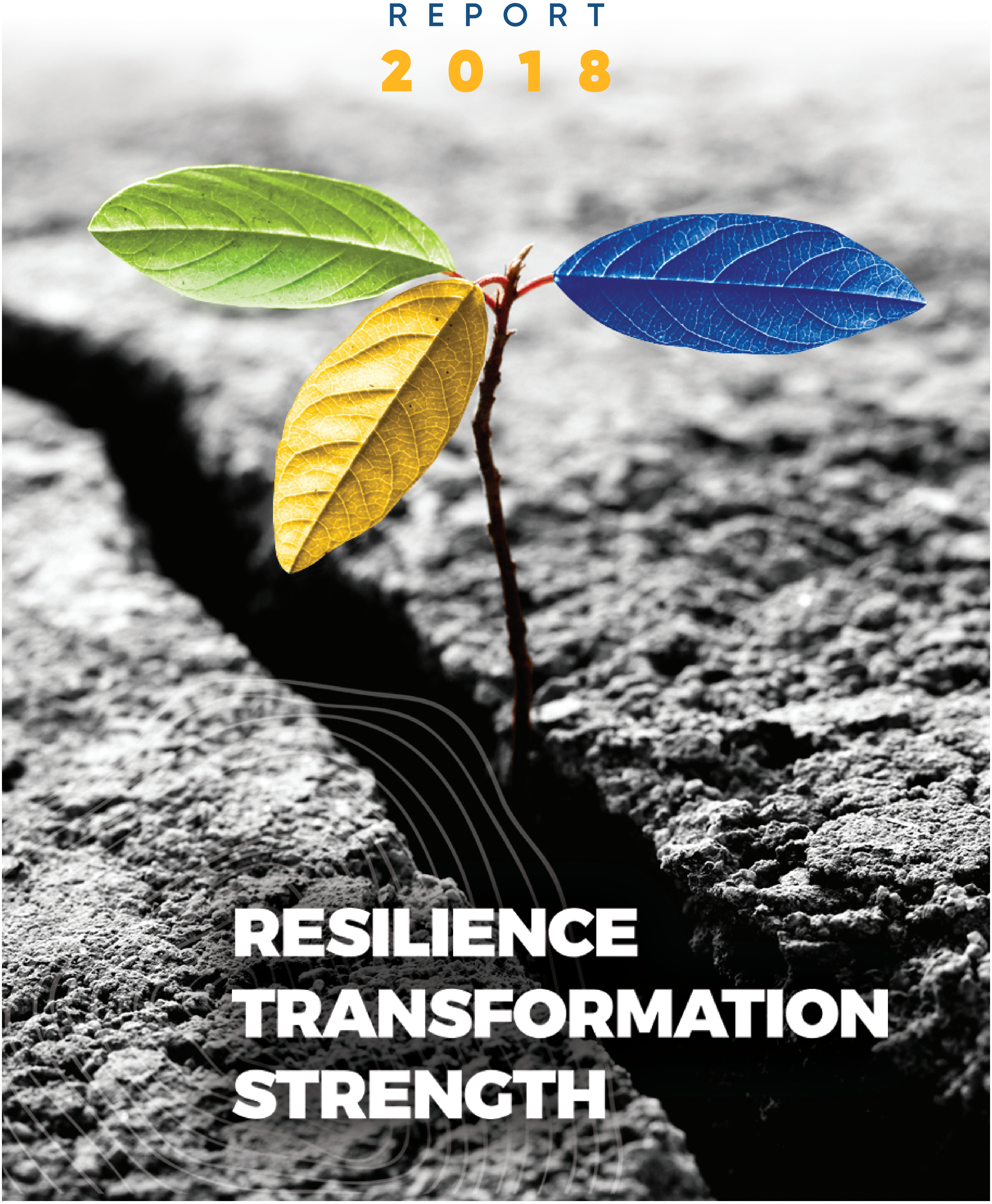
DEMERARA TOBACCO

ANNUAL REPORT 2018



RESILIENCE TRANSFORMATION STRENGTH

DEMERARA TOBACCO

ANNUAL REPORT 2018

RESILIENCE
TRANSFORMATION
STRENGTH

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OUR MISSION

Our vision is to achieve and maintain leadership of the Guyanese Tobacco Industry in order to create long term shareholder value.

Our Strategy

We hold steadfast to the strategy of creating shareholder value, delivering profit growth and long term business sustainability. The four pillars of this strategy are Growth, Productivity, Sustainability and developing a Winning Organisation.

Growth

Demerara Tobacco Company continues to focus on key strategic segments of the market that offer the best prospects for long term growth, including driving our premium segment. We also believe it is important to continue to develop and utilise innovative, differentiated products and offer our consumers added value from our brands.

Productivity

Demerara Tobacco Company's overall approach to productivity is about using our global resources to increase profits and generate funds for reinvesting in our business.

Sustainability

We will continue to balance our commercial objectives with the expectations of a broad range of stakeholders, thus ensuring a sustainable business.

Winning Organisation

We are confident about our strategies for Growth, Productivity and Sustainability, but to deliver our vision we must also have the right people and the right working environment. That is the essence of the Winning Organisation strategy.

BUSINESS PRINCIPLES

Our Business Principles cover the key issues that we believe underpin Corporate Social Responsibility (CSR) for the unique characteristics of a tobacco business. Together, these three principles below 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 to 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.

GUIDING PRINCIPLES

We continue to live the Guiding Principles of Demerara Tobacco Company which form the core of our culture and guide how we deliver our strategy.

Enterprising Spirit

We value the spirit of enterprise from all of our employees, giving us a great breadth of ideas and viewpoints to enhance the way we do business. We have the confidence to passionately pursue growth and new opportunities while accepting the considered entrepreneurial risk that comes with it. We are bold and strive to overcome challenges. This is the cornerstone of our success.

Open Minded

Our corporate culture is a great strength of the business and one of the reasons we have been, and will continue to be, successful. We are forward-looking and anticipate consumer needs, winning with innovative, high-quality products. We listen to, and genuinely consider, other perspectives and changing social expectations. We are open to new ways of doing things.

Freedom Through Responsibility

We give our people the freedom to operate, providing them with the benefits of our scale but the ability to succeed. We always strive to do the right thing, exercising our responsibility to society and other stakeholders. We use our freedom to take decisions and act in the best interest of consumers.

Strength from Diversity

We respect and celebrate each other's differences and enjoy working together. We harness diversity – of our people, cultures, viewpoints, brands, markets and ideas – to strengthen our business. We value what makes each of us unique.

CORPORATE INFORMATION

Chairman
Marcus Steele

Managing Director
Christopher R. Brown

Other Directors
Chandradat Chintamani
Raoul Glynn
Charles Quintin

Secretary
Michael Partab

Registered Office
90 Carmichael Street
South Cummingsburg
Georgetown

Attorney-At-Law
Cameron & Shepherd
2 Avenue of the Republic
Georgetown

Auditors
Jack A Alli, Sons & Co.
Chartered Accountants
145 Crown Street
Queenstown
Georgetown

Bankers
Guyana Bank for Trade & Industry Limited
138 Regent Street
Lacytown
Georgetown

Scotiabank
104 Carmichael Street
North Cummingsburg
Georgetown

Registrar
Trust Company (Guyana) Limited
Lot 11 Lamaha Street
Queenstown
Georgetown

NOTICE OF MEETING

Michael Partab
Company Secretary

Notice is hereby given that the 85TH Annual General Meeting of the Demerara Tobacco Company Limited will be held at the **Pegasus Hotel, Seawall Road, Kingston, Georgetown** on **6 June 2019** 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 2018 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 2018 AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON BE AND ARE HEREBY APPROVED."

3. To consider the declaration of a Final Dividend of $8.94 per share by the Board in addition of the four (4) Interim Dividends totalling $61.43 per share already declared and paid by the board and (if thought fit) pass the following resolution:

"THAT THE FOUR (4) INTERIM DIVIDENDS TOTALLING $61.43 ALREADY PAID BE CONFIRMED, AND THAT A FINAL DIVIDEND OF $8.94 PER SHARE AS RECOMMENDED BY THE BOARD FOR THE YEAR ENDED 31 DECEMBER 2018 BE APPROVED AND PAID TO THOSE SHAREHOLDERS ON THE COMPANY'S SHARE REGISTER AT THE CLOSE OF BUSINESS ON 6 JUNE 2019."

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

"THAT MR. CHRISTOPHER R. BROWN, 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. 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”

5.2 “THAT MR. MARCUS STEELE, 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 GYD$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

M. Partab

Michael Partab (Mr)
Company Secretary

Dated: 04 April 2019

Notes:

1. The Directors have fixed April 4th 2019 as the record date for the determination of Shareholders who are entitled to receive notice of the Annual Meeting. Only Shareholders at the close of business on the record date are therefore entitled to receive the Notice of the Annual Meeting.
2. A Shareholder entitled to attend and vote at the Annual Meeting is entitled to appoint a proxy or one or more alternate proxies to attend and act at the Meeting in the manner and to the extent authorised by the proxy and with the authority conferred by the proxy. A proxy need not be a shareholder. All Proxy Forms should be completed and deposited with the Secretary of the Company at the Registered Office of the Company at least 48 hours before the time appointed for the Annual Meeting.
3. Any Shareholder who is a body corporate, may in lieu of appointing a proxy, authorise an individual by resolution of its Directors or other governing body, to act as its representative at the meeting.

REPORT OF THE DIRECTORS

The Directors have the pleasure in submitting their report for the year ended 31 December 2018.

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	6,426,521
Cost of Sales	(2,716,312)
Gross Profit	3,710,209
Operating Expenses	(844,319)
Other Income	19,020
Profit from Operation	2,884,910
Finance Income	–
Profit Before Taxation	2,884,910
Taxation	(1,238,270)
Profit After Taxation	1,646,640

Cash, Deposits and Capital Expenditure

Cash and Bank Balances as at 31 December 2018 totalled $774 million compared to $406 million at the prior year end, an increase of $368 million.

Operating activities generated cash of $3 billion for the year under review.

Corporation Tax accruing during the year amounted to $1.2 billion. Total Dividends paid amounted to $1.5 billion. Capital Expenditure for the year amounted to $22 million compared to $4 million for the previous year.

Intercompany Loan

The Company did not have any intercompany loan transactions for 2018.

Dividend

In May, August, and November 2018 and April 2019 there were four (4) interim dividend payments totalling $61.43 per share. A final dividend of $8.94 per share is proposed by your Directors making a total payment for the Financial Year 2018 of $70.37 per share.

Directors

In accordance with By-Law 17(5) of the Company's By-Laws, Mrs. Maurlain Kirton resigned from the Board of Directors in July 2018. In light of the casual vacancy caused by the resignation, Mr. Christopher R. Brown was appointed to the Board.

As such, Mr. Christopher R. Brown who was appointed under By-Law 18(7) of the Company's By-Laws as Director of the Company is proposed as a Director.

Mr. Chandradat Chintamani and Mr. Marcus Steele 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 page 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	2014	2015	2016	2017	2018
Balance Sheet Items					
Non - Current Assets	58,834	22,612	40,108	32,419	40,880
Current Assets	1,427,447	1,331,130	1,246,191	1,109,745	1,614,455
Total Assets	1,486,281	1,353,742	1,286,299	1,142,164	1,655,335
Current Liabilities	733,920	765,539	756,762	648,609	1,032,754
Non - Current Liabilities	49,145	–	–	–	–
Net Assets	703,216	588,203	529,537	493,555	622,581
Net Assets per Share	30.05	25.14	22.63	21.09	26.61
Profits and Distribution					
Net Profit before Tax	2,831,720	2,851,375	2,786,972	2,522,270	2,884,910
Taxation	1,207,028	1,244,841	1,226,710	1,105,961	1,238,270
Net Profit after Tax	1,624,692	1,606,534	1,560,262	1,416,309	1,646,640
Statistics					
Ordinary Shares in issue (‘000)	23,400	23,400	23,400	23,400	23,400
Earning per share	69.43	68.66	66.68	60.53	70.37
Dividends paid per share	72.29	70.82	69.30	62.71	65.49

FINANCIAL CALENDAR

ANNUAL MEETING	06 June 2019
REPORTS:	
Interim Report for six months to 30.06.2019	July 2019
DIVIDENDS:	
Final 2018	April, 2019
First Interim 2019	June, 2018
Second Interim 2019	July, 2019
Third Interim 2019	October, 2019
Fourth Interim 2019	March, 2020
Final 2019	April, 2020

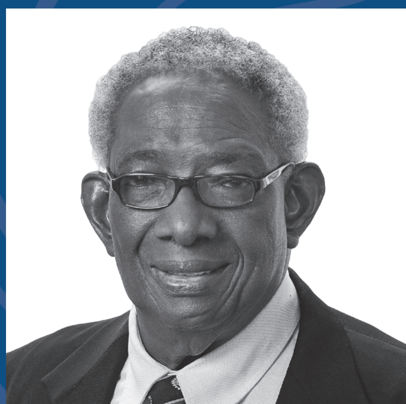
BOARD OF DIRECTORS

Christopher R. Brown
Managing Director

Raoul Glynn
Director

Marcus Steele
Chairman

Chandradat Chintamani
Director



Charles Quintin
Director

Bios

Marcus Steele

Chairman

Position: Managing Director of Carreras Limited since March 2013; appointed to the Board of Directors since October 2007.

Other Appointments: Director of Proven Wealth Transition Limited and Non-Executive Director at Peak Bottling Company Limited; Chairman of the Board of Directors of Demerara Tobacco Company since February 2018.

Skills & Experience: Mr. Steele first joined Carreras Group Limited in the Company's Tobacco division, Cigarette Company of Jamaica Limited, in the capacity of Management Accountant in April 1998. In June 1999, he was promoted to Finance Planning Manager and Marketing Finance Manager in June 2001. In May 2002, he was appointed Finance Planning Manager with overall responsibility for Management of Marketing and Operations Finance. In March 2004, Mr. Steele was seconded to British American Tobacco (BAT) Caribbean and Central America's Area Office in Costa Rica as the Country Readiness Manager for the Caribbean with responsibility for leading the migration of the Caribbean legal entities into the regional shared service centre. In July 2005, he was appointed Finance Planning and Reporting Manager for BAT's operations in the Caribbean and Central America where he focused on financial reporting, strategy and planning. Mr. Marcus Steele was then appointed to the Board of Directors of Carreras Limited on October 1, 2007 and served as Finance Director and Company Secretary up until August 2011 when he was seconded to the Trinidad branch of another BAT Company, Carisma Marketing Services Limited, in the position of Country Manager with responsibility for the general management of the Company's businesses across 24 markets in the English, French and Dutch Caribbean.

Qualifications: Graduate of St. Jago High School. Chartered Accountant; B.Sc. Accounting, University of the West Indies; MBA, Florida International University. Executive Programme in General Management, Harvard Business School.

Christopher R. Brown

Managing Director

Position: Managing Director, Demerara Tobacco Company. Most recently, he served as the Head of Legal and External Affairs for BAT Caribbean which comprises 21 countries in the English, Dutch and French speaking Caribbean. In that role Christopher had responsibility for leading the regulatory, excise and anti-illicit trade agenda of the company in these countries.

Skills & Experience: Previously, Christopher served as the Corporate and Regulatory Affairs Manager at Carreras Limited, the Jamaican subsidiary of BAT, where he joined the company in July 2009. Christopher also served within the BAT Caribbean business unit, as the Area Manager for Cayman Islands, where he had the responsibility of managing and driving sales, trade, brand marketing, and commercial operations for the company. He has also had the distinction of serving as the acting Company Secretary of the Carreras Board of Directors. Prior to joining Carreras, he had more than nine (9) years' experience at the senior management levels within the Government of Jamaica. He has worked as an Advisor to the Minister of National Security in relation to its international obligations with such bodies as the United Nations, and CARICOM. Christopher has also held the position of Policy Director for Electoral and Parliamentary Affairs in Jamaica between 1998 and 2011. He has done research for the CARICOM Secretariat and was a Tutor in the Department of Government at the University of the West Indies, Mona for more than 8 years. He has also had the privilege of serving as Chairman of the Board of Directors for Jamaica's National Horse Racing Company, Caymanas Track Limited, which is the largest race track entity in the English-speaking Caribbean. He was the youngest Chairman ever to be appointed to that post by any Jamaican government. He has also served as the Chairman of the Cumberland High School in Jamaica and sat as director on several other State Boards in Jamaica. Christopher is a graduate of Calabar High School in Jamaica.

Qualifications: Master of Philosophy Degree in International Relations from the University of the West Indies, St. Augustine. He also holds a post graduate Diploma, with distinction, from the Institute of International Relations in Trinidad and Tobago, as well as Bachelor of Science Degree in Management and Economics from the University of the West Indies, Mona.

Raoul Glynn

Director

Position: Country Manager, Carisma Marketing Services, management support for 21 markets of the English, French and Dutch speaking Caribbean. Responsible for the largest volume base of the entire Caribbean for the British American Tobacco Group; appointed to the board of directors of Demerara Tobacco Company since February 2017.

Skills & Experience: Raoul joined BAT's entity in Trinidad, West Indian Tobacco Company in September 2002 in the role of Trade Marketing Executive focused on the capital region – Port of Spain. In January 2004 he was seconded to the Carisma Marketing Services unit in the superior role of Area Management focusing primarily on the English speaking Caribbean markets – significant focus on Barbados and Bahamas in this role. In April 2006, following the success in the islands, he was seconded to Guyana, and promoted into the role of Trade Marketing and Distribution Manager for Demerara Tobacco Company delivering strong marketing agenda with the launch of Pall Mall, which is now the biggest brand in DTC's history. Following a stint in the same position in Trinidad, he was seconded to the Carreras Group in the role of Head of Trade in Jamaica in August 2009. Chief amongst his achievements in this position was the return to positive volume performance in the market following years of decline. In February 2012, Raoul was promoted to the role of Marketing Operations Manager of British American Tobacco Pars in the Islamic Republic of Iran leading the marketing function in the launch of strategic portfolio in a key T40 market for the Group. Following a short stint in the Middle East Area in Dubai, in February 2014, Raoul assumed the role of Business Development Manager in Costa Rica with responsibility for the Trade Marketing Distribution and Activation portfolio for the BAT Group for the area of Central America and the Caribbean, leading a strong efficiencies agenda in the region.

Qualification: Bachelor's Degree from the University of the West Indies, St. Augustine Campus.

Chandradat Chintamani

Director

Position: Senior Vice President, Laparkan Holdings Limited – with responsibilities for the operations in Guyana – freight (air and ocean), money transfer, office services, departmental store etc. He was appointed to this position in September 2016.

Skills & Experience: Non-Executive Director of the Guyana National Industrial Corporation from September 2016. Appointed to the Management Committee of Shipping Association of Guyana. Prior to this, Chandradat was the Operations Director of Demerara Distillers Limited and subsequently Executive Director Demerara Shipping Company Limited for a combined period of 5 years. From 2000 to 2011 he held the following positions at Demerara Tobacco: Finance Manager/Company Secretary, Territory Manager as well as Managing Director over the period and was also responsible for the finance functions of Suriname. Prior to 2000 he worked with the Massy Group as well as with the Amazon Group of Companies. From 2008 to 2010, he was elected the President of the Georgetown Chamber of Commerce, the oldest private sector organisation of Guyana. During the period he was also the Secretary of the Private Sector Commission as well as a member of the Guyana Manufacturing and Service Association Board. In the year 2012-2013 he served as Vice President of the Institute of Charter Accountants of Guyana.

Qualifications: Chandradat is a Certified Accountant by profession (FCCA).

Charles Quintin

Director

Position: Non-Executive Director, Demerara Tobacco Company.

Skills & Experience: From 1976 to the present, Charles has held Directorships in a number of Companies. He has been Chairman of Demerara Tobacco Co. Ltd., Guyana Mortgage Finance Bank, Guyana Co-op Insurance Company, Deputy Chairman GNCB Bank, Hand In Hand Trust Co. and St. Joseph Mercy Hospital. He was also member of HIH Fire & Life Insurance Companies, Seals & Packaging Industries, Sterling Products, Laparkan Holdings Ltd., Ansa McAl Guyana, GNIC, and the Catholic Standard.

Charles Quintin has also served in several service organisations. He holds the status of Senator in JCI International and Past President of the Jaycees of Guyana. He is a Past President of The Rotary Club of Georgetown and is very active in the Church. He was the leader of the Catholic Family and Life Commission and with his wife Yvonne, led the World Wide Marriage Encounter Movement in Guyana. Charles and Yvonne got married in December 1961. The lifetime union produced five children, four boys and one girl, who are all married and live out of Guyana, and they are the proud grandparents of 13.

Qualifications: Charles was trained as an Engineering Craftsman and received Business, Management and Finance Training from JL Kellogg Grad. School of Management, Northwestern University, USA and London Business School and Brimley, UK. He has also received formal training from BAT in the following areas: Finance, Production Management, Marketing, HR, IR and Business Development.

CHAIRMAN'S REVIEW

Marcus Steele

Dear Shareholders

Against the backdrop of a transitioning regulatory environment, your company achieved solid profit results during 2018, the year under review. The Guyanese economy as well as the illegal cigarette trade, coupled with the Tobacco Act of 2017, the new Tax Stamp regime, the highly anticipated excise changes as well as labelling and packaging guidelines effective by February 2019 resulted in significant challenges for Demerara Tobacco Company. However, through strategic execution, the Company continued to demonstrate an enviable ability to adapt and take on challenges in a strong and decisive manner.

The Economy

The Guyanese economy, based largely on agriculture and extractive industries, experienced some growth in 2018. According to Moody's Analytics, the effects of the closure and consolidation of several sugar estates in 2017, leading to a decline in sugar production to less than 50% of 2017 volumes, was offset by the very strong performance of gold and the discovery of more than an estimated 3.2 billion barrels of oil, as discovered and published by Exxon Mobil.

Of note too, the demographics of the visiting population into Guyana changed to one where different nationalities have been frequenting the country to engage in commerce, while also preparing to support the expansion of the local petroleum industry.

There is much hope that the Guyanese economy will rebound in the near future as from March 2020 petroleum production will begin.

Financial Results

Your Company recorded Profit before tax of GY$ 2.9Bn which represents a significant 14.4% increase over the prior year, and the highest growth in profits for the Company in five years. These exceptional results can be credited to solid and transformative leadership, a high performing and motivated team, stringent and superior internal cost-base management, and the strengthening of key business partnerships, with a strong focus on increased efficiencies. Within all of this, a significant reduction of 14.8% in overheads and noticeable financial gains in our volumes also contributed to the good profit outcome. It is clear that the initiatives targeting improved performance and focus resulted in overall gains for the business.

Your Company's commitment to building superior shareholder value was demonstrated by a 16.3% growth in earnings per share over the prior year.

Throughout the year, our brands remained strong and we were able to secure additional volumes and contestable space. Our moderate pricing strategy contributed to a 4.5% increase in sales, year over year, backed by volume sustainability. The robust implementation and enforcement of the tax stamp project instituted by the Guyana Revenue Authority (GRA) and Customs, Excise and Trade Operations (CE&TO) allowed for fairer competition among industry players locally. The GRA launched the application of special excise stamps on imported alcohol (excluding beer) and tobacco products with a special barcode feature to allow enforcement officials to immediately determine whether taxes have been paid. This measure has certainly gone a far way towards ensuring a level playing field across the industry, and the GRA and its management must be commended for their commitment towards ensuring equity and dealing with the increasing illicit trading in cigarettes. Closer to the end of year, there was another development within the industry, in the change of the excise structure which was announced by the government in November 2018. This too, no doubt, redounded to an even more level playing field across the industry. We will continue to work closely with the authorities, because as a responsible business, and a major contributor to government revenues through taxes, we will always adhere to, and support, good corporate governance, and best practices in the management of the local tobacco industry.

Illicit Trade

The illicit trade in cigarettes continued to be an increasing challenge to the legal tobacco industry, revenue collection for the state, and the law enforcement operators in Guyana. The struggle is to prevent smuggling, tax duty and excise evasion and the introduction of cigarettes into the local industry that do not comply with the labelling and packaging requirements of Guyana. These cigarettes do not pay what is due to the nation in the form of excise and duties.

We fully support regulators, government and international organisations such as the World Customs Organization, the World Trade Organization, World Health Organization and European Union in seeking to eliminate all forms of illicit tobacco trade, strengthening border controls and enacting laws to fight the black market. Again, we are encouraged by the steps taken by the GRA to address these issues, and we anticipate the continued execution of an even more robust strategy of enforcement in this regard.

Human Resources

Your Company is strong because of its people. We have an unwavering focus on our Human Resources and have invested in the development of our talent throughout the entire organisation as we sought to improve staff competencies. Our Team at Demerara

Tobacco, continues to be a high performing team, exhibiting the required management and operational skills, that have allowed and will continue to enable your Company to successfully chart the new regulatory environment, and to deliver increasing shareholder value, in a responsible manner.

Our Partners

In closing, as your Chairman, I would like to acknowledge the persons and entities who have worked assiduously to achieve this year's results including, our Directors, the Management and Staff at Demerara Tobacco, our key partners, and our long-standing distributor. The truth is, Edward B. Beharry & Company Ltd. continues to be a treasured and valued business partner – a critical cornerstone in our continuing resilience as a Company. It is with regret that we note the passing of Mr. Inderjeet Beharry, a faithful friend of Demerara Tobacco for many years. His unrivalled work ethic made him the standard-bearer for Edward B. Beharry & Company Ltd. We extend condolences to his family and friends.

Board and Management Changes

During the year, the Board appointed Christopher R. Brown as the Company's new Managing Director. Since his appointment, Christopher has demonstrated a clear ability to identify the challenges we face, lead the necessary responses and motivate the Team, to create wins for your Company. We thank him and his management team, and indeed the entire staff, for their fine contribution during the year under review. Equally, I would also like to place on record our thanks to Maurlain Kirton who served as Managing Director for four years, from 2014 - 2018. We thank her for her commitment, dedication and service, and we wish her every success in her new role in the wider BAT Caribbean.

The Future

We look to the future with confidence. Despite political uncertainty, wider economic intelligence forecasts strong growth. We will continue to build on our momentum as we support regulators, the government and international organisations in the establishment of workable tax regimes and economic policies which attack the illicit trade.

Amid changing consumer patterns and with affordability being a key factor across all sectors and the new tobacco control environment, I am confident that the Company is well organised and resourced to successfully meet the growing demands and future challenges.

Thank you also to our valued partners and loyal consumers. Your commitment and dedication have demonstrated that you are ready and willing to go above and beyond with us, and we are indeed grateful.

Finally, I thank you, the shareholders for your support and loyalty and the staff for their hard work and commitment to Demerara Tobacco.

Marcus Steele
Chairman

MANAGING DIRECTOR'S REVIEW

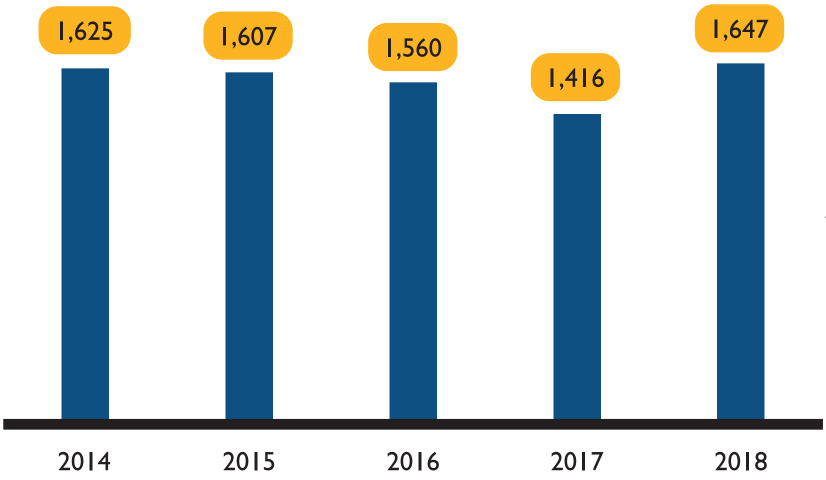
Christopher Brown

Dear Valued Shareholders

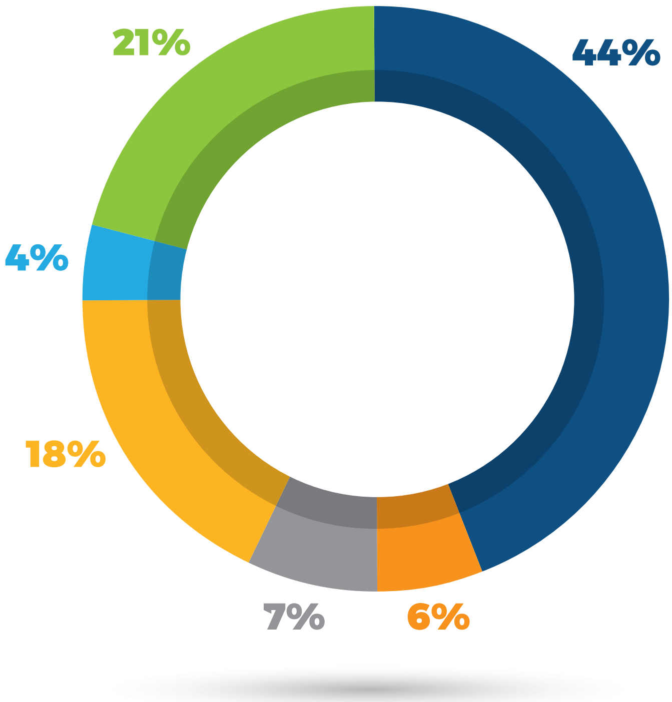
I am honoured to report excellent results for the year ended 31 December, 2018, for this, my first annual review, since assuming office in July 2018.

Company Performance

The year 2018 recorded the highest profit growth before tax in 5 years, 14.4% above prior year. This outstanding growth was delivered based on a robust and well positioned brand portfolio, volume stabilisation and strategically managing the business in keeping with the new tax stamp regime instituted by the Guyana Revenue Authorities, and quickly repositioning the Company to respond to the new regulatory environment. In the context of the trend in the tobacco industry where contraction in sales volume is common, growth in 2018 is even more commendable. For the financial year, it should also be noted that the Company paid over GY$3Bn in taxes, representing a 44% distribution of gross income.



5-year profit trend



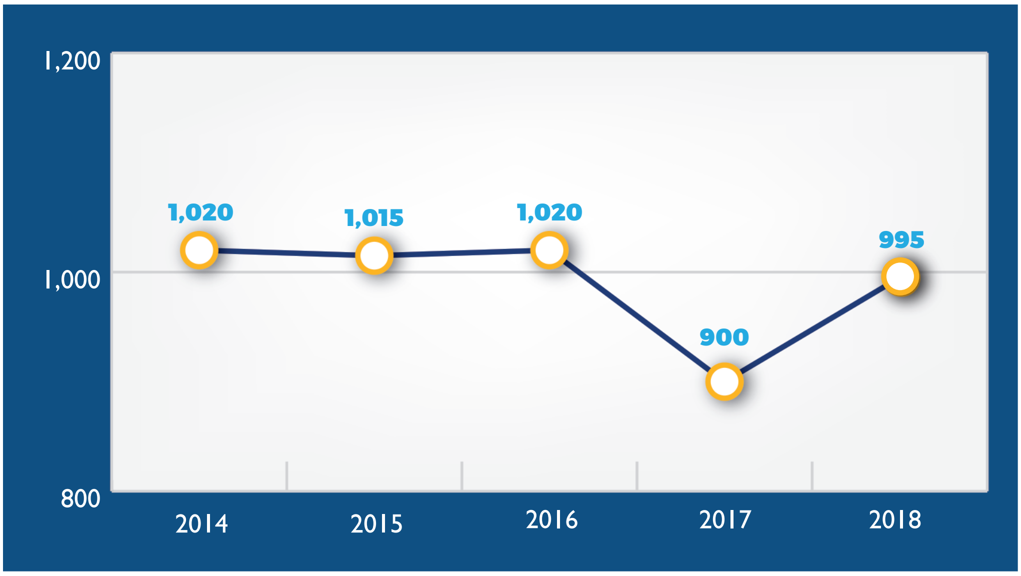
Gross Income Distribution for 2018

- Taxation
- Royalties
- Administrative Costs
- Variable Costs
- Marketing Costs
- Dividend

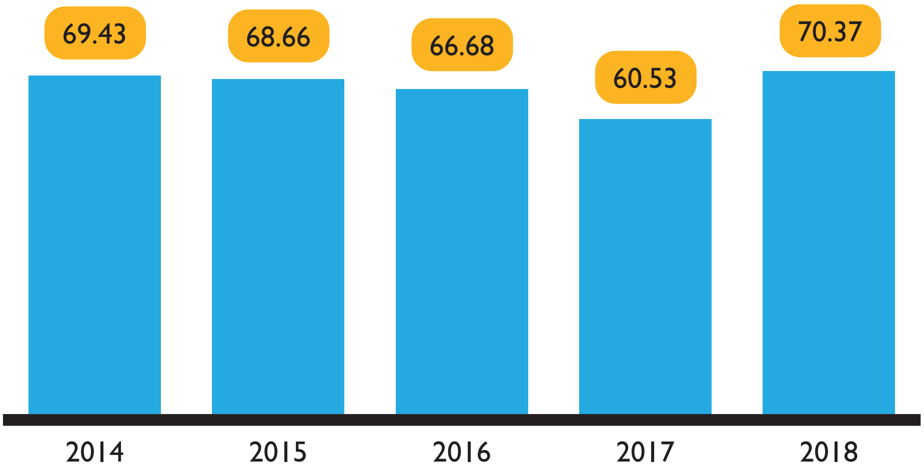
Increasing Shareholder Value

During the year, we maintained our tradition of delivering superior value to our shareholders, paying considerable dividends of GY$1.5Bn in 2018. During this period, the Company's share price showed impressive recovery, increasing by 11.3% to GY$995 after a decline to GY$900 in 2017. Again, this increase indicated the robust management of the various challenges that faced the Company throughout the year, while taking advantage and quickly capitalising on the opportunities which emerged.

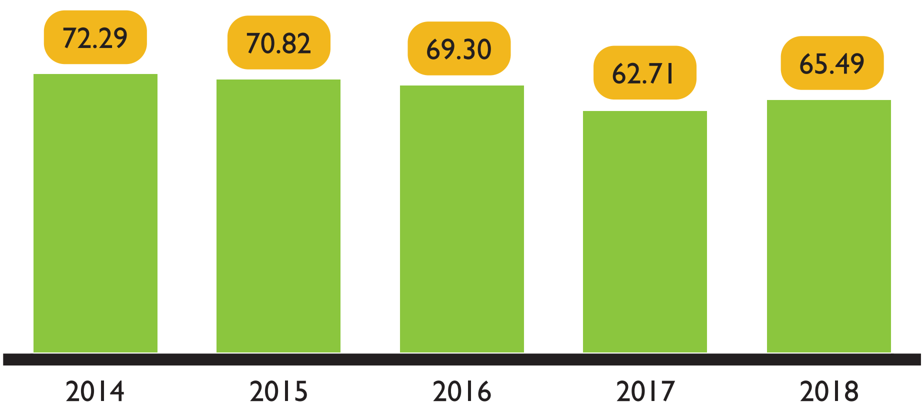
In 2018, sales grew by 4.5%, from GY$6.1Bn in 2017 to GY$6.4Bn in 2018, resulting mainly from our consumers appreciating and choosing our brands, versus the illicit competition. Despite the fact of an increasing presence of the illicit trade, the Company was able to maintain volume stability relative to 2017.



5-year share price trend



5-year earnings per share trend



5-year dividend per share trend

Successful Innovation Launch and Strong Brands

We were also pleased that two (2) of our major brands, the local beauty, Bristol, and Pall Mall, the value for money offer, benefitted from our ongoing global initiatives, which delivered value-added changes in the form of a new hinge lid package for Bristol and a more modern package for Pall Mall. In 2018 too, innovation also came to the Pall Mall brand in the form of Pall Mall Click On. This product allowed consumers to change from the regular flavour of Pall Mall to a new menthol experience with a Click. We are pleased to report that the product launch was a tremendous success, and was well received by both Retail Trade and the Consumer. Again, the marketing team must be commended for the excellence in execution, and the strong trade marketing skills and competencies displayed in ensuring that this new product launch was a success. Dunhill, our premium product in the market, continued to perform solidly, maintaining and delivering its high levels of satisfaction to its growing consumer base.

A New Local Regulatory and Operating Environment

During the year, we focussed on the implementation of the various regulatory measures introduced by the Guyanese Government, successfully demonstrating the Company's strength, resilience and stability. Right across the company, throughout the retail trade, and in our relationships with the key business stakeholders (distributor and consumers), the focus was on executing a compliance agenda to quickly and effectively adjust our operations to comply with the new regulatory requirements. We thank and commend the Ministry of Public Health and the various experts in the Ministry for their willingness to make themselves available for discussions important to the many policy decisions which were taken during the year. The process proved that dialogue and communication together remain an indispensable part of successful change.

As a quick reminder, at both the legislative and regulatory levels, there was increased regulation of our commercial activities, beginning at the end of 2017. The Government first passed the Tobacco Act 2017 which introduced measures to restrict the way commercial activities of tobacco are conducted. Almost simultaneously, the Guyana Revenue Authority (GRA) and Customs, Excise and Trade Operations (CE&TO) launched the application of excise stamps on imported alcohol (excluding beer), and tobacco products. With these two (2) measures, the local industry environment was significantly transformed. The management and team, had to quickly develop and execute a strategic programme of activities aimed at the business complying with these measures, as well as transforming the operational model to successfully do so.

Tobacco Control Act December 2017 – Ban Implementation

- Ban on 10s/Sticks
- Ban on Display
- Ban of Sponsorship
- Ban on Trade Promotions
- Graphic Health Warnings

Later on, in November 2018, the government announced another measure which added to the changing local operating environment. The Minister of Finance in his annual budget presentation announced a change in the excise structure for tobacco products changing from an Ad valorem base to a Single Specific. In announcing the change, the government indicated that the principal driver was to systematically seek to tackle the illicit trade in cigarettes by clamping down on smuggling and tax evasion. The Company welcomes any move which is geared at addressing the increasing presence of illicitly traded cigarette products in the country, which only serves to undermine its revenues, compromise its health policies and challenge the rule of law. We have always advocated for fair competition, responsible business practices, and as a major contributor to government revenues through taxes, we believe in equity and a level playing field across the industry.

Future Outlook

The economic forecast for Guyana suggests brighter prospects for the country and for Demerara Tobacco Company as with the prospect of oil production in 2020 we anticipate improvements in the purchasing power of our consumers which should lead to increasing opportunities for business sustainability and growth. On the other hand, we will have to continue to comply with the new regulatory environment while transforming the operations of both the internal and external industry stakeholders to develop, execute and sustain a strategy whereby we continue this path of renewed growth. I am confident that we have the management capabilities – the required competencies and skill sets among the wider team, the right local business partnerships, and the ever-resilient brands and robust portfolio, to ensure that we continue to deliver increasing shareholder value, and sustain the long-term viability of the business.

I am indeed delighted to be leading the Demerara Tobacco Team into 2019 and I wish to take this opportunity to thank the Chairman and Board of Directors for their confidence in appointing me to the helm of the Company as well as for their continued wise counsel and steadfast direction since July 2018. I also wish to thank our distributor and business partner, E.B. Beharry for their unwavering commitment to our brands and business. We value your support. To our talented, hardworking employees, thank you for your technical prowess and critical thinking. You continue to generate value for our shareholders.

And thank you, to you our valued shareholders, for your continued confidence in our management and stewardship of your investment.

Christopher R. Brown
Managing Director

OUR TEAM

Christopher R. Brown
Managing Director

Navindra Harjohn
Area Manager

Yasoda Babulall
Area Manager

Michael Partab
Finance Controller & Company Secretary

Solange Pertab
Executive Assistant

Tracyann Seaforth
Marketing Deployment Executive

We, the employees of Demerara Tobacco Company Limited, commit to sustaining our market leadership by offering Superior Quality Products to our consumers, Superior Value to our shareholders and as an active and responsible Company, create a sense of pride in each and every Guyanese.

YEAR IN REVIEW

REPORT TO THE SHAREHOLDERS

The Demerara Tobacco Company Limited has entered into a new world – one of both stricter regulations and fresh opportunities. To properly adhere to the former and make the most of the latter we must be resilient and transform our business in order to continue to maximise our strengths as a results-oriented organisation. 2018 was one of our most challenging years but it was also filled with opportunities. Through our outlook, way of working, people and enterprising spirit we were able to continue to deliver superior results, thereby increasing shareholder value.

The Trade Environment

The Tobacco Control Act 2017, coupled with the launch of excise stamps on a range of products, including tobacco, created a situation which required the development and execution of a strategic programme of activities aimed at complying with these measures, as well as adjusting the operational model.

The Tobacco Control legislation included changes in the following areas:

- Ban on 10s/Sticks
- Ban on Display
- Ban of Sponsorship
- Ban on Trade Promotions
- Graphic Health Warnings Implementation

The excise stamps which were introduced to combat illicit trade in 2018 further added to the complexity of the operating environment. The Trade Marketing and Distribution team (TM&D) expertly navigated this environment. The team was well informed about all Tobacco Control elements, through a cross-functional framework which included Legal and External Affairs. The full Demerara Tobacco team, in response to requests from our business partners, visited retailers throughout the country and provided, as support tools, collateral material which outlined some of the key measures in the new legislation.

The team was equipped with the appropriate facts and strategies in order to ensure effective operations and overall business sustainability.

Volume Stability

The year 2018 recorded an increase in sales of 4.5%, from GY$6.1 Billion in 2017 to GY$6.4 Billion in 2018. This was due to the loyalty and appreciation customers showed to our brands as well as the high performing culture embedded within our Team. Relative to the first quarter of the prior year, our Dunhill, Bristol and Pall Mall brands all posted increased sales volumes, contributing to the growth during the period under review.

The TM&D Team not only achieved growth, but was able to avoid any product write-offs, thus delivering a commendable performance. This was realised through constant communication with our distributor, the solid support of our trade and sales teams, loyalty of our retailers, and a robust and efficient supply chain and logistics network. This approach of involvement and alignment led to a seamless transition to the tax stamp system.

Responsible and Responsive Marketing

At Demerara Tobacco, we have always fully supported laws and regulations prohibiting the sale of our products to anyone under the legal minimum age of 18, as we believe our products are only suitable to adults who have taken the decision to consume our products.

Further, as a leading importer of tobacco products in Guyana, Demerara Tobacco recognises its responsibility to set an example by strict adherence to the Tobacco Control Act 2017 and the 2018 Regulations as well as our own internal policies. These helped to ensure that our products are only sold to adult, informed consumers.

Our approach entailed:

- Working directly with retailers to uphold minimum age laws and our own internal standards
- Supporting the distributor in providing training and point-of-sale materials for use by retailers to help uphold the minimum age laws.

In 2018, the Company held several sensitisations with its stakeholders in this regard, specifically our distributor. This is evidence of our resilience and our desire to ensure not only our compliance, but the compliance of our business partners.

The Company, along with its valued business partners, have shown great ability to adapt and pursue innovation within the confines of the law. The resilience and strength demonstrated in 2018 affirmed that if we continue to stay the course, Demerara Tobacco Company, its distributor E. B. Beharry & Company and its retailers will continue to surpass expectations, as we did in 2018.

Our Brands

Resilient products that meet consumer preferences and the changing landscape in Guyana continue to test the strength of our brands, and our brands continued to score high marks with retailers and consumers. Relevant and effective strategies combined with a customer-centric approach ensured that we remained top of mind with our consumers.

In 2018, we ensured that the brand portfolio was a strategic mix which allowed the Company to benefit from being able to provide a product offering in each consumer segment in the market. To address our current realities, updates were required. We were pleased that innovation was successfully

introduced to our brand portfolio in 2018, and we are committed to continue providing the excellent quality to which our loyal retailers and adult consumers have become accustomed.

Resilience and Responsibility

Responsibility is integral to everything we do and is especially important to a business such as ours because of the nature of our products. Our determination to act responsibly spans the whole business – from our commitment to addressing the issues of child labour, to looking at how we can reduce the effects of our products and lessen our environmental impact.

Our Business Principles and our Standards of Business Conduct set out what we require of the Company and our employees in terms of responsible corporate behaviour and personal integrity. We support regulation that maintains a balance between consumer preferences and the interest of society, enabling our business, a legal entity, to continue to compete commercially. We understand the concerns about our products and are working hard to conduct our business responsibly, in an industry seen by many as controversial.

Our Human Resources

The successful implementation of Demerara Tobacco's strategies in a challenging and constantly changing environment continues to depend on the Company's ability to retain, motivate, develop, and attract employees with the right skills and experience. During the year, we made every effort to enrich our exceptional cadre of employees and vertically align the company's human resource with initiatives and activities vital to effective execution which delivered superior shareholder value.

Training & Development

In order to be an even more effective Company in 2018, we sought to develop the human resource capabilities not only through traditional training methods but also by using fun activities which enhanced learning and improved creativity, knowledge and life skills. We invested in our employees throughout the entire organisation, successfully increasing our congruence with the needs of the market, the direction of senior management and the Company's business functions. Through a series of activities, facilitated by our HR Partner, we focused on self-learning, cohesiveness, branding, creativity and recognition, in order to increase performance, synergy, flexibility and innovation.

Training & Development *continued*

Training in which the local leadership team and the Trade Marketing team participated was designed to measure the employee's performance in the context of being self-directed, working in a matrix organisation, communication, team awareness, planning, prioritisation and teamwork exercises. The general participation included information sharing and learning from each other, regardless of status, position, style and views. Team members expressed themselves freely and introspected on their leadership style, focusing on how to manage and work effectively with each other.

Training also took the form of providing information to the team which should lead to improved life choices and outcomes. One such example was the National Insurance Scheme talk, which outlined the benefits, payment system and medical process associated with the scheme.

Building Cohesiveness and Life Skills

An activity which traditionally builds cohesiveness in the Company is our Strategic Leadership Agenda (SLA). The 2018 SLA was an eventful four days of hard work, full excitement, fun and great learnings.

A caravan was held as part of the SLA and the teams visited marketing locations in Guyana, reaching out to the trade, educating them about the new legislation and our products, including providing information on capsule technology (the innovation) introduced in the Pall Mall range of products.

Celebrating Diversity

Celebrating diversity is in keeping with our Guiding Principles which have always included a statement on diversity and its importance in our organisational ethos and practice.

Culture Day

During Culture Day, employees depicted cultural differences in the form of dress and tested their knowledge of our culture through a quiz.

Easter Celebration and Our Team

The celebration of Easter demonstrated the creativity of employees as they participated in kite making and treasure hunts designed to build team spirit and healthy competitiveness.

INDEPENDENT AUDITORS' REPORT

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 2018, 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 36 to 52.

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 2018 and of its financial performance and its cash flows for the year 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 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 $367 million. These related amounts are material to the financial statements and therefore considered a 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.

Tax obligations arising on related party transactions	How our audit addressed the key audit matter
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.	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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report but does not include the financial statements and our auditors' report thereon. The Company's 2018 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 is Khalil Alli.

JACK A. ALLI, SONS & CO.
145 Crown Street, Queenstown
Georgetown, Guyana
04 April 2019

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2018

Thousands of Guyana Dollars	Note	2018	2017
ASSETS			
Non-current assets			
Plant and equipment	3	33,494	19,031
Deferred taxation	5	7,386	13,388
		40,880	32,419
Current assets			
Inventories	6	109,204	114,240
Accounts receivable and prepayments	7	429,760	350,761
Amounts due from related parties	8	102,234	39,285
Taxation		199,092	199,157
Cash and cash equivalents	9	774,165	406,302
		1,614,455	1,109,745
TOTAL ASSETS		1,655,335	1,142,164
EQUITY AND LIABILITIES			
Equity			
Share capital	10	23,400	23,400
Retained earnings		599,181	470,155
		622,581	493,555
Current liabilities			
Accounts payable and accruals	11	548,764	412,580
Amounts due to related parties	8	273,879	143,870
Taxation		178,113	49,384
Provision for other liabilities	12	31,998	42,775
		1,032,754	648,609
TOTAL EQUITY AND LIABILITIES		1,655,335	1,142,164

The notes on pages 36 to 52 form an integral part of these financial statements. The Board of Directors approved these financial statements for issue on 04 April 2019.

DIRECTORS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

Thousands of Guyana Dollars	**Note**	**2018**	**2017**
Sales		6,426,521	6,147,457
Cost of sales	**13**	(2,716,312)	(2,638,821)
Gross profit		3,710,209	3,508,636
Distribution and marketing costs	**13**	(298,551)	(336,924)
Administrative expenses	**13**	(545,768)	(654,630)
Other income		19,020	5,070
Profit from operations		2,884,910	2,522,152
Finance income		0	118
Profit before taxation		2,884,910	2,522,270
Taxation	**16**	(1,238,270)	(1,105,961)
Profit for the year		1,646,640	1,416,309
Earnings per share	**17**	70.37 Dollars	60.53 Dollars

The notes on pages 36 to 52 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Thousands of Guyana Dollars	Note	Share Capital	Retained Earnings	Total
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
Year ended 31 December 2018				
As at beginning of year		23,400	470,155	493,555
Profit for the year		0	1,646,640	1,646,640
Dividends paid	18	0	(1,532,466)	(1,532,466)
Forfeiture of unclaimed dividends	18	0	14,852	14,852
As at end of year		23,400	599,181	622,581

The notes on pages 36 to 52 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

Thousands of Guyana Dollars	Note	2018	2017
OPERATING ACTIVITIES			
Profit before taxation		2,884,910	2,522,270
Adjusted for:			
Depreciation		7,700	8,348
Gain on disposal of plant and equipment		(4,128)	0
Impairment of plant and equipment		0	3,783
Interest received		0	(118)
Net movement in provision for other liabilities		(10,777)	17,675
Operating profit before changes in working capital		2,877,715	2,551,958
Decrease / (increase) in inventories		5,036	(21,956)
(Increase) / decrease in accounts receivable and prepayments		(78,999)	190,291
Increase / (decrease) in net amount due to related parties		67,060	(119,939)
Increase / (decrease) in accounts payable and accruals		136,184	(18,188)
Cash generated from operations		3,006,986	2,582,166
Taxes paid		(1,103,474)	(1,237,444)
Net Cash Inflow – Operating Activities		1,903,512	1,344,722
INVESTING ACTIVITIES			
Acquisition of plant and equipment		(22,163)	(4,193)
Proceeds from sale of plant and equipment		4,128	0
Interest received		0	118
Net Cash Outflow – Investing Activities		(18,035)	(4,075)
FINANCING ACTIVITIES			
Dividends paid	18	(1,532,466)	(1,467,414)
Forfeiture of unclaimed dividends	18	14,852	15,123
Net Cash Outflow – Financing Activities		(1,517,614)	(1,452,291)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		367,863	(111,644)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR		406,302	517,946
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	9	774,165	406,302

The notes on pages 36 to 52 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

Thousands of Guyana Dollars

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 Company's financial statements are presented to satisfy the requirements of the Companies Act 1991.

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

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 2	Amendment – Accounting for cash and equity settled awards
IAS 28	Amendment – Application of IFRS 9 to interests in associates and joint ventures
IAS 40	Amendment – Transfers of assets to or from investment properties
IFRIC 22	Foreign currency transactions and advance consideration

Annual improvements cycle (2014 - 2016):
- IFRS 1 Removal of short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10
- IAS 28 Use of election to measure investments in associates or joint ventures at fair value through profit and loss

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of Preparation *(continued)*

Of these pronouncements, those with an impact on the Company's financial reporting are described below.

IFRS 9 – Financial Instruments

This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities, as well as an expected credit loss model that replaces the current incurred loss impairment model.

IFRS 9 has three classification categories for financial assets: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification under IFRS 9 for debt instruments is based on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest. An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity. That is, an entity's business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

IFRS 9 introduces a new model for the recognition of impairment losses applicable to financial assets measured at amortised cost - the expected credit losses (ECL) model. The ECL model constitutes a change from the provisions of IAS 39. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Company has chosen to apply the simplified approach to determining impairment of receivables, which requires expected lifetime losses to be recognised from initial recognition of the asset. In applying this approach, the Company considered its history of no credit losses over the past five years. Even with a history of no credit losses, IFRS 9 requires consideration of the possibility that a credit loss can occur and as such, the Company has chosen to apply a provision matrix with a minimum provision of 0.05 percent of amounts due from receivables which are considered to be highly recoverable. An impairment expense of $259 was recorded.

In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated. On transition to IFRS 9, the impact arising from impairment of receivables was not considered to be material and therefore no adjustment was made.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

Thousands of Guyana Dollars

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of Preparation *(continued)*

IFRS 15 – Revenue from Contracts with Customers

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. IFRS 15 focuses on revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service; so the notion of control replaces the existing notion of risks and rewards.

Under IAS 18, the Company recognised revenue upon delivery of products and customer acceptance. The Company has determined that the sale and delivery of goods are a single performance obligation under IFRS 15, and no adjustment is required for the timing of revenue recognition.

Under IAS 18, revenue represented the value of goods sold, after deducting sales discounts. Under IFRS 15, certain marketing expenses are required to be reported as a deduction from revenue. This relates to payments to customers unless those payments are for a distinct service, the fair value can be estimated and the value of any payments does not exceed that fair value. IFRS 15 provides stricter criteria than IAS 18, which had previously been interpreted as allowing certain incentive payments to be treated as a cost. The Company has determined that certain marketing costs will treated as "payments to customers" and deducted from revenue. A deduction of $4,509 in customer payments were deducted in arriving at revenue for the current year. In accordance with transitional provisions of IFRS 15, comparative figures have not been restated.

Pronouncements effective in future years

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

IFRS 16	Leases
IFRS 17	Insurance contracts
IFRS 9	Amendments – Prepayment features with negative compensation
IAS 19	Amendments – Plan amendment, curtailment or settlement
IAS 28	Amendments – Long-term interests in associates and joint ventures
IFRIC 23	Uncertainty over income tax treatments

Annual improvements cycle (2015 - 2017):

- IFRS 3	Measurement of interest in joint operation when control is obtained
- IFRS 11	Re-measurement when an entity obtains joint control of a business that is a joint operation
- IAS 12	Income tax consequences of payments on financial instruments classified as equity
- IAS 23	Borrowing costs eligible for capitalisation

Thousands of Guyana Dollars

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of Preparation *(continued)*

Of these pronouncements, the pronouncement relevant to the Company's financial reporting is described below.

IFRS 16 - Leases

The standard will be effective for the financial year 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 against current practices.

(b) Foreign Currencies

Functional and presentation currency

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

Transactions and balances

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

(c) Plant and Equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

Thousands of Guyana Dollars

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Plant and Equipment *(continued)*

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.

(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.

Thousands of Guyana Dollars

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of Financial Assets

From 01 January 2018, the Company assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets classified at amortised cost. To determine the provision for ECL, the Company applies the simplified approach for trade receivables, as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Given the Company's experience of no credit losses in recent years, the Company has chosen to apply a provision matrix with a minimum provision of 0.05 percent of amounts due from receivables which are considered to be highly recoverable.

The Company elected not to restate comparative information in accordance with the transitional provisions of IFRS 9. As a result, the comparative information provided continues to be accounted for in accordance with the previous accounting policy. The Company's policy in the prior year was to establish a provision for impairment when there was objective evidence that the Company would not have been able to collect all amounts due according to the original terms of the contracts. Significant financial difficulties of the debtor and default or delinquency in payments were considered as indicators that the receivable was impaired. If impaired, the carrying amount was reduced through the use of an allowance account and the amount of the loss was recognised in the statement of comprehensive income. When a receivable was uncollectible, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were credited against the statement of comprehensive income.

(i) 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.

(j) 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.

(k) Payables, including amounts due to Related Parties

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

Thousands of Guyana Dollars

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(m) Revenue Recognition

From 01 January 2018, the Company adopted IFRS 15. In accordance with transitional provisions in IFRS 15, comparative figures have not been restated and instead continue to be accounted for under IAS 18.

Under IFRS 15, sales are recognised as performance obligations are satisfied and control of the goods are passed to the customer. Control is deemed to have passed when goods are accepted by the customer or where the Company has objective evidence that all criteria for acceptance have been satisfied. Sales represents the value of goods sold, after deducting sales discounts and marketing payments to customers.

Under IAS 18, sales represented the value of goods sold to third parties, after deducting sales discounts. Sales were recognised upon delivery of products and customer acceptance.

(n) 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.

(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	Other Equipment	Motor Vehicles	Total
Cost				
As at 01 January 2018	297	36,665	92,292	129,254
Additions in the year	0	3,852	18,311	22,163
Disposals in the year	0	0	(34,338)	(34,338)
As at 31 December 2018	297	40,517	76,265	117,079
Accumulated Depreciation				
As at 01 January 2018	(297)	(32,768)	(77,158)	(110,223)
Charges for the year	0	(1,543)	(6,157)	(7,700)
Written back on disposals	0	0	34,338	34,338
As at 31 December 2018	(297)	(34,311)	(48,977)	(83,585)
Net Carrying Amount				
As at 31 December 2018	0	6,206	27,288	33,494
Cost				
As at 01 January 2017	297	32,472	92,292	125,061
Additions	0	4,193	0	4,193
As at 31 December 2017	297	36,665	92,292	129,254
Accumulated Depreciation				
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)
Net Carrying Amount				
As at 31 December 2017	0	3,897	15,134	19,031

The Company has authorised, but not contracted, capital expenditure on plant and equipment of $52,906 for the coming year (2017 - $39,500).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

Thousands of Guyana Dollars

4. INTANGIBLE ASSET – COMPUTER SOFTWARE

	2018	2017
Cost		
As at beginning and end of year	34,349	34,349
Accumulated Amortisation		
As at beginning and end of year	(34,349)	(34,349)
Net Carrying Amount		
As at end of year	0	0

5. DEFERRED TAXATION

	2018	2017
Deferred tax asset:		
Accelerated accounts depreciation	7,386	13,388
Movement in deferred tax asset:		
As at beginning of year	13,388	13,388
(Charge) / credit recognised in income	(6,002)	249
As at end of year	7,386	13,388
Amount recoverable within 12 months	1,141	1,867

6. INVENTORIES

	2018	2017
Goods for resale	52,111	76,312
Goods in transit	57,093	37,928
	109,204	114,240

Thousands of Guyana Dollars

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2018	2017
Trade receivables	367,112	340,100
Other receivables	9,397	10,661
Less provision for impairment	(259)	0
Trade and other receivables – net	376,250	350,761
Prepayments	53,510	0
	429,760	350,761

8. RELATED PARTIES

(a) Key management compensation:

Short term benefits	53,040	58,454

(b) Transactions carried out with related parties:

Acquisition of products from fellow group subsidiary	1,144,092	1,079,095
Area service charges from fellow group subsidiaries	192,460	346,673
Royalties charged by fellow group subsidiary	445,807	415,430
Technical and advisory services from fellow group subsidiary	112,650	98,801
Information technology charges from fellow group subsidiaries	97,330	79,345
Research and development charges from fellow group subsidiary	3,888	3,752
Dividends paid to parent	1,076,618	1,030,916

(c) Outstanding balances at year end:

Amounts due from fellow group subsidiaries	102,234	39,285
Amounts due to fellow group subsidiaries	273,879	143,870

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

9. CASH AND CASH EQUIVALENTS

Short term deposits	18,466	18,267
Other cash at bank	755,699	388,035
	774,165	406,302

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

Thousands of Guyana Dollars

10. SHARE CAPITAL

	2018	2017
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

	2018	2017
Saundry payables	511,052	372,908
Accurals	37,712	39,672
	548,764	412,580

12. PROVISION FOR OTHER LIABILITIES

	2018	2017
Provision for bonuses:		
As at beginning of year	24,100	25,100
Charged in the year	31,998	24,100
Used in the year	(24,100)	(25,100)
As at end of year	31,998	24,100
Provision for obligations arising from recent legislative changes:		
As at beginning of year	18,675	0
Charged in the year	0	18,675
Used in the year	(18,675)	0
As at end of year	0	18,675
Total	31,998	42,775

Thousands of Guyana Dollars

13. EXPENSES BY NATURE

	2018	2017
Cost of inventories expensed	2,716,312	2,638,821
Advertising expenses	41,711	127,429
Area service charges	192,460	346,673
Information technology charges	97,330	79,345
Staff costs (note 14)	117,632	94,445
Technical and advisory services	112,650	98,801
Depreciation	7,700	8,348
Impairment of plant and equipment	0	3,783
Operating lease charges	37,846	33,113
Utilities	2,644	2,249
Communications	23,069	20,649
Auditors' remuneration	5,954	5,092
Directors' remuneration (note 15)	2,074	1,100
Other	203,249	170,527
Total of Cost of Sales, Distribution and Marketing Costs, and Administrative Expenses	3,560,631	3,630,375

14. STAFF COSTS

	2018	2017
Wages and salaries	110,460	88,063
Other benefits	7,172	6,382
	117,632	94,445

15. DIRECTORS' REMUNERATION

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

	2018	2017
Chandradat Chintamani	1,037	550
Charles Quintin	1,037	550
	2,074	1,100

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

Thousands of Guyana Dollars

16. TAXATION

	2018	2017
The provisional charge for taxation is made up as follows:		
Current tax	1,232,204	1,106,244
Deferred tax	6,002	(249)
Prior year adjustments	64	(34)
	1,238,270	1,105,961
Reconciliation of tax expense and accounting profit:		
Profit before taxation	2,884,910	2,522,270
Corporation tax at 40%	1,153,964	1,008,908
Income not subject to tax	2,555	(59)
Expenses not deductible for tax purposes	77,002	94,312
Property tax	4,685	2,834
Prior year adjustments	64	(34)
	1,238,270	1,105,961

17. EARNINGS PER SHARE

Profit attributable to shareholders	1,646,640	1,416,309
Weighed average number of ordinary shares in issue	23,400,000	23,400,000
Earnings per share	70.37 Dollars	60.53 Dollars

18. DIVIDENDS

Prior year interim paid $12.00 per share (2017 - $12.62 per share)	280,800	295,308
Prior year final paid $7.07 per share (2017 - $8.63 per share)	165,438	201,942
Interim declared and paid $12.22 per share (2017 - $10.81 per share)	285,948	252,954
Interim declared and paid $17.98 per share (2017 - $16.38 per share)	420,732	383,292
Interim declared and paid $16.22 per share (2017 - $14.27 per share)	379,548	333,918
	1,532,466	1,467,414

A fourth interim dividend in respect of the financial year of $15.01 per share (2017 - $12.00), amounting to a total dividend of $351,234 (2017 - $280,800), has been declared and paid after the year end. A final dividend in respect of the financial year of $8.94 per share (2017 - $7.07 per share), amounting to a total dividend of $209,196 (2017 - $165,438), is to be proposed at the annual general meeting on 06 June 2019. In accordance with By-law 26(6) of the Company's Amended By-Laws, the Company has recorded through equity, a recovery of $14,852 in forfeited unclaimed dividends (2017 - $15,123).

Thousands of Guyana Dollars

19. OPERATING LEASE COMMITMENTS

The future minimum lease payments under operating leases for properties are as follows:

	2018	2017
- within 1 year	34,512	27,339
- between 1 and 5 years	18,999	1,905
	53,511	29,244

20. CONTINGENT LIABILITY

	2018	2017
Bonds in favour of the Comptroller of Customs and Excise	19,500	21,227
Guarantees	3,456	0

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.

Under IAS 39, financial assets (accounts receivables, related parties' balances and cash and cash equivalents) were classified as *Loans and Receivables* while 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.*

On 01 January 2018, the classification of financial assets changed from the IAS 39 categories to the new IFRS 9 categories as shown in the table below.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	New carrying amount
Financial assets				
Accounts receivables	Loans and receivables	Amortised cost	350,761	350,761
Related parties' balances	Loans and receivables	Amortised cost	39,285	39,285
Cash and cash equivalents	Loans and receivables	Amortised cost	406,302	406,302

Financial liabilities remain classified as *Financial liabilities measured at amortised cost.*

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

Thousands of Guyana Dollars

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

(b) *Credit Risk*

Credit risk arises on receivables from customers and related parties and from cash holdings. The maximum exposure to credit risk at the reporting date is represented by the carrying amounts of these financial assets, as shown in notes 7, 8 and 9 to these financial statements. The Company does not hold collateral as security.

The Company's credit risk from customers is managed by restricting credit to between five to ten working days. 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 (2017 - 99 percent) of total revenue.

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. Cash resources are held with financial institutions licensed in Guyana. While related parties' balances and cash resources are also subject to the impairment requirements of IFRS 9, the impairment loss is considered to be immaterial.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses for receivables. To measure the lifetime loss allowance, the Company considers the write-off history of the past five years. Given the Company's experience of no credit losses in recent years, the Company has chosen to apply a provision matrix with a minimum provision of 0.05 percent of amounts due from receivables which are considered to be highly recoverable. The minimum ECL level is adjusted for the impact of expected changes in factors such as macroeconomic fundamentals.

The following is a summary of the ECL on trade receivables arising from application of the provision matrix as at 31 December 2018:

Aging Bucket	Average ECL rate	Estimated exposure	Expected credit loss
Performing (0 - 30 days)	0.07%	367,112	259
Underperforming (31 to 90 days)	0.00%	0	0
Non-performing (over 90 days)	0.00%	0	0
		367,112	259

Thousands of Guyana Dollars

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

(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 2018			
Accounts payable and accruals	133,926	414,838	548,764
Amounts due to related parties	273,879	0	273,879
Provision for other liabilities (based on contractual and legal obligations)	0	12,226	12,226
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 obligations)	0	31,650	31,650

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:

	2018	2017
Assets		
United States Dollars	102,234	39,285
Liabilities		
United States Dollars	292,127	63,263
British Pound Sterling	62,073	83,046

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

Thousands of Guyana Dollars

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

(e) *Foreign Currency Risk (continued)*

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 $13,181 in the year (2017 – $121,007).

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 $1,139 (2017 – $144) 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 $372 (2017 - $498) 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, CH. 81:01 s.143(1)

1. Name of Company:
DEMERARA TOBACCO COMPANY LIMITED No: 308

2. Particulars of Meeting:
Eighty-fifth Annual Meeting of The Demerara Tobacco Company Limited to be held at the Grand Savannah Suite, Pegasus Hotel, Seawall Road, Kingston, Georgetown on Thursday, 6 June 2019 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 ______________ 2019

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 authorised in that behalf.

2. A shareholder who is a body corporate may, in lieu of appointing a proxy, authorise 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	Details	For	Against
1	That the Financial Statements of the Company for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon be and are hereby approved.		
2	That the four (4) Interim Dividends totaling $61.43 already paid be confirmed and that a Final Dividend of $8.94 per share as recommended by the Board for the year ended 31 December 2018 be approved and paid to those shareholders on the Company's share register at the close of business on 6 June 2019.		
3	That Mr. Christopher R. Brown, 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. 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.		
5	That Mr. Marcus Steele, 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 authorised 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. 2.Particulars of Meeting: Eighty-Fifth Annual General Meeting of the Demerara Tobacco Company Limited to be held at the Pegasus Hotel, Seawall Road, Kingston, Georgetown on Thursday, 6 June 2019.

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
4 April 2019	Michael Partab Secretary and Authorised Signatory The Demerara Tobacco Company Limited	M. Partab

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DEMERARA TOBACCO