

Annual
Report 2019

Resilience:



Embracing
change
and shaping
our future



DEMERARA
TOBACCO



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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 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

The 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 the way we operate as a tobacco business. Together, the 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.



OUR ETHOS

We have recently transformed the Guiding Principles at Demerara Tobacco Company to our ETHOS which forms the core of our culture and guides how we deliver our strategy.



We are BOLD

We dream big and share innovative ideas.
We make tough decisions quickly and are proudly held accountable for them.
We are resilient and fearless in beating the competition.



We are FAST

Speed matters. We set a clear direction and move fast.
We keep it simple and focus on outcomes.
We learn quickly and share learnings.



We are EMPOWERED

We set the context for our teams and trust their expertise.
We challenge each other. Once in agreement, we commit collectively.
We collaborate and hold each other accountable to deliver.



We are DIVERSE

We value different perspectives.
We build on each other's ideas, knowledge and experiences.
We challenge ourselves to be open-minded and to recognise unconscious bias.



We are RESPONSIBLE

We take action to reduce the health impact of our business.
We ensure the best quality products for our consumers, the best place to work for our people and the best results for our shareholders.
We act with integrity, never compromising our standards and ethics.



Corporate Information

Chairman

Ms Kathryn Anne Abdulla

Managing Director

Mr Vijay Singh

Other Directors

Mr Chandradat Chintamani

Mr Raoul Glynn

Ms Patricia Bacchus

Company Secretary

Mr Robert O'Brien

Registered Office

Lot 122 Parade Street

Kingston

Georgetown

Attorneys-At-Law

Fraser, Housty & Yearwood

260 Middle Street

North Cummingsburg

Georgetown

Demerara

Mr Ronald Burch-Smith

225 South Road

Lacytown

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



REPORT OF THE **DIRECTORS**



Report of the Directors continued

The Directors are pleased to submit their report for the year ended 31 December 2019.

Principal Activities

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

Financial Results

	G\$'000
Gross Turnover	6,655,776
Cost of Sales	<u>(2,786,873)</u>
Gross Profit	3,868,903
Operating expenses	(1,029,185)
Other income	<u>4,722</u>
Profit from Operation	2,844,440
Finance Income	<u>—</u>
Profit Before taxation	2,844,440
Taxation	<u>(1,206,344)</u>
Profit After Taxation	<u>1,638,096</u>

Cash, Deposits and Capital Expenditure

Cash and Bank Balances as at 31 December 2019 totalled G\$580M compared to G\$774M at the prior year end, a decrease of G\$194M.

Operating activities generated cash of G\$2.8B for the year under review.

Corporation tax accruing during the year amounted to G\$1.2B. Total dividends paid amounted to G\$1.7B. Capital Expenditure for the year amounted to G\$61M compared to G\$22M for the previous year.

Intercompany Loan

The Company did not have any intercompany loan transactions for 2019.



Report of the Directors continued

Dividend

In May, August, and November 2019 and April 2020 there were four (4) interim dividend payments totalling G\$61.57 per share. A final dividend of G\$8.00 per share is proposed by your Directors making a total payment for the Financial Year 2019 of G\$69.57 per share.

Directors

In accordance with By-Law 17(5) of the Company's By-Laws, Mr Charles Quintin, Mr Marcus Steele and Mr Christopher Brown resigned from the Board of Directors with effect from 06 June 2019, 19 February 2020 and 29 February 2020 respectively. Ms Patricia Bacchus, Mr Vijay Singh and Ms Kathryn Anne Abdulla were appointed to the Board to fill vacancies with effect from 12 September 2019, 01 March 2020 and 06 April 2020 respectively.

In accordance with By-Law 18(7) of the Company's By-Laws, Ms Patricia Bacchus, Mr Vijay Singh and Ms Kathryn Anne Abdulla retire from the Board of Directors and, being eligible offer themselves for election.

In accordance with By-Law 18(1) of the Company's By-Laws, Mr Raoul Glynn retires from the Board of Directors and, being eligible offers himself for re-election.

Auditors

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

BY ORDER OF THE BOARD

Robert O'Brien
Company Secretary
29 May 2020



Five Years at a Glance

G\$ '000	2015	2016	2017	2018	2019
Balance Sheet Items					
Non-Current Assets	22,612	40,108	32,419	40,880	242,741
Current Assets	1,331,130	1,246,191	1,109,745	1,614,455	1,418,990
Total Assets	1,353,742	1,286,299	1,142,164	1,655,335	1,661,731
Current Liabilities	765,539	756,762	648,609	1,032,754	915,901
Non-Current Liabilities	—	—	—	—	136,205
Net Assets	588,203	529,537	493,555	622,581	609,625
Net Assets per Share	25.14	22.63	21.09	26.61	26.05

Profits and Distribution

Net Profit before Tax	2,851,375	2,786,972	2,522,270	2,884,910	2,844,440
Taxation	1,244,841	1,226,710	1,105,961	1,238,270	1,206,344
Net Profit after Tax	1,606,534	1,560,262	1,416,309	1,646,640	1,638,096

Statistics

Ordinary Shares in issue ('000)	23,400	23,400	23,400	23,400	23,400
Earning per share	68.66	66.68	60.53	70.37	70.00
Dividends paid per share	70.82	69.30	62.71	65.49	72.52



Financial Calendar

ANNUAL MEETING

To be advised

REPORT

Interim Report six months to 30 June 2020

July 2020

PROPOSED DIVIDEND PAYOUT DATES

Final 2019

To be advised

First Interim 2020

To be advised

Second Interim 2020

September 2020

Third Interim 2020

November 2020

Fourth Interim 2020

March 2021

Final 2020

April 2021



BOARD OF **DIRECTORS**



Kathryn Anne Abdulla

Chairman



Vijay Singh

Managing Director



Patricia Bacchus

Non-Executive Director



Chandradat Chintamani

Non-Executive Director



Raoul Glynn

Non-Executive Director



Board of Directors Bios continued

Kathryn Anne Abdulla

Position: Chairman, appointed to the Board of Directors of Demerara Tobacco Company in April 2020; Caribbean Head of Legal and Company Secretary, The West Indian Tobacco Company Limited.

Skills & Experience: Kathryn is an Attorney at Law with over 20 years' corporate commercial experience. She has operated at a strategic level in various functions largely in the private sector. In her current portfolio, Kathryn provides strategic perspective to achieve the Company's mandate of sustaining market leadership of tobacco products for the Caribbean, which includes some 24 markets. Kathryn operates at a senior management level to operationalise the mandate in various functions and is responsible for matters inclusive of legal, corporate governance, security, identification of business risks, pension plan issues. Kathryn manages Board administration in Trinidad and Tobago ensuring compliance with local statutory requirements and compliance within the BAT Group and manages share registration and shareholder relations services and brings a wealth of experience in this area.

Directorship: Kathryn has provided national service to her country as she held the position of Director on the not for profit Friends of the Blood Bank Association board until December 2019. This board provides oversight and direction to fulfil the Blood Bank's mandate of fundraising under the Ministry of Health and collecting the nation's blood supply. For many years, Kathryn was a Trustee serving a not-for-profit committee that had responsibility for sustaining local wildlife in Trinidad and Tobago.

Qualifications: Kathryn is a graduate of The University of the West Indies, Cave Hill Campus located in Barbados and of the Hugh Wooding Law school located in Trinidad and Tobago. She was appointed a Notary Public in 2018 and is a member of the Law Association of Trinidad and Tobago and of the Caribbean Corporate Governance Institute. She has completed many training programmes both locally and overseas in various disciplines and obtained a postgraduate certificate in the field of Corporate Governance from the Arthur Lok Jack School of Business in 2017.

Vijay Singh

Position: Managing Director, appointed to the Board of Directors of Demerara Tobacco Company in February 2020.

Skills & Experience: Vijay most recently served as the Trade Marketing and Distribution Manager for British American Tobacco's (BAT) interest in the English, Dutch and French-speaking Caribbean. He has been leading in this capacity for the past three years and has been instrumental in driving key business initiatives throughout the Caribbean. Specifically, Vijay was responsible for managing the French Overseas Territories through a turbulent legislative period bringing much-needed stability and clarity to these markets. He also increased and transformed BAT's market share within this cluster. Prior to this, Vijay worked at the West Indian Tobacco Company Limited for nine years, five of which were spent as Trade Marketing Manager. He credits his beginning as entry-level management for his successful tenure there. During this time, he led his department to achieving ambitious targets which enabled the Company to earn year-on-year double digit profit growth. Vijay's experience of managing large groups has given him a wealth of knowledge and allowed him to develop his solution-based approach to challenges. Overall, his demonstration of sound commercial acumen and delivery of outstanding results, particularly in distributor management and profit growth, has informed this appointment to Managing Director.

Qualifications: Bachelor's degree in Business Management from the University of Sunderland.



Board of Directors Bios continued

Patricia Bacchus

Position: Non-Executive Director, appointed to the Board of Directors of Demerara Tobacco Company in September 2019.

Skills & Experience: Since 2014, Patricia has held the portfolios of Managing Director and Board Chairperson of Caribbean Container Inc. (CCI) – a publicly listed company engaged in Manufacturing Activities. Prior to this, she held several other positions within the Company, including Director of Administration and Chief Operating Officer, since joining CCI in 2006.

Patricia has significant experience stretching across various sectors, having held Directorships on many State Boards and private sector organisations over the last 10 years. Patricia has chaired the Board of the Environmental Protection Agency and most recently, she chaired the Board of the Guyana Office for Investments (GO-Invest) for four years. Patricia has sat as a Director on the Guyana Gold Board, the Protected Areas Commission Board, the Board of Atlantic Hotel Inc. (Marriott) and the Privatisation Unit Board. She served on the Council and Executive Management Committee of the Private Sector Commission (PSC) and on the Council of the Georgetown Chamber of Commerce and Industry (GCCCI).

For a few years, Patricia lectured part-time on the LLB Programme at the University of Guyana, in areas such as the Law of Corporate Management.

Qualification: Patricia is an Attorney-at-Law by training. She graduated from the Hugh Wooding Law School with a Legal Certificate of Merit in 2006, having secured several academic awards – including the Government of Guyana Prize for the Most Outstanding Law Graduate. In 2004, Patricia secured her LLB at the University of Guyana, where she received the Pro-Chancellor's Medal for the Best Graduating Law Student.

Chandradat Chintamani

Position: Non-Executive Director, appointed to the Board of Directors in September 2016; Senior Vice President, Laparkan Holdings Limited – with responsibilities for operations in Guyana –freight (air and ocean), money transfer, office services, department store etc.

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 five 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 the President of the Georgetown Chamber of Commerce, the oldest private sector organisation in 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. From 2012 to 2013, he served as Vice President of the Institute of Charter Accountants of Guyana.

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



Board of Directors Bios continued

Raoul Glynn

Position: Non-Executive Director, appointed to the Board of Directors of Demerara Tobacco Company since February 2017; Managing Director, Carreras Limited.

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 role of Area Management, focusing primarily on the English-speaking Caribbean markets, specifically Barbados and the Bahamas. In April 2006, following the success in the islands, he was seconded to Guyana, and promoted to Trade Marketing and Distribution Manager for Demerara Tobacco Company delivering a strong marketing agenda with the launch of Pall Mall, which is now the biggest brand in DTC history.

Following a stint in same position in Trinidad, he was seconded to the Carreras Group in Jamaica as Head of Trade in August 2009. Chief amongst his achievements 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 a 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 Central American and Caribbean area, leading a strong efficiency agenda in the region. Prior to his promotion to Managing Director at Carreras, Raoul served as Country Manager of Carisma Marketing Services where he led support for 21 markets in the English, French and Dutch-speaking Caribbean.

Qualification: Bachelor's degree from The University of West Indies, St. Augustine Campus.



CHAIRMAN'S REVIEW



Dear Shareholder,

Demerara Tobacco Company's ability to generate, replicate and improve excellent strategies remains a competitive advantage for the Company. I am therefore delighted to share with you some of the significant highlights of fiscal year 2019.



The Operating Environment

In 2019, although the global economy showed signs of instability, Guyana's economy remained strong and, in fact, showed growth of 4.5%, higher than the 4.1% recorded in 2018. Based on the analysis of Inter Development Bank (IDB), the country maintained steady economic growth throughout 2019 and that is expected to continue in the medium term. Although oil production did not begin until late December 2019, economic activity related to the oil and gas industry intensified during the year as both the public and private sectors continued to prepare themselves to participate in the transformation of the economy. The activity reflected greater international connectivity and public sector investment.

Your Company, in this encouraging environment, did not waver in its commitment to deliver superior value across its total portfolio. Marked by increased customer purchasing power and optimism, the strength of our Company's brands, coupled with innovative strategies, resulted in positive outcomes for shareholders, customers and distributors.



Chairman's Review continued

Superior Returns for Our Shareholders

Our Company delivered earnings per share of G\$70.00 versus G\$70.37 prior year and a dividend per share totalling G\$1.697B was distributed for 2019. We generated profit after tax of G\$1.638B versus G\$1.647B which represented a marginal decline of 0.5%. Overall, we saw growth in revenue of 3.6%, with an adverse movement in operating profit of 1.4% mainly driven by increased operating costs versus prior year. The ability of the organisation to deliver consistent shareholder value is rooted in our prioritisation of cutting-edge practices.

Increased Sustainability and Responsibility

Demerara Tobacco is an organisation that endeavours to contribute to positive social outcomes throughout its core markets. This is integral to our status as a socially responsible corporate entity. We actively work with the government, non-governmental organisations and other stakeholders on a variety of national issues, particularly the dangers posed by the illicit trade. We do our part in building the nation and increasing the welfare of those within it. As a company, we remain committed to ensuring that our operations continue to benefit the communities in which we operate.

Success against the Illicit Trade

The illicit trade in cigarettes persists in Guyana. Our Company continues to address this issue with the authorities, and I am pleased to report, we have made some progress.

Partnering with and supporting the authorities in the fight against the illicit trade is very important to us. In 2019, we conducted a

series of engagements, training and media interviews to highlight the issue as a key priority for the business. Our unwavering resolve to continue championing the development of fair and workable tax regimes and policies geared towards stemming illicit trade, remain. We will continue our efforts to engage in efficient, effective and synergistic action to decrease the illicit trade.

Leadership Change

I want to take this opportunity to welcome Demerara Tobacco's new Managing Director Mr Vijay Singh, who was appointed effective 01 March 2020. His experience and remarkable results in distributor management, profit growth and personnel management have imbued the Board with confidence in his ability to lead the Company. He has a strong grasp on all the core skills necessary to lead Demerara Tobacco and we look forward to his contribution. To Mr Christopher Brown, who served with distinction as Managing Director for the last two years, we extend our heartfelt thanks and wish him every success in his new role within the British American Tobacco (BAT) Group.

Governance and Board

Demerara Tobacco will always remain steadfast in its commitment to a world-class standard of corporate governance. As some of our important contributors depart, and others join us to enhance the skill set and mix of backgrounds present on the Board, we remain confident in our ability to govern with clarity and integrity.

During the last fiscal year, one of our longstanding Board members, Mr Charles



Chairman's Review continued

Quintin, retired in June 2019. Mr Quintin leaves behind a legacy characterised by 37 years of service in a variety of positions. Demerara Tobacco has truly benefited from his knowledge and expertise in many defining moments and major developments. We thank Mr Quintin for his service and welcome Ms Patricia Bachus as the new member.

I also wish to acknowledge my predecessor, Mr Marcus Steele who resigned from the Board in February 2020. We want to thank him for his commitment and leadership over the past couple of years and wish him the very best in his new chapter.

My thanks to the Directors, for their stewardship and contribution to the Company's performance. I am confident this Board can continue to govern your Company in a way that is consistent with best practices and positive outcomes.

The Future

The IDB's assessment of Guyana for 2020 states, "Guyana has the opportunity to translate the government's newfound sources of income into an agent for economic transformation and development. In 2019, the government outlined key areas of development in its Green State Development Strategy, Vision 2040, which has the core objectives of managing natural resource wealth, supporting economic resilience, and building human capital."

Demerara Tobacco looks to the future, mindful of the government's goals and objectives. The Board is confident that the Company's ability to adequately construct frameworks that lead to excellence, while forging stronger relationships with our key stakeholders, will allow us to overcome the challenges ahead. We continue to strive to create long-term sustainable value for our shareholders which will result in the growth of the business.

As a practical matter, and as shareholders would appreciate, the Board highlights that under normal circumstances, your Company would have convened its Annual Meeting by this time. However, in light of the restrictions in effect on account of the COVID-19 pandemic which is anything other than normal, we have postponed the Annual Meeting until it is safe. Shareholders will be advised as soon as we can set a date.

In closing, we wish to thank our shareholders for your loyalty and support. To the Management and staff of Demerara Tobacco, we recognise your dedication and hard work especially through challenging times. We look to the future with confidence because of you!

Kathryn Anne Abdulla
Chairman



MANAGING DIRECTOR'S REVIEW



Dear Shareholder,

It is an absolute honour to assume the role of Managing Director of Demerara Tobacco. I am appreciative of the opportunity to lead a company with such a proud history of high industry performance and success in creating value for its stakeholders. With a capable management team and expert guidance from the Board, I look forward to building on the legacy of those who have served before me, in particular, Mr. Christopher Brown, under whose guidance, sustainable results were achieved by the Company in 2019.

COMPANY PERFORMANCE

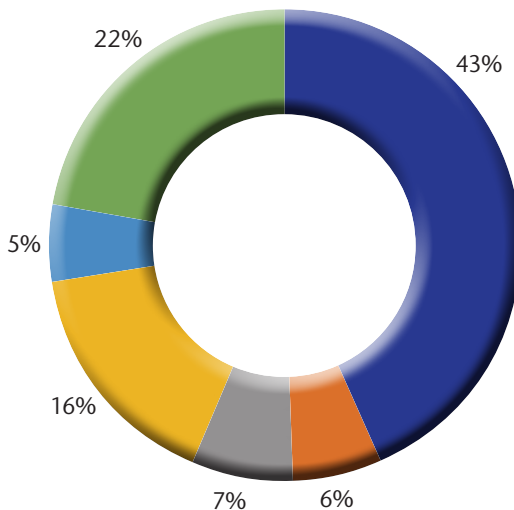
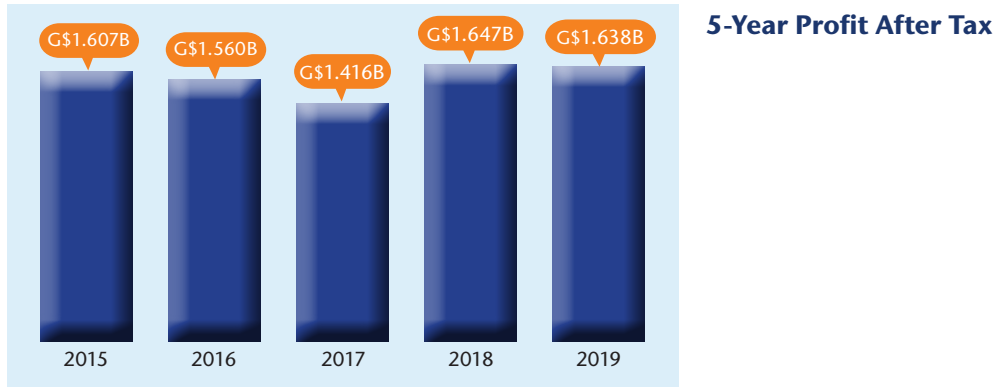
With each fiscal year, new challenges arise and each time your Company, Demerara Tobacco, successfully rises to meet these challenges, while navigating an increasingly complex operating environment.

Demerara Tobacco delivered a relatively flat Profit After Tax performance of G\$1.638B.

Operating Revenues increased by 3.6% to G\$6,656B increased while Operating Costs increased by 24% to G\$1,024B. Earnings per share were comparatively flat vs 2018, with a payout G\$70.00 for 2019. It is also noteworthy that the Company's share price remained relatively stable in the face of increased pressure, demonstrating the effective management of increased regulatory requirements, Graphic Health Warnings (GHWs), excise increases and illicit trade.



Managing Director's Review continued



Gross Income Distribution for 2019

A look at the distribution of income indicates a significant 43%, totalling G\$3.3B being allocated to taxation, followed by dividend payments amounting to 22%.

- Taxation
- Royalties
- Administrative Costs
- Variable Costs
- Marketing Costs
- Dividends

Taxation and Regulatory Landscape

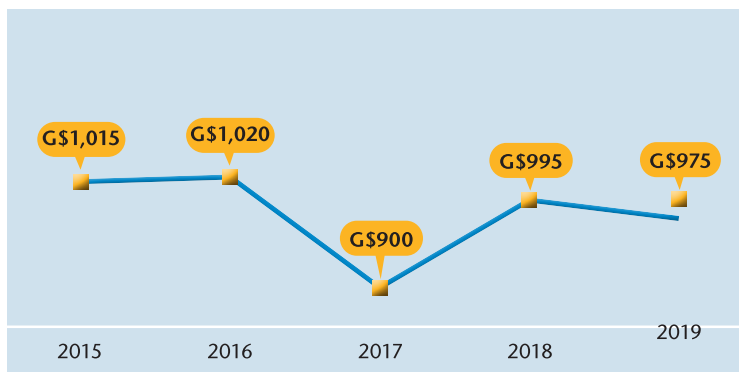
The 2019 fiscal year's results are reflective of a company that continues to experience heavy taxation (43% of income) and continued rampant illicit trade by criminal enterprises. However, I can report increased confidence in retailer awareness and resistance to the illicit trade due to sensitisation workshops

held by our Company. Meanwhile, the enforcement of tax stamps through the Guyana Revenue Authority has also increased. Despite this, the lack of use of the GHWs by the illicit trade still continues to threaten consumers.

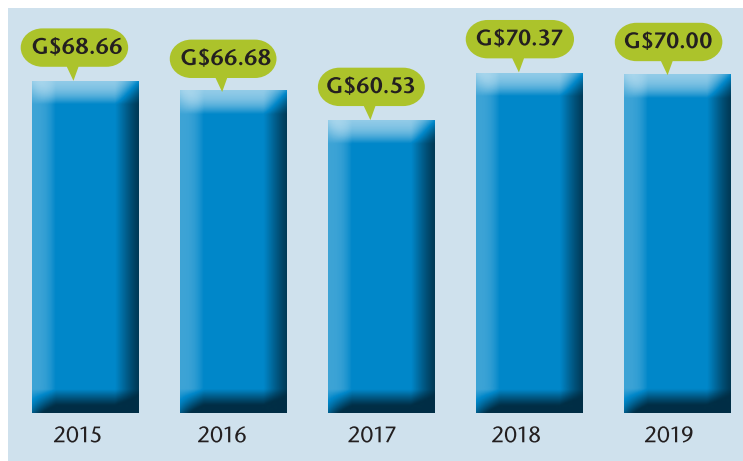


Managing Director's Review continued

5-Year Share Price Trend

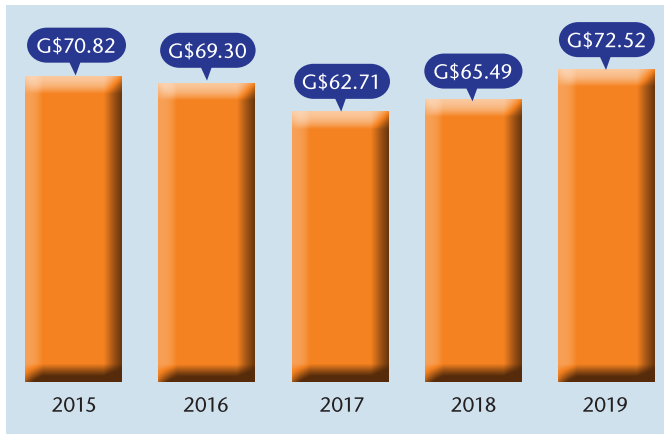


Earnings Per Share





Managing Director's Review continued



5-Year Dividend Per Share

Our Continued Growth

2019 recorded an increase in sales of 3.6%, from G\$6.4B to G\$6.7B. Our Global Drive Brands, Dunhill and Pall Mall have both grown; Dunhill's sales volume increased by 2.3% and Pall Mall's by 2.6%, from G\$41M and G\$275M to G\$42M and G\$284M respectively. These results were achieved by using a number of key strategies, while our focus remained on providing relevant product information about the Company's high-quality brands to persons within the industry to assist them in making the best possible trading decisions.

Also, Demerara Tobacco Company launched its first double capsule product within the Dunhill family to much fanfare. The modernised Dunhill packs and increased tube filter quality, alongside new delivery

mechanisms, are anticipated to lead to even further growth of its already substantial 8.4% market share. We intend to increase our dominance in the market as our portfolio of products continues to offer excellent choices and significant opportunities for further growth.

A New Business-centric Approach

Growth is only possible through a strong relationship with our Distributors and retailers. During the year, we worked assiduously in building and strengthening business relationships nationwide through the hosting of sensitisation and information sessions with our retailers. This exchange of information highlighted our Business-centric approach and better armed those who distribute our products with information



Managing Director's Review continued

about the illicit trade, new legislative requirements and new brand offerings.

Another iteration of this approach was our “Feet on the Street” trade marketing initiative where the entire staff of Demerara Tobacco took to the streets for a day to strengthen our business relationships, as well as develop a deeper understanding of current issues and external perspectives.

Staff Strategy

Our effective sales and relationship-building activities are only possible due to engaged and skilled members of staff. Demerara Tobacco remains a premier company to work for within the country. As a result, we are able to retain, motivate, develop and attract employees with the desired skills and experience. We then align these exceptional employees with our strategic outlook and continue to empower them through repeated development opportunities. In addition to our regular staff development activities such as our Management Retreat, Staff Retreat and Movie Night, we offered other personal development opportunities such as “Fire Training” and “Defensive Driving Training”. In the latter two, employees learned and practised advanced skills in fire safety and on-the-road manoeuvres, earning certification.

Thank You

I wish to close by conveying my heartfelt gratitude to all our stakeholders. Your loyalty is the backbone of our business. We look forward to continued dialogue with you. This Company will do all it can to continue to earn your trust and support.

I would also like to thank the Chairman and the Board of Directors for their consistent guidance. Their leadership, experience and oversight have been critical to the Company's steady growth. I also thank them for their warm welcome.

Furthermore, I extend my sincere appreciation to every member of the Demerara Tobacco Company Team and by extension our distributor, Edward B. Beharry & Company and their employees. Your ability to transform plans into action is at the core of our ability to deliver outstanding results to shareholders. Let us continue to live our staff retreat theme, “Inspire Together, Transform Together and Win Together”.

During 2019, we had some management changes. As mentioned earlier, we said goodbye to Mr Christopher Brown who served as Managing Director for the last two years. We thank him for his dedication and exceptional results and wish him every



Managing Director's Review continued

success in his new role. We also said goodbye to Ms Camille James who assumed the role of Finance Controller and Company Secretary in March 2019. We express our gratitude to Camille for her impressive performance and welcome Mr Robert O' Brien as her replacement. We wish him every success.

Throughout these changes, our Management Team has remained steadfast, laser-focused and principled, thus the reason we are a Company that demonstrates excellence. The entire Demerara Tobacco Team considers conscientious, effective and results-oriented management our top priority.

Furthermore, I wish to assure you that during this current pandemic period, we shall continue to operate in a safe and responsible

manner while ensuring our products remain available to our valuable customers. As we continue to evolve, directly interact with our business partners and modify our strategic plan to meet new imperatives, we are confident we shall deliver sustainable growth in 2020.

We remain strong and ready to embrace Guyana's bright economic future as our own.

Vijay Singh
Managing Director



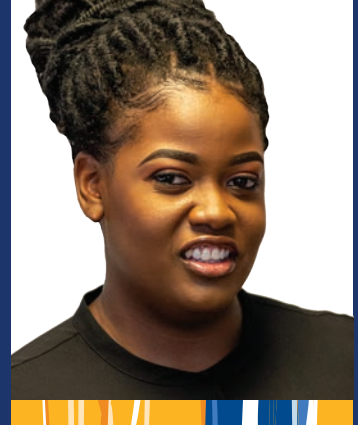
OUR TEAM



Vijay Singh
Managing Director



Robert O'Brien
Finance Controller and
Company Secretary



Candice Canzius
Area Manager



Merson Jones
Marketing Deployment Executive



Solange Pertab
Executive Assistant



REPORT TO **SHAREHOLDERS**



Report to Shareholders

Resilience...

Embracing Change and Shaping Our Future

Your Company has been in existence since 1934. Throughout this period, we have become a tower of strength, adapting and capitalising on all our resources in order to ensure sustainable returns to all shareholders.

Demerara Tobacco has accepted that resilience is key to embracing the evolving environment and shaping our future.

The main goal of the Company is to satisfy the needs of our informed adult consumers through the provision of innovative products and superior business strategies while ensuring that we adhere to local regulations and continue to enjoy the reputation of being a good corporate citizen.

The Company posted strong financial results in 2019, despite the challenges of low-priced illicit goods, excise duties and regulatory changes. The strength of our top brands, Pall Mall and Dunhill, and our successful cost containment strategies proved effective.

To address the current realities of our market, the brand portfolio was updated to ensure that the offerings were more purposeful and served the consumers' needs. This year, innovation was key as we introduced a tube filter which provided a firmer filter with less odour as well as two capsules in a cigarette, which now allowed the smoker to choose four different taste combinations and created a customisable experience.

The Trade Marketing & Distribution (TM&D) team is also pleased to report another remarkable year of zero product write-offs, primarily due to the active involvement of the sales and marketing team in visiting retailers, executing stock checks and consistently communicating and engaging with distributors.

In order to ensure all our stakeholders had the resources to embrace change and shape the future of the industry, we partnered with retailers to provide customised storage units. These were issued to those retailers who needed a solution to store products in a manner that allowed for easier access and facilitated product rotation while complying with the law.

The Company also sought to ensure that retailers were empowered to comply with the Tobacco Control and Excise regulations. Our staff constantly engaged with retailers and distributors, providing the information needed to ensure that they did not engage



Report to Shareholders continued

in behaviour that could be deemed unlawful, including facilitating sales to or by minors. The “Feet in the Street” campaign displayed the resilience of our people as they took to the streets with enthusiasm.

Resilient Engagement

The regulatory environment in Guyana remains challenging with a total ban on all smoking indoors, on public transportation and in specified outdoor spaces.

On 25 February 2019, Section 22 of the Tobacco Control Act 2017 required that tobacco distributors display Graphic Health Warnings (GHWs) on the front and back portion of cigarette packs. Due to the strong relationship with distributors and retailers, the transition to adhere to the new packaging and labelling regulatory requirements was seamless. At every opportunity, we reiterated with the industry the importance of compliance with the tobacco legislation and selling legal products that have the correct GHWs on the packs.

Cigarettes remain the most commonly traded products on the black market due to high profit margins, relative ease of production, movement and low detection rates and penalties. It usually involves many criminal gangs who smuggle across borders, engaging in large-scale tax evasion as well as the production of counterfeit cigarettes. The issue is exacerbated by weak penalties for perpetrators, poor border controls, low arrest



rates as well as tobacco taxes which create disparities between neighbouring countries.

Within Guyana, players engaged in the illicit trade do not conform to the tax stamp application under the Customs & Excise Act and the Packaging & Labelling requirements under the Tobacco Control Act. We applaud the efforts of the Guyana Revenue Authority to ensure that the requirement for tax stamps is enforced and trust that they will be provided with all necessary resources to minimise the number of brands on the market without some of the specific GHWs.



Report to Shareholders continued



Resilient Human Resource

Demerara Tobacco continued to attract, recruit and develop top talent to help ensure that we had a resilient work force in place to shape the future of your Company. Our unwavering dedication to ensuring our people are prepared and engaged in order to achieve the high-level strategy of the Company, while facilitating the achievement of employees' personal growth, comradery, and development goals demanded that we increase both functional and leadership training.





Report to Shareholders continued



Capacity Building

Many training initiatives took place in 2019, among them the exciting Defensive Driving Training which covered both the theoretical and practical aspects of protecting oneself on the road. The participants included all drivers but focused specifically on those who were assigned Company vehicles. Participants were certified upon completion.

Similarly, we engaged in Fire Training for all employees as part of our Environmental Health and Safety Plan. The Guyana Fire Service took participants through theoretical training and practical skills such as using a fire extinguisher. The highly regarded experience better equipped Demerara Tobacco to respond to fire-related emergencies.

In April 2019, we hosted the Annual Management Retreat at the Marriott Hotel in Georgetown where the information and



Report to Shareholders continued



idea exchanges were rapid, productive and impactful. Department presentations, discussions on several topics, including regulatory changes and the illicit trade, left managers more engaged, united and ready to work in our changing environment.

At the staff retreat, held at the Aruwai Resort under the theme, “Inspire Together, Transform Together and Win Together”, employees got the opportunity to laugh and learn together in a more informal setting. The organisation’s strategic direction was discussed and this combination of work and fun resulted in true bonding and team building.

These major activities, in combination with others such as Movie Night, Emancipation and Diwali celebrations, create an atmosphere that allows for cross-functional and interdisciplinary work in a familiar and friendly environment, useful for the achievement of consistent high-level excellence.

During the year, recognition of excellence, a true motivator, was introduced in the form of the Managing Director’s Awards. Through



recognition, we aim to propel top performers to even greater heights and inspire others to access their hidden talents. The event was well received, and we are confident future iterations will create many lasting memories and lead to improved performance.



Report to Shareholders continued



Resilience: Embracing Change and Shaping Our Future

We have listened to all our stakeholders to ensure resilience and maintain our position as the leader in the tobacco industry.

We understand the need to keep adding value for our trade partners, employees and shareholders. In all that we do, we are committed to doing business in a way that meets the expectations of today's society, and the society of tomorrow.

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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 2019, 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 43 to 65.

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 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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' Responsibility 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.



Independent Auditors' Report

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition and existence of trade receivables</p> <p>The Company recorded revenue for the year of G\$6.6 billion and has trade receivables outstanding at the year end of G\$379 million. These related amounts are material to the financial statements and therefore considered a key audit matter.</p>	<p>Our audit procedures in relation to this key audit matter included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • 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.
<p>Tax obligations arising on related party transactions</p> <p>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.</p>	<p>Our audit procedures in relation to this key audit matter included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • 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; • 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; and • evaluation of management's assessment of the impact of IFRIC 23 <i>Uncertainty over Income Tax Treatment</i>.



Independent Auditors' Report

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report but does not include the financial statements and our auditors' report thereon. The Company's 2019 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.



Independent Auditors' Report

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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



Independent 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
15 April 2020



Statement of Financial Position

AS AT 31 DECEMBER 2019

Thousands of Guyana Dollars	Note	2019	2018
ASSETS			
Non-current assets			
Plant and equipment	3	79,851	33,494
Right-of-use assets	4	155,960	—
Deferred taxation	5	6,930	7,386
		242,741	40,880
Current assets			
Inventories	6	191,268	109,204
Accounts receivable and prepayments	7	402,802	429,760
Amounts due from related parties	8	46,139	102,234
Taxation		199,092	199,092
Cash and cash equivalents	9	579,689	774,165
		1,418,990	1,614,455
TOTAL ASSETS		1,661,731	1,655,335
EQUITY AND LIABILITIES			
Equity			
Share capital	10	23,400	23,400
Retained earnings		586,225	599,181
		609,625	622,581
Non-current liability			
Lease liabilities	4	136,205	—
Current liabilities			
Accounts payable and accruals	11	545,438	548,764
Amounts due to related parties	8	229,756	273,879
Taxation		85,191	178,113
Provision for other liabilities	12	30,306	31,998
Lease liabilities	4	25,210	—
		915,901	1,032,754
TOTAL EQUITY AND LIABILITIES		1,661,731	1,655,335

The notes on pages 48 to 65 form an integral part of these financial statements. The Board of Directors approved these financial statements for issue on 15 April 2020.

DIRECTORS



Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

Thousands of Guyana Dollars	Note	2019	2018
Sales		6,655,776	6,426,521
Cost of sales	13	(2,786,873)	(2,716,312)
Gross profit		3,868,903	3,710,209
Distribution and marketing costs	13	(482,812)	(298,551)
Administrative expenses	13	(546,373)	(545,768)
Other income		4,722	19,020
Profit before taxation		2,844,440	2,884,910
Taxation	16	(1,206,344)	(1,238,270)
Profit for the year		1,638,096	1,646,640
Earnings per share	17	70.00 Dollars	70.37 Dollars

The notes on pages 48 to 65 form an integral part of these financial statements.



Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

Thousands of Guyana Dollars	Note			
		Share Capital	Retained Earnings	Total
Year ended 31 December 2018				
As at beginning of year		23,400	470,155	493,555
Profit for the year		–	1,646,640	1,646,640
Dividends paid	18	–	(1,532,466)	(1,532,466)
Forfeiture of unclaimed dividends	18	–	14,852	14,852
As at end of year		23,400	599,181	622,581
Year ended 31 December 2019				
As at beginning of year		23,400	599,181	622,581
Profit for the year		–	1,638,096	1,638,096
Dividends paid	18	–	(1,696,968)	(1,696,968)
Forfeiture of unclaimed dividends	18	–	45,916	45,916
As at end of year		23,400	586,225	609,625

The notes on pages 48 to 65 form an integral part of these financial statements.



Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

Thousands of Guyana Dollars	Note	2019	2018
OPERATING ACTIVITIES			
Profit before taxation		2,844,440	2,884,910
Adjusted for:			
Depreciation		35,369	7,700
Gain on disposal of plant and equipment		(3,825)	(4,128)
Net movement in provision for other liabilities		(1,692)	(10,777)
Interest on lease liabilities		8,546	—
Operating profit before changes in working capital		2,882,838	2,877,705
(Increase)/decrease in inventories		(82,064)	5,036
Decrease/(increase) in accounts receivable and prepayments		26,958	(78,999)
Increase in net amount due to related parties		11,972	67,060
(Decrease)/increase in accounts payable and accruals		(3,326)	136,184
Cash generated from operations		2,836,378	3,006,986
Taxes paid		(1,298,810)	(1,103,474)
Interest paid		(8,546)	—
Net Cash Inflow – Operating Activities		1,529,022	1,903,512
INVESTING ACTIVITIES			
Acquisition of plant and equipment		(61,273)	(22,163)
Proceeds from sale of property, plant and equipment		3,825	4,128
Net Cash Outflow – Investing Activities		(57,448)	(18,035)
FINANCING ACTIVITIES			
Dividends paid	18	(1,696,968)	(1,532,466)
Forfeiture of unclaimed dividends	18	45,916	14,852
Payment of lease liabilities - principal portion		(14,998)	—
Net Cash Outflow – Financing Activities		(1,666,050)	(1,517,614)

The notes on pages 48 to 65 form an integral part of these financial statements.



Statement of Cash Flows continued

FOR THE YEAR ENDED 31 DECEMBER 2019

Thousands of Guyana Dollars	Note	2019	2018
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(194,476)	367,863
CASH AND CASH EQUIVALENTS AS AT BEGINING OF YEAR		774,165	406,302
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	9	579,689	774,165

The notes on pages 48 to 65 form an integral part of these financial statements.



Notes to the Financial Statements

31 DECEMBER 2019

1. INCORPORATION AND PRINCIPAL ACTIVITIES

The Company was incorporated in Guyana on 14 June 1934. Its registered office is 122 Parade 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, equipment and right-of-use assets.

Pronouncements effective in current year

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

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 9	Amendments - Prepayment Features with Negative Compensation
IAS 28	Amendments - Long-term Interests in Associates and Joint Ventures
IAS 19	Amendments - Plan Amendment, Curtailment or Settlement

Annual improvements cycle (2015 - 2017):

- IFRS 3 Obtaining control of a business that is a joint operation
- IFRS 11 Remeasurement of interest in joint operation when joint control of a business that is joint operation is obtained
- IAS 12 Income tax consequences of dividends on financial instruments classified as equity
- IAS 23 Treatment of borrowing costs outstanding after the related qualifying asset is ready for its intended use for sale



Notes to the Financial Statements

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of Preparation (Cont'd)

The impact of the pronouncements that are relevant to the Company's financial reporting is described below.

IFRS 16 Leases

IFRS 16 replaced IAS 17 and its related interpretation IFRIC 4. The Company adopted IFRS 16 'Leases' from 01 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the Standard. The comparative information presented for prior reporting period is as previously reported under IAS 17.

IFRS 16 introduces a single lease accounting model for lessees. It requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use" asset for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets. The new accounting policy is disclosed in note 2(d).

On transition to IFRS 16, the Company relied upon the following practical expedients permitted by the Standard: (a) reliance on previous assessments on whether a contract is, or contains, a lease applying IAS 17 and IFRIC 4; (b) the accounting for operating leases with a remaining lease term of less than 12 months as at 01 January 2019 as short-term leases; (c) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease. As a consequence, there was no adjustment to the financial position as at 01 January 2019 arising on transition to IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatment

This interpretation was finalised and published in June 2017 with a mandatory effective date of implementation of 1 January 2019. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. In particular, the interpretation addresses whether uncertain tax treatments should be considered separately or together with one or more other uncertain tax treatments, and addresses the assumptions an entity makes about how probable it is that a taxation authority will accept an uncertain tax treatment. The impact on the Company's profit and equity is not expected to be material.

Pronouncements effective in future years

The following new standard, amendments and improvements to existing standards have been published and are effective in future financial years. No significant impact is expected to arise from these new pronouncements.



Notes to the Financial Statements

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of Preparation (Cont'd)

IFRS 17	Insurance Contracts
IAS 1/IAS 8	Amendments – Definition of Material
IFRS 3	Amendments – Definition of a Business
IFRS 10/IAS 28	Amendments – Sale or contribution of assets between an investor and its associate or joint venture

(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%

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.



Notes to the Financial Statements

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Plant and Equipment (Cont'd)

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) Leases

IFRS 16 – applicable from 01 January 2019

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a net present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable under residual value guarantees
- exercise price of a purchase option, if option is reasonably certain to be exercised
- payments of penalties for terminating the lease, if option is expected to be exercised

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The Company has applied judgement to determine the lease term for some lease contracts that include renewal options.

The present value is determined by applying the interest rate implicit in the lease, or, if that rate cannot be readily determined, at the Company's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The right-of-use asset is measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.



Notes to the Financial Statements

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Leases (Cont'd)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases, which are those with a lease term of 12 months or less, are recognised on a straight line basis as an expense in profit or loss.

IAS 17 - applicable up to 31 December 2018

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

(e) 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.

(f) Taxation

The tax expense for the year comprises 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 differences arise from depreciation on plant and equipment and the treatment of lease expenses.

(g) 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.

(h) 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.



Notes to the Financial Statements

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Impairment of Financial Assets

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% of amounts due from receivables which are considered to be highly recoverable.

When a receivable is uncollectible, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were credited against the statement of comprehensive income.

(j) 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.

(k) 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.

(l) Payables, including amounts due to Related Parties

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

(m) 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.



Notes to the Financial Statements

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Revenue Recognition

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 represent the value of goods sold, after deducting sales discounts and marketing payments to customers.

(o) Operating Segments

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



Notes to the Financial Statements

31 DECEMBER 2019

Thousands of Guyana Dollars

3. PLANT AND EQUIPMENT	Plant and Machinery	Office and Other Equipment	Motor Vehicles	Work in Progress	Total
<i>Cost</i>					
As at 01 January 2019	297	40,517	76,265	—	117,079
Additions in the year	—	5,127	31,154	24,992	61,273
Disposals in the year	—	—	(23,105)	—	(23,105)
As at 31 December 2019	297	45,644	84,314	24,992	155,247
<i>Accumulated Depreciation</i>					
As at 31 December 2019	(297)	(34,311)	(48,977)	—	(83,585)
Charges for the year	—	(2,358)	(12,558)	—	(14,916)
Written back on disposals	—	—	23,105	—	23,105
As at 31 December 2019	(297)	(36,669)	(38,430)	—	(75,396)
<i>Net Carrying Amount</i>					
As at 31 December 2019	—	8,975	45,884	24,992	79,851
<i>Cost</i>					
As at 01 January 2018	297	36,665	92,292	—	129,254
Additions in the year	—	3,852	18,311	—	22,163
Disposals in the year	—	—	(34,338)	—	(34,338)
As at 31 December 2018	297	40,517	76,265	—	117,079
<i>Accumulated Depreciation</i>					
As at 01 January 2018	(297)	(32,768)	(77,158)	—	(110,223)
Charges for the year	—	(1,543)	(6,157)	—	(7,700)
Written back on disposals	—	—	34,338	—	34,338
As at 31 December 2018	(297)	(34,311)	(48,977)	—	(83,585)
<i>Net Carrying Amount</i>					
As at 31 December 2018	—	6,206	27,288	—	33,494

The Company has authorised, but not contracted, capital expenditure on plant and equipment of \$43,859 for the coming year (2018 - \$52,906).



Notes to the Financial Statements

31 DECEMBER 2019

Thousands of Guyana Dollars	2019	2018
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4. LEASES

The Company leases various properties to carry out its activities.

(a) Amounts recognised in Statement of Financial Position

Right-of-use Asset

Cost

Additions in the year	176,413	—
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Accumulated Amortisation

Charge in the year	(20,453)	—
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Net Carrying Amount

As at end of year	155,960	—
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Lease Liabilities

Current	25,210	—
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Non-current	136,205	—
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	161,415	—
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(b) Amounts recognised in Statement of Comprehensive Income

Depreciation charge on right-of-use assets	20,453	—
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Interest expense	8,546	—
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Expenses relating to short-term leases	38,008	—
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5. DEFERRED TAXATION

Deferred tax asset:

Accelerated accounts depreciation	4,752	7,386
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Lease expenses	2,178	—
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	6,930	7,386
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Amount recoverable within 12 months	3,976	1,141
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Notes to the Financial Statements

31 DECEMBER 2019

Thousands of Guyana Dollars	2019	2018
6. INVENTORIES		
Goods for resale	80,595	52,111
Goods in transit	110,673	57,093
	<u>191,268</u>	<u>109,204</u>
7. ACCOUNTS RECEIVABLE AND PREPAYMENTS		
Trade receivables	378,815	367,112
Other receivables	17,807	9,397
Less provision for impairment	(189)	(259)
Trade and other receivables – net	<u>396,433</u>	<u>376,250</u>
Prepayments	6,369	53,510
	<u>402,802</u>	<u>429,760</u>
8. RELATED PARTIES		
(a) <i>Key management compensation:</i>		
Short-term benefits	<u>62,724</u>	<u>53,040</u>
(b) <i>Transactions carried out with related parties:</i>		
Acquisition of products from fellow group subsidiaries	1,168,333	1,144,092
Area service charges from fellow group subsidiaries	110,609	192,460
Royalties charged by fellow group subsidiaries	470,435	445,807
Technical and advisory services from fellow group subsidiaries	136,771	112,650
Information technology charges from fellow group subsidiaries	113,087	97,330
Research and development charges from fellow group subsidiaries	3,864	3,888
Dividends paid to parent	<u>1,192,187</u>	<u>1,076,618</u>
(c) <i>Outstanding balances at year end:</i>		
Amounts due from fellow group subsidiaries	<u>46,139</u>	<u>102,234</u>
Amounts due to fellow group subsidiaries	<u>229,756</u>	<u>273,879</u>
All balances are interest free, unsecured and repayable on demand.		



Notes to the Financial Statements

31 DECEMBER 2019

Thousands of Guyana Dollars	2019	2018
9. CASH AND CASH EQUIVALENTS		
Short-term deposits	18,417	18,466
Other cash at bank	561,272	755,699
	<u>579,689</u>	<u>774,165</u>
10. SHARE CAPITAL		
<i>Authorised</i>		
23,400,000 ordinary shares of no par value		
<i>Issued and fully paid</i>		
23,400,000 ordinary shares of no par value	<u>23,400</u>	<u>23,400</u>
The Company's ordinary share confers upon its holder the right to (i) vote at any meeting of shareholders, (ii) receive any dividend declared by the Company, and (iii) receive the remaining property of the Company on its dissolution.		
11. ACCOUNTS PAYABLE AND ACCRUALS		
Sundry payables	508,148	511,052
Accruals	37,290	37,712
	<u>545,438</u>	<u>548,764</u>
12. PROVISION FOR OTHER LIABILITIES		
Provision for bonuses:		
As at beginning of year	31,998	24,100
Charged in the year	22,626	31,998
Used in the year	(24,318)	(24,100)
As at end of year	<u>30,306</u>	<u>31,998</u>
Provision for obligations arising from legislative changes:		
As at beginning of year	—	18,675
Charged in the year	—	—
Used in the year	—	(18,675)
As at end of year	<u>—</u>	<u>—</u>
Total	<u>30,306</u>	<u>31,998</u>



Notes to the Financial Statements

31 DECEMBER 2019

Thousands of Guyana Dollars	2019	2018
13. EXPENSES BY NATURE		
Cost of inventories expensed	2,786,873	2,716,312
Advertising expenses	12,556	41,711
Area service charges	110,609	192,460
Information technology charges	113,087	97,330
Staff costs (note 14)	162,847	117,632
Technical and advisory services	136,771	112,650
Depreciation	35,369	7,700
Operating lease charges	38,008	37,846
Utilities	1,197	2,644
Communications	12,199	23,069
Auditors' remuneration	5,980	5,954
Interest on lease liabilities	8,546	—
Directors' remuneration (note 15)	2,465	2,074
Other	389,551	203,249
Total of Cost of Sales, Distribution and Marketing Costs, and Administrative Expenses	3,816,058	3,560,631
14. STAFF COSTS		
Wages and salaries	154,307	110,460
Other benefits	8,540	7,172
	162,847	117,632
15. DIRECTORS' REMUNERATION		
Remuneration paid to Directors for services as directors, included in key management compensation:		
Chandradat Chintamani	1,512	1,037
Charles Quintin (resigned 06 June 2019)	518	1,037
Patricia Bacchus (appointed 12 September 2019)	435	—
	2,465	2,074

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



Notes to the Financial Statements

31 DECEMBER 2019

Thousands of Guyana Dollars

2019**2018**

16. TAXATION

The provisional charge for taxation is made up as follows:

Current tax	1,211,479	1,232,204
Deferred tax	456	6,002
Prior year adjustments	(5,591)	64
	<u>1,206,344</u>	<u>1,238,270</u>

Reconciliation of tax expense and accounting profit:

Profit before taxation	<u>2,844,440</u>	<u>2,884,910</u>
Corporation tax at 40%	1,137,776	1,153,964
Income not subject to tax	—	2,555
Expenses not deductible for tax purposes	70,747	77,002
Property tax	3,412	4,685
Prior year adjustments	(5,591)	64
	<u>1,206,344</u>	<u>1,238,270</u>

17. EARNINGS PER SHARE

Profit attributable to shareholders	<u>1,638,096</u>	<u>1,646,640</u>
Weighted average number of ordinary shares in issue	<u>23,400,000</u>	<u>23,400,000</u>
Earnings per share	<u>70.00 Dollars</u>	<u>70.37 Dollars</u>



Notes to the Financial Statements

31 DECEMBER 2019

Thousands of Guyana Dollars	2019	2018
18. DIVIDENDS		
Prior year interim paid \$15.01 per share (2018 - \$12.00 per share)	351,234	280,800
Prior year interim paid \$8.94 per share (2018 - \$7.07 per share)	209,196	165,438
Interim declared and paid \$13.57 per share (2018 - \$12.22 per share)	317,538	285,948
Interim declared and paid \$19.00 per share (2018 - \$17.98 per share)	444,600	420,732
Interim declared and paid \$16.00 per share (2018 - \$16.22 per share)	374,400	379,548
	<u>1,696,968</u>	<u>1,532,466</u>

A fourth interim dividend in respect of the financial year of \$13.00 per share (2018 - \$15.01), amounting to a total dividend of \$304,200 (2018 - \$351,234), has been declared and paid after the year end. A final dividend in respect of the financial year of \$8.00 per share (2018 - \$8.94 per share), amounting to a total dividend of \$187,200 (2018 - \$209,196), is to be proposed at the annual general meeting.

In accordance with By-Law 26(6) of the Companys Amended By-Laws, the Company has recorded through equity, a recovery of \$45,916 in forfeited unclaimed dividends (2018 - \$14,852).

19. OPERATING LEASE COMMITMENTS

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

– within 1 year	34,512
– between 1 and 5 years	18,999
	<u>53,511</u>

20. CONTINGENT LIABILITY

Bonds in favour of the Comptroller of Customs and Excise	19,500	19,500
Guarantees	23,000	3,456
	<u>42,500</u>	<u>22,956</u>



Notes to the Financial Statements

31 DECEMBER 2019

Thousands of Guyana Dollars

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.

The classification of financial assets and financial liabilities into IFRS 9 categories as shown in the table below.

	Category	Carrying amount 2019	Carrying amount 2018
Financial assets			
Accounts receivable	Amortised cost	396,433	376,250
Related parties' balances	Amortised cost	46,139	102,234
Cash and cash equivalents	Amortised cost	579,689	774,165
Financial liabilities			
Accounts payable and accruals	Amortised cost	545,438	548,764
Related parties' balances	Amortised cost	229,756	273,879
Lease liabilities	Amortised cost	161,415	—
Provisions for liabilities	Amortised cost	7,680	12,226

(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% (2018 - 99%) of total revenue.



Notes to the Financial Statements

31 DECEMBER 2019

Thousands of Guyana Dollars

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit Risk (Cont'd)

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 trade and sundry 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% 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 2019 Ageing Bucket	Average ECL rate	Estimated exposure	Expected credit loss
Performing (0 to 30 days)	0.05%	378,815	189
Underperforming (31 to 90 days)	0.00%	—	—
Non-performing (over 90 days)	0.00%	—	—
		378,815	189
As at 31 December 2018 Ageing Bucket	Average ECL rate	Estimated exposure	Expected credit loss
Performing (0 to 30 days)	0.07%	367,112	259
Underperforming (31 to 90 days)	0.00%	—	—
Non-performing (over 90 days)	0.00%	—	—
		367,112	259



Notes to the Financial Statements

31 DECEMBER 2019

Thousands of Guyana Dollars

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity Risk

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

As at 31 December 2019	Within 1 month	Between 1 and 3 months	Between 1 and 12 months	Between 1 and 5 years	Total
Accounts payable and accruals	125,970	419,468	–	–	545,438
Amounts due to related parties	229,756	–	–	–	229,756
Lease liabilities	3,965	7,931	35,689	184,299	231,884
Provision for other liabilities (based on contractual obligations)	–	7,680	–	–	7,680
As at 31 December 2018					
Accounts payable and accruals	133,936	414,838	–	–	548,764
Amounts due to related parties	229,756	–	–	–	273,879
Provision for other liabilities (based on contractual obligations)	–	12,226	–	–	12,226

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:

	2019	2018
<i>Assets</i>		
United States Dollars	24,297	102,234



Notes to the Financial Statements

31 DECEMBER 2019

Thousands of Guyana Dollars

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(e) Foreign Currency Risk (Cont'd)

	2019	2018
<i>Liabilities</i>		
United States Dollars	247,497	292,127
British Pound Sterling	26,238	62,073

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 G\$495 in the year (2018 - G\$13,181).

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 G\$1,339 (2018 - G\$1,139) 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 G\$157 (2018 - G\$372) lower/higher.

(f) Fair Values

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

23. EVENT AFTER THE YEAR END

On 11 March 2020, the World Health Organization declared the outbreak of the COVID-19 virus a pandemic. On 09 April 2020, the Minister of Public Health of Guyana instituted by Public Notice various COVID-19 Emergency Measures, including the closure of businesses, other than essential services, until 03 May 2020 unless earlier terminated, extended or amended. The Board of Directors and Management are currently assessing the impact of the COVID-19 Emergency Measures on the Company's operations.



Notes



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