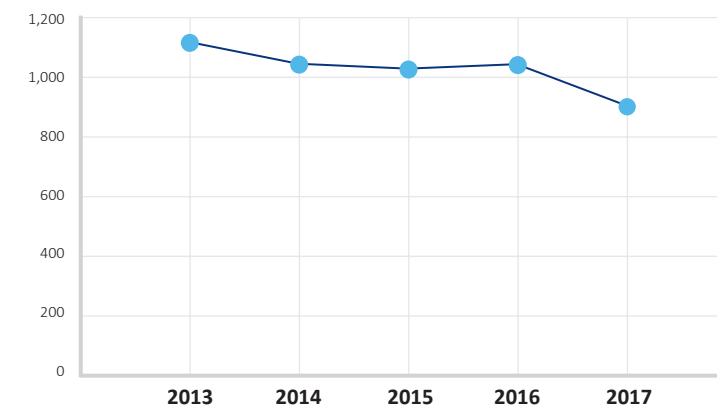
We adhere to the highest standards of marketing and distribution of our brands and a consumer centric focus. Our new Youth Access Prevention program (YAP) is geared towards youth smoking prevention reinforcing our goal of not marketing or selling products to persons under the age of 18.

Regarding corporate social investment, we continued to support charitable institutions during 2017 which included our annual community drive, as well as the care and support for the elderly in our fence-line communities.

Earnings Per Share



Share Price



Challenges and Opportunities Ahead

We believe economic conditions will continue to be tough, but we remain optimistic and seek to deliver results in a responsible manner and in keeping with the law.

The end of 2017 saw the passage of the Tobacco Control Act, but the Company continues to hold compliance among its priorities.

At Demerara Tobacco, we will continue to deliver today, while building a responsible and sustainable tomorrow. Our aim is not only to maximize our share of sales - value and quality are also high on our agenda. With the new measures facing the company and the imminent changes in the business environment, we are determined now more than ever to ensure that our strategy is executed effectively in order to ensure sustained success.

Our commitment to our shareholders remains paramount and rest assured, the business will continue to deliver exceptional results even within a regulated market. We have the technical and strategic capabilities and we will continue to deliver shareholder value for our 1000 plus shareholders for many years to come.

Maurlain Kirton
Maurlain Kirton
 Managing Director



PURPOSE STATEMENT

We, the employees of Demerara Tobacco Company Limited, as members of the British American Tobacco Caribbean and Central American 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.



Top from Left to Right

- Maurlain Kirton
- Navindra Harjohn
- Merson Jones
- Malianda Basdeo
- Michael Partab
- Selica Rajkoomar
- Candice Canzius
- Roshini Ramratan
- Rookminie Majid
- Tracyann Seaforth
- Solange Pertab
- Quincy James
- Thandeka Watson
- Yasoda Babulall
- Lawrence Lord
- Esther Hinds

“Delivering today, while building a responsible and sustainable tomorrow”

In order to exist and thrive from decade to decade, one must be resilient and adapt to change in an increasingly challenging environment. The Demerara Tobacco Company Limited knows a bit about this having survived over eighty-four (84) years.

Not only have we survived but we have established ourselves as one of the leaders in the Guyanese business community and as a result, we consistently reaffirm our commitment to be a good and effective corporate citizen.

For us, sustainability means creating shareholder value and ensuring what we do as a business results in a much wider and positive impact on society. It is also about making sure we continue to get the basics right, such as providing consumers with the products they want, engaging openly on regulatory issues which are evidence-based, marketing our products responsibly and fighting illicit trade.

Delivering growth and sustainability

Responsible approach to Marketing
Our operations are required to follow marketing principles which are globally consistent and demonstrate our commitment to marketing appropriately. Our International Marketing Principles (IMP) provide detailed guidance on all aspects of our marketing. Central to this is our commitment that our marketing is aimed only at adult smokers and is not designed to engage or appeal to youth.

Our robust brand portfolio caters to a wide range of adult smokers. Over the years they have built a wealth of insights and knowledge on ways to satisfy consumer moments. Our team is passionate about success and satisfying consumers’ smoking experiences. Despite the challenging economic climate and an imminent regulatory environment, the business was able to deliver today, while building a responsible and sustainable tomorrow through an effective management of the portfolio and value creation.

Bristol, our local beauty and the flavor of Guyana maintained a strong performance as the aspirational offer in our portfolio. To strengthen the equity of the Bristol brand and reward its loyal consumers, nationwide consumer promotions and consumer engagement activities were executed throughout 2017. These promotions were relevant and appealing with excellent activations and new communication elements which added dynamism to the brand.

The activities resulted in a positive brand performance overall and strong appreciation from retailers, consumers and the distributor.

Dunhill, with its unique blends continued as the leader in the market for a premium experience with ongoing positive performance in 2017.

Pall Mall continued to deliver great quality at an affordable price as the value for money offer in the market. Throughout 2017 the brand maintained a strong and consistent presence nationwide despite high illicit product presence.

To support the brand’s performance, activities including consumer and trade promotions and consumer engagements were executed to reward Pall Mall consumers and retailers and at the same time, build and strengthen the brand’s image.



Youth access prevention

Equally important to the us, is our role in preventing youth access to our products. We believe our products are only suitable for adults and we do not want people who are underage to use them. We fully support laws and regulations prohibiting the sale of our products to anyone under the legal minimum age in their country. We also believe that enforcement and penalties for breaking such laws must be tough enough to discourage anybody from selling to people who are underage.

In 2017, we revised and strengthened our approach further by developing new Youth Access Prevention (YAP) materials. At Demerara Tobacco, we work directly with retailers to uphold minimum age laws and our own internal standards, support our local distributor in providing training and point-of-sale materials for use by retailers.



Delivering on our responsibility to community

It goes without saying that we have developed resilient people who are at the heart of our success.

We recognise that, as a corporate citizen we have a role in investing in economic, social and cultural development that benefits the communities in which we operate. In 2017, our corporate social investment projects focused on education, empowerment and civic duty to our fence-line communities. These included workshops to raise awareness of breast cancer during the month of October, an Appreciation Day for our trade partners, a Goodwill Feeding to assist the less fortunate and hamper distribution to our pensioners and elderly members of the community.

Our “Goodwill Feeding” event was coordinated and executed by our employees where all staff donated items and participated in the sharing process. This event encouraged teamwork and demonstrated commitment and resilience to the community.



Empowering women - Breast Cancer Awareness Talk

In recognition of Breast Cancer Awareness, we seized the opportunity to raise awareness to the staff and promote a healthy work environment. In keeping with the theme, staff members dressed in pink and gathered in the conference room to look at informative videos and brochures with the goal of raising awareness and highlighting the need to get tested regularly as a preventative measure.



Delivering in development

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, are the winning ingredients for our many success stories.

Our aim is to keep adding value for our consumers, trade customers and shareholders. This means giving our consumers premium value through quality, unique and differentiated brands. It also means enabling our trade customers to benefit, and by satisfying both consumers and trade customers, we can deliver long-term sustainable value for our shareholders.

With the new measures facing the industry, and recognizing the need to proactively inform our valued partners, Demerara Tobacco hosted a customer appreciation day which saw the attendance of over 125 retailers across Guyana.

They were enlightened on the various changes expected in the industry and were given insights into 2018 including the Tax Stamp implementation, new tobacco control laws and the innovation of the Pall Mall brand. Retailers were reassured that Demerara Tobacco stands behind them. “The changes in legislation will not kill the industry, rather the industry will have to adapt”, were some of the words expressed by Managing Director, Maurlain Kirton.

The Company also hosted a workshop for its Distribution Sales team, the goal of which was to create a greater understanding among the salesmen of the business and the industry. During the workshop, the salesmen participated in modules such as Positivity, Objection Handling, Selling and Negotiation.



“Delivering today, while building a responsible and sustainable tomorrow” through our engagements



Responsible Engagements

Our vision of a sustainable tobacco business is one that manages the impact of its products in a responsible way and it is also the expectation of our stakeholders and business partners that we operate our business responsibly.

We have always been clear that we support regulation that is based on robust evidence and thorough research, respects legal rights and livelihoods and delivers on the intended policy aims, while recognising the unintended consequences. This year, the Company embarked on an extensive engagement campaign in preparation for a tobacco control bill which was under development for some years.

The business felt that some measures were very draconian in nature and were somewhat unbalanced when compared to other neighboring countries. Based on our experience, we felt the need to highlight these concerns to the authorities as sometimes, regulations can also have unwelcome and unexpected consequences. For example, sudden and significant hikes in excise rates can result in price disparities between neighboring countries, increasing smuggling across borders. Similarly, display bans can fuel the growth of illicit trade.

There are some issues which are still not clear to us and we continue to seek clarity from the Ministry of Public Health who have committed to an extensive public awareness and training programme in early 2018 and as well as a meeting with the industry to discuss the implementation process.

The Company remains committed to operate its business in a responsible manner and will seek to be compliant with all laws. Hence, in 2018, the Company will be taking the necessary steps to ensure that we are compliant with the measures outlined in the Tobacco Control Act and in this regard, continue to deliver shareholder value in a responsible manner so we can **deliver today, while building a responsible and sustainable tomorrow.**

BRISTOL MARKETING ACTIVITIES

Bristol, our local beauty and the flavor of Guyana maintained a strong performance as the aspirational offer in our portfolio.

To strengthen the equity of the Bristol brand and reward its loyal consumers, nationwide consumer promotions and consumer engagement activities were executed throughout 2017.

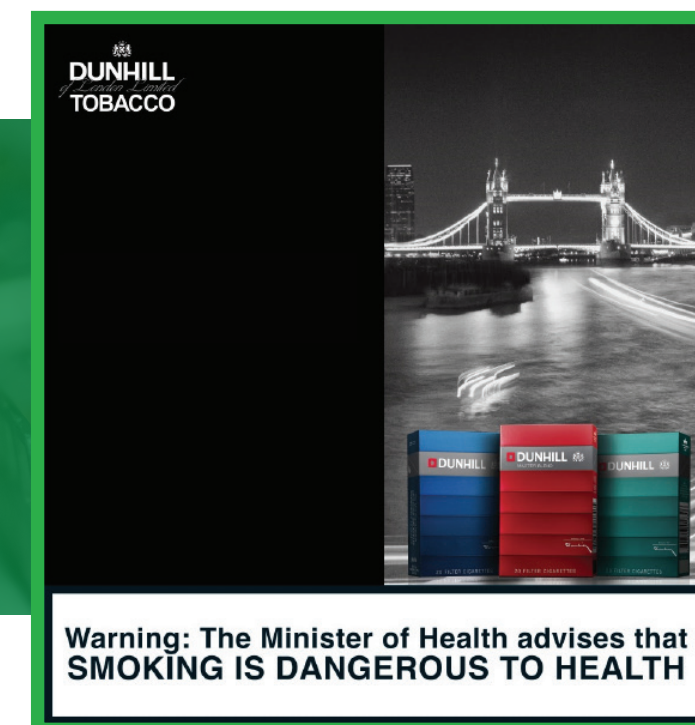
The promotions were relevant and appealing with excellent implementations and new communication elements to add dynamism to the brand.

The activities resulted in a positive brand performance overall and strong appreciation from retailers, consumers and the distributor.



DUNHILL MARKETING ACTIVITIES

Dunhill, with its unique blends continued as the leader in the market for a premium experience with ongoing positive performance in 2017.



Bristol celebrated the holidays with Consumers by launching a special "Celebration Edition" Limited edition pack with a Consumer Promotion.

The pack brought the spirit of the celebrations to the brand while giving incredible prizes to consumers during the holidays making the season brighter!



PALL MALL MARKETING ACTIVITIES



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

Throughout 2017 the brand maintained a strong and consistent presence nationwide despite high illicit product presence.

To support the brand's performance activities including consumer and trade promotions and consumer engagement activities were executed to engage and reward Pall Mall consumers and retailers and to build and strengthen the brand's image.



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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 2017, 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 32 to 42.

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 2017 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

Revenue recognition and existence of trade receivables

The Company recorded revenue for the year of \$6.1 billion and has trade receivables outstanding at the year end of \$340 million. These related amounts are material to the financial statements and therefore considered a key audit matter.

How our audit addressed the key audit matter

Our audit procedures in relation to this key audit matter included, but were not limited to, the following:

- 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

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 and therefore considered a key audit matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report but does not include the financial statements and our auditors' report thereon. The Company's 2017 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.

How our audit addressed the key audit matter

Our audit procedures in relation to this key audit matter included, but were not limited to, the following:

- 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 Treaties) and to previous engagements between the Company and the Guyana Revenue Authority.

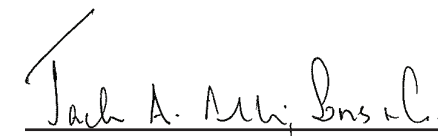
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we 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 is Khalil Alli.



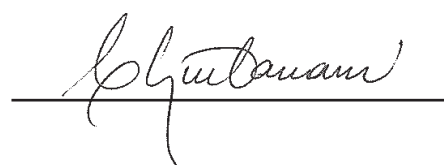
JACK A. ALLI, SONS & CO.
Georgetown, Guyana
12 March 2018

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

Thousands of Guyana Dollars	Note	2017	2016
ASSETS			
Non-current assets			
Plant and equipment	3	19,031	26,969
Deferred taxation	5	13,388	13,139
		32,419	40,108
Current assets			
Inventories	6	114,240	92,284
Accounts receivable and prepayments	7	350,761	541,052
Amounts due from related parties	8	39,285	16,773
Taxation		199,157	78,136
Cash and cash equivalents	9	406,302	517,946
		1,109,745	1,246,191
TOTAL ASSETS		1,142,164	1,286,299
EQUITY AND LIABILITIES			
Equity			
Share capital	10	23,400	23,400
Retained earnings		470,155	506,137
		493,555	529,537
Current liabilities			
Accounts payable and accruals	11	412,580	430,768
Amounts due to related parties	8	143,870	241,297
Taxation		49,384	59,597
Provision for other liabilities	12	42,775	25,100
		648,609	756,762
TOTAL EQUITY AND LIABILITIES		1,142,164	1,286,299

The notes on pages 32 to 42 form an integral part of these financial statements. The Board of Directors approved these financial statements for issue on 27 February 2018.



DIRECTORS



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

Thousands of Guyana Dollars	Note	2017	2016
Sales		6,147,457	6,396,701
Cost of sales	13	(2,638,821)	(2,566,492)
Gross profit		3,508,636	3,830,209
Distribution and marketing costs	13	(336,924)	(416,809)
Administrative expenses	13	(654,630)	(630,837)
Other income		5,070	4,279
Profit from operations		2,522,152	2,786,842
Finance income		118	130
Profit before taxation		2,522,270	2,786,972
Taxation	16	(1,105,961)	(1,226,710)
Profit for the year		1,416,309	1,560,262
Earnings per share	17	60.53 Dollars	66.68 Dollars

The notes on pages 32 to 42 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Thousands of Guyana Dollars	Note			
		Share Capital	Retained Earnings	Total
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	18	0	(1,621,620)	(1,621,620)
Forfeiture of unclaimed dividends	18	0	2,692	2,692
As at end of year		23,400	506,137	529,537
Year ended 31 December 2017				
As at beginning of year		23,400	506,137	529,537
Profit for the year		0	1,416,309	1,416,309
Dividends paid	18	0	(1,467,414)	(1,467,414)
Forfeiture of unclaimed dividends	18	0	15,123	15,123
As at end of year		23,400	470,155	493,555

The notes on pages 32 to 42 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

Thousands of Guyana Dollars	Note	2017	2016
OPERATING ACTIVITIES			
Profit before taxation		2,522,270	2,786,972
Adjusted for:			
Depreciation and amortisation		8,348	9,430
Impairment of plant and equipment		3,783	0
Interest received		(118)	(130)
Net movement in provision for other liabilities		17,675	9,003
Operating profit before changes in working capital		2,551,958	2,805,275
(Increase) / decrease in inventories		(21,956)	69,123
Decrease / (increase) in accounts receivable and prepayments		190,291	(256,042)
(Decrease) / increase in net amount due to related parties		(119,939)	17,607
Decrease in accounts payable and accruals		(18,188)	(39,805)
Cash generated from operations		2,582,166	2,596,158
Taxes paid		(1,237,444)	(1,220,839)
Net Cash Inflow - Operating Activities		1,344,722	1,375,319
INVESTING ACTIVITIES			
Acquisition of plant and equipment		(4,193)	(26,317)
Interest received		118	130
Net Cash Outflow - Investing Activities		(4,075)	(26,187)
FINANCING ACTIVITIES			
Dividends paid	18	(1,467,414)	(1,621,620)
Forfeiture of unclaimed dividends	18	15,123	2,692
Net Cash Outflow - Financing Activities		(1,452,291)	(1,618,928)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(111,644)	(269,796)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR		517,946	787,742
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	9	406,302	517,946

The notes on pages 32 to 42 form an integral part of these financial statements.

31 DECEMBER 2017

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 amendments and improvement to existing standards have been published and are effective in the current financial year.

IAS 7	Amendment - Disclosures related to financing activities
IAS 12	Amendment - Deferred tax

Annual improvements cycle (2014 - 2016):

- IFRS 12	Disclosure of interests in entities classified as held for sale
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Pronouncements effective in future years

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

IFRS 2	Amendment - Accounting for cash and equity settled awards
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IFRS 17	Insurance contracts
IFRIC 22	Foreign currency transactions and advance consideration
IFRIC 23	Uncertainty over income tax treatments
IAS 40	Amendment - Transfers to or from investment properties

Annual improvements cycle (2014 - 2016):

- IAS 28	Use of fair value through profit and loss to measure investments in associates and joint ventures
- IFRS 1	Short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10

31 DECEMBER 2017

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 and also provides guidance for transactions that were not previously addressed comprehensively. 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 2017

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 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 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 statement of comprehensive income. 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 difference arises from depreciation on plant and equipment.

(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.

31 DECEMBER 2017

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 statement of comprehensive income. 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) Payables, including amounts due to Related Parties

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

(k) 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 liabilities for bonuses to employees and the distributor, as well as obligations arising from legislative changes.

(l) 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.

(m) Operating Leases

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

(n) Operating Segments

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

31 DECEMBER 2017

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 2017	297	32,472	92,292	125,061
Additions in the year	0	4,193	0	4,193
As at 31 December 2017	297	36,665	92,292	129,254
<i>Accumulated Depreciation</i>				
As at 01 January 2017	(297)	(32,111)	(65,684)	(98,092)
Charges for the year	0	(657)	(7,691)	(8,348)
Impairment in the year	0	0	(3,783)	(3,783)
As at 31 December 2017	(297)	(32,768)	(77,158)	(110,223)
<i>Net Carrying Amount</i>				
As at 31 December 2017	0	3,897	15,134	19,031
<i>Cost</i>				
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
<i>Accumulated Depreciation</i>				
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)
<i>Net Carrying Amount</i>				
As at 31 December 2016	0	361	26,608	26,969

The Company has authorised, but not contracted, capital expenditure on plant and equipment of \$39,500 for the coming year (2016 - \$42,782).

31 DECEMBER 2017

Thousands of Guyana Dollars

4. INTANGIBLE ASSET - COMPUTER SOFTWARE	2017	2016
<i>Cost</i>		
As at beginning and end of year	34,349	34,349
<i>Accumulated Amortisation</i>		
As at beginning of year	(34,349)	(34,299)
Amortisation during the year	0	(50)
As at end of year	(34,349)	(34,349)
<i>Net Carrying Amount</i>		
As at end of year	0	0
5. DEFERRED TAXATION		
Deferred tax asset:		
Accelerated accounts depreciation	13,388	13,139
Movement in deferred tax asset:		
As at beginning of year	13,139	12,530
Credit recognised in income	249	609
As at end of year	13,388	13,139
Amount recoverable within 12 months	1,867	2,744
6. INVENTORIES		
Goods for resale	76,312	59,856
Goods in transit	37,928	32,428
	114,240	92,284
7. ACCOUNTS RECEIVABLE AND PREPAYMENTS		
Trade receivables	340,100	530,435
Other receivables	10,661	10,617
	350,761	541,052
8. RELATED PARTIES		
(a) Key management compensation:		
Short term benefits	58,454	53,363

31 DECEMBER 2017

Thousands of Guyana Dollars

8. RELATED PARTIES (cont'd)	2017	2016
(b) Transactions carried out with related parties:		
Acquisition of products from fellow group subsidiary	1,079,095	1,083,242
Area service charges from fellow group subsidiary	346,673	370,698
Royalties charged by fellow group subsidiary	415,430	360,597
Technical and advisory services from fellow group subsidiary	98,801	74,754
Information technology charges from fellow group subsidiaries	79,345	108,650
Research and development charges from fellow group subsidiary	3,752	2,813
Dividends paid to parent	1,030,916	1,139,252
(c) Outstanding balances at year end:		
Amounts due from fellow group subsidiaries	39,285	16,773
Amounts due to fellow group subsidiaries	143,870	241,297
All balances are interest free, unsecured and repayable on demand.		
9. CASH AND CASH EQUIVALENTS		
Short term deposits	18,267	18,106
Other cash at bank	388,035	499,840
	406,302	517,946
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.		
11. ACCOUNTS PAYABLE AND ACCRUALS	2017	2016
Sundry payables	372,908	401,883
Accruals	39,672	28,885
	412,580	430,768

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Thousands of Guyana Dollars

12. PROVISION FOR OTHER LIABILITIES	2017	2016
Provision for bonuses:		
As at beginning of year	25,100	16,097
Charged in the year	24,100	36,634
Used in the year	(25,100)	(27,631)
As at end of year	24,100	25,100
Provision for obligations arising from recent legislative changes:		
Charged in the year	18,675	0
As at end of year	18,675	0
Total	42,775	25,100
13. EXPENSES BY NATURE		
Cost of inventories expensed	2,638,821	2,566,492
Advertising expenses	127,429	133,328
Area service charges	346,673	370,698
Information technology charges	79,345	108,650
Staff costs (note 14)	94,445	85,282
Technical and advisory services	98,801	74,754
Depreciation and amortisation	8,348	9,430
Impairment of plant and equipment	3,783	0
Operating lease charges	33,113	31,287
Utilities	2,249	2,674
Communications	20,649	23,890
Auditors' remuneration	5,092	4,664
Directors' remuneration (note 15)	1,100	1,100
Other	170,527	201,889
Total Cost of Sales, Distribution and Marketing Costs, and Administrative Expenses	3,630,375	3,614,138
14. STAFF COSTS		
Wages and salaries	88,063	80,312
Other benefits	6,382	4,970
	94,445	85,282
15. 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.

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Thousands of Guyana Dollars

16. TAXATION	2017	2016
The provisional charge for taxation is made up as follows:		
Current tax	1,106,244	1,228,551
Deferred tax	(249)	(609)
Prior year adjustments	(34)	(1,232)
	<u>1,105,961</u>	<u>1,226,710</u>
Reconciliation of tax expense and accounting profit:		
Profit before taxation	2,522,270	2,786,972
Corporation tax at 40%	1,008,908	1,114,789
Income not subject to tax	(59)	(18)
Expenses not deductible for tax purposes	94,312	109,086
Property tax	2,834	4,085
Prior year adjustments	(34)	(1,232)
	<u>1,105,961</u>	<u>1,226,710</u>
17. EARNINGS PER SHARE		
Profit attributable to shareholders	1,416,309	1,560,262
Weighted average number of ordinary shares in issue	23,400,000	23,400,000
Earnings per share	<u>60.53 Dollars</u>	<u>66.68 Dollars</u>
18. DIVIDENDS		
Prior year interim paid \$12.62 per share (2016 - \$14.32)	295,308	335,088
Prior year final paid \$8.63 per share (2016 - \$9.55 per share)	201,942	223,470
Interim declared and paid \$10.81 per share (2016 - \$11.79 per share)	252,954	275,886
Interim declared and paid \$16.38 per share (2016 - \$16.69 per share)	383,292	390,546
Interim declared and paid \$14.27 per share (2016 - \$16.95 per share)	333,918	396,630
	<u>1,467,414</u>	<u>1,621,620</u>

A fourth interim dividend in respect of the financial year of \$12.00 per share (2016 - \$12.62), amounting to a total dividend of \$280,800 (2016 - \$295,308), has been declared and paid after the year end. A final dividend in respect of the financial year of \$7.07 per share (2016 - \$8.63 per share), amounting to a total dividend of \$165,438 (2016 - \$201,942), is to be proposed at the annual general meeting on 24 April 2018.

In accordance with By-law 26(6) of the Company's Amended By-Laws, the Company has recorded through equity recovery of \$15,123 in forfeited unclaimed dividends (2016 - \$2,692).

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19. OPERATING LEASE COMMITMENTS	2017	2016
The future minimum lease payments under operating leases for properties are as follows:		
- within 1 year	27,339	30,582
- between 1 and 5 years	1,905	22,431
	<u>29,244</u>	<u>53,013</u>
20. CONTINGENT LIABILITY		
Bonds in favour of the Comptroller of Customs and Excise	21,227	19,500

21. 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.

22. 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 (2016 - 99 percent) of total revenue. As at the year end, no trade receivables were past due (2016 - 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 \$379,385 (2016 - \$547,208) are fully performing and have not been renegotiated during the year.

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Thousands of Guyana Dollars

22. 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 2017			
Accounts payable and accruals	101,185	311,395	412,580
Amounts due to related parties	143,870	0	143,870
Provision for other liabilities (based on contractual and legal obligations)	0	31,650	31,650
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

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:

	2017	2016
Assets		
United States Dollars	39,285	16,773
Liabilities		
United States Dollars	63,263	158,493
British Pound Sterling	83,046	245,423

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 \$121,007 in the year (2016 - \$13,270).

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 \$144 (2016 - \$850) 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 \$498 (2016 - \$1,473) lower / higher.

(f) Fair Values

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

THE COMPANIES ACT, 1991
(Section 114)1. **Name of Company**

DEMERARA TOBACCO COMPANY LIMITED

Company No: 308

2. **Particulars of Meeting:**

Eighty-fourth Annual Meeting of The Demerara Tobacco Company Limited to be held at the Grand Savannah Suite, Pegasus Hotel, Seawall Road, Kingston, Georgetown on Tuesday, 24 April 2018 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 _____ 2018

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

RESOLUTION		FOR	AGAINST
1	That the Financial Statements of the Company for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon be and are hereby approved.		
2	That the four (4) Interim Dividends totaling \$53.46 already paid be confirmed and that a Final Dividend of \$7.07 per share as recommended by the Board for the year ended 31 December 2017 be approved and paid to those shareholders on the Company's share register at the close of business on 24 April 2018.		
3	That Mr Marcus Steele, 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 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	That Mr Raoul Glynn, 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 in accordance with By-Law 16 of the Company's By-Laws the annual remuneration of the non-executive Director be fixed at \$1,036,800.		
7	That Jack A Alli, Sons & Co be and hereby appointed Auditors for the period ending with the conclusion of the next Annual General Meeting.		
8	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-Fourth Annual General Meeting of the Demerara Tobacco Company Limited to be held at the Pegasus Hotel, Seawall Road, Kingston, Georgetown on Tuesday, 24 April 2018.
- 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
12 March 2018	Michael Partab Secretary and Authorised Signatory The Demerara Tobacco Company Limited	



DEMERARA TOBACCO

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