

2023 ANNUAL REPORT







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**Proxy Form** 





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**

1

Demerara Tobacco Company (DEMTOCO) 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.

2

#### **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.

3

#### **SUSTAINABILITY**

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

4

#### 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.





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 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.



## Chairman

Mrs Kathryn Abdulla

# **Managing Director**

Mr Vijay Singh

#### Other Directors

Ms Patricia Bacchus Mr Troy Beharry Mr Raoul Glynn Mr Andre Pryce

#### Secretary

Ms Trinelle Sanoir

# **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

# Registrar

Georgetown

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



NOTICE is hereby given that the NINETIETH ANNUAL GENERAL MEETING ("AGM") of SHAREHOLDERS of DEMERARA TOBACCO COMPANY LIMITED ("the Company") will be held on FRIDAY 26th APRIL 2024 at 2:00 PM at MARRIOTT HOTEL, BLOCK ALPHA BATTERY ROAD, KINGSTON, GEORGETOWN, GUYANA for the transaction of the following business:

- 1. To receive and consider the Audited Financial Statements of the Company for the year ended 31 December 2023, together with the Report of the Auditors thereon;
- 2. To declare a Final Dividend of G\$17.24 per share in respect of the year 2023;
- 3. To re-elect Mr Raoul Glynn, who retires as a Director of the Company in accordance with By-Law 18(1) of the Company's By-Laws, as a Director of the Company;
- 4. To re-elect Mr Troy Beharry, who retires as a Director of the Company in accordance with By-Law 18(1) of the Company's By-Laws, as a Director of the Company;
- 5. To fix the remuneration of the Independent Directors;
- 6. To re-appoint auditors Jack A. Alli, Sons & Co. until the close of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

To transact any other business as may be properly brought before the meeting.

BY ORDER OF THE BOARD

Trinelle Sanoir Secretary

22 February 2024



#### Notes:

- 1. The Directors have not fixed a record date for the determination of Shareholders who are entitled to receive notice of the AGM. In accordance with Section 109(a)(i) of the Companies Act, Cap 89:01, the statutory record date applies. Only shareholders on record at the close of business on 21 February 2024, the date immediately preceding the date on which the Notice is given, are therefore, entitled to receive Notice of the AGM.
- 2. A Shareholder entitled to attend and vote at the AGM 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 General 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.



The Directors have pleasure in submitting their report for the year ended 31 December 2023.

# **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	8,072,778
Cost of Sales	(3,182,493)
Gross Profit	4,890,285
Operating Expenses	(954,560)
Other Income	1,745
Profit Before Taxation	3,937,470
Taxation	(1,658,499)
Profit After Taxation	2,278,971

# **Cash, Deposits and Capital Expenditure**

Cash and Bank Balances as at 31 December 2023 totalled **G\$1.725 billion** compared to **G\$0.949 billion** at the prior year end, an increase of **G\$776 million**.

Operating activities generated cash of **G\$2.820 billion** for the year under review.

Corporation tax paid during the year amounted to **G\$1.591 billion**. Total dividends paid amounted to **G\$2.014 billion**. Capital Expenditure for the year amounted to **G\$15.1 million** compared to **G\$45.1 million** for the previous year.

# **Intercompany Loan**

The Company did not have any intercompany loan transactions for 2023.



#### **Dividends**

In June, August and November 2023, there were three (3) interim dividend payments with a fourth interim dividend payment scheduled for March 2024 totalling **G\$27.98 per share**. A final dividend of **G\$17.24 per share** is proposed by your Directors making a total payment for the Financial Year 2023 of **G\$97.39 per share**.

#### Directors

The Board of Directors currently comprises six Directors. Of the six Directors, five are Non-Executive Directors and of these, two are independent. The Board is diversified by nationality and gender and represents a strong team with a broad range of professional backgrounds and styles.

The Chairman is responsible for leading the Board to ensure effectiveness and robust shareholder engagement. Based on the strategy and policies set by the Board, the Managing Director is responsible for overseeing the implementation of these strategies, which create the framework for day-to-day operations. Directors oversee the Company's strategy, review management proposals, monitor performance, bring an external and specialist perspective, and effective challenge to Board members.

In accordance with By-Law 18(1) of the Company's By-Laws, Mr Raoul Glynn and Mr Troy Beharry will retire from the Board of Directors, and being eligible, offer themselves for re-election.

## Interests of Directors, Senior Officers and Connected Persons

We record hereunder details of the beneficial interest of each Director, together with their connected persons, in the share capital of the Company as at the end of the Company's financial year 31 December 2023.

DIRECTORS	ORDINARY SHARES	NO. OF SHARES HELD E CONNECTED PERSONS		
Mrs Kathryn Anne Abdulla	NIL	NIL		
Mr Vijay Singh	NIL	NIL		
Ms Patricia Bacchus	NIL	NIL		
Mr Troy Beharry	509	NIL		
Mr Raoul Glynn	NIL	NIL		
Mr Andre Pryce	NIL	NIL		



Mrs Kathryn Anne Abdulla and Mr Raoul Glynn, both Non-Executive Directors, are respectively the Company Secretary and Managing Director of an affiliated Company, The West Indian Tobacco Company Limited in Trinidad and Tobago.

# **Auditors**

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

#### BY ORDER OF THE BOARD

Trinelle Sanoir Secretary

22 February 2024



GYD \$ 000	2019	2020	2021	2022	2023
Balance Sheet Items					
Non-Current Assets	220,197	221,609	197,220	174,428	103,676
Current Assets	1,418,990	2,238,961	2,011,783	2,225,235	3,100,777
Total Assets	1,639,187	2,460,570	2,209,003	2,399,663	3,204,453
Current Liabilities	906,217	1,602,916	1,335,305	1,380,686	1,923,998
Non-Current Liabilities	122,233	102,988	70,117	30,398	<u> </u>
Net Assets	610,737	754,666	803,581	988,579	1,280,455
Net Assets per Share	26.10	32.25	34.34	42.25	54.72
Profits and Distribution					
Net Profit before Tax	2,844,440	3,051,479	3,474,296	3,599,404	3,937,470
Taxation	1,206,344	1,290,929	1,448,142	1,522,501	1,658,499
Net Profit after Tax	1,638,096	1,760,550	2,026,154	2,076,903	2,278,971
Statistics					
Ordinary Shares in issue ('000)	23,400	23,400	23,400	23,400	23,400
Earning per share	70.00	75.24	86.59	88.76	97.39
Dividends paid per share	72.52	70.60	85.80	82.11	86.06





ANNUAL MEETING	26 April 2024		
REPORTS			
Interim Report six months to 30 June 2024	August 2024		
PROPOSED DIVIDEND PAYOUT DATES			
Fourth Interim 2023	March 2024		
Final 2023	May 2024		
First Interim 2024	June 2024		
Second Interim 2024	August 2024		
Third Interim 2024	November 2024		
Fourth Interim 2024	March 2025		
Final 2024	May 2025		





Chairman, appointed to the Board of Directors of Demerara Tobacco Company in April 2020.

# Skills & Experience:

Kathryn is an Attorney-at-Law with over 20 years' corporate commercial experience. She was also appointed a Notary Public in 2018. She currently holds the positions of Head of Legal for the British American Tobacco Group's interest in the Caribbean and Company Secretary of the West Indian Tobacco Company Limited, an affiliate company in Trinidad. She has operated at a strategic level in various functions largely in the private sector. In her current portfolio, Kathryn provides strategic direction to achieve the Company's mandate of sustaining market leadership of tobacco products for the Caribbean, which includes some 24 markets. Kathryn has provided national service to her country of Trinidad and Tobago as she held the position of Director on the not-for-profit Friends of the Blood Bank Association board until December 2019 and as a Trustee for another charitable committee with responsibility for sustaining local wildlife in Trinidad and Tobago.

#### **Qualifications:**

Kathryn holds a Bachelor of Laws from The University of the West Indies and a Legal Education Certificate from the Hugh Wooding Law School, as well as a postgraduate certificate in the field of Corporate Governance from the Arthur Lok Jack School of Business. She also holds memberships in the Law Association of Trinidad and Tobago and the Caribbean Corporate Governance Institute.





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 four 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:**

Vijay holds a bachelor's degree in Business Management from the University of Sunderland.





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

#### Skills & Experience:

Patricia is an Attorney-at-Law with over 17 years' experience. She currently holds the position 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. She also 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 (GCCI). Patricia currently serves as Chairperson of the Board of Directors of the Canada Guyana Chamber of Commerce.

#### **Qualifications:**

Patricia holds a Bachelor of Laws from the University of Guyana and a Legal Education Certificate of Merit from the Hugh Wooding Law School.





Non-Executive Director, appointed to the Board of Directors of Demerara Tobacco Company in April 2022.

#### Skills & Experience:

Troy has over 30 years' experience in accounting, finance and audit. He is currently the Vice President and Chief Operating Officer of Massy Distribution (Guyana) Inc./Massy Stores (Guyana) Inc and Director of Massy Guyana Limited. Over his 30-year career, he has proven to be a driven and ambitious change manager dedicated to continuous business improvements that are focused on enhancing revenue and streamlining business operations. He joined the Massy Group in 1997 as a Credit Manager. In 2000, he was promoted to Accountant and became the Finance Director and Company Secretary in 2003. Prior to his employment at Massy Distribution (Guyana) Inc./Massy Stores (Guyana) Inc., he held the position of Senior Auditor at Barcellos, Narine & Company.

#### Qualifications:

Troy holds a bachelor's degree in Accountancy from the University of Guyana. He is also a Fellow of the Association of Chartered Certified Accountants of the UK and an alumnus of the Ivey Business School in Canada. Troy is also a member of the Institute of Chartered Accountants of Guyana.





Non-Executive Director appointed to the Board of Directors of Demerara Tobacco Company in February 2017.

#### Skills & Experience:

Raoul has over 21 years of experience with the British American Tobacco (BAT) Group and is currently the Managing Director of the West Indian Tobacco Company Limited, an affiliate company in Trinidad and Tobago. He also serves as the Head of the Caribbean for LANCAR, under the BAT Group. He served in several senior roles within the BAT Group, including the Managing Director of Carreras Limited in Jamaica, the Country Manager for the Carisma Marketing Services Company where he had responsibility for the marketing and distribution of BAT products in 21 markets of the English, French and Dutch-speaking Caribbean, Marketing Operations Manager for BAT Iran and the Business Development Manager for BAT Central America and the Caribbean, with responsibility for the Trade Marketing, Distribution and Activation portfolio across Central America and the Caribbean, Raoul previously served as the Head of Trade for Demerara Tobacco Company in 2006.

#### **Qualifications:**

Raoul holds a bachelor's degree from The University of the West Indies.





Non-Executive Director, appointed to the Board of Directors of Demerara Tobacco Company in October 2021.

#### Skills & Experience:

Andre is an accomplished and multidisciplinary business and marketing executive with an impeccable track record, strong business acumen and a reputation built on almost 20 years of experience. He is currently the Head of Trade for the West Indian Tobacco Company Limited, an affiliate company in Trinidad and Tobago. He previously held the role of Head of Trade for Carreras Limited in Jamaica. He has served in several significant roles within the BAT Group, including Key Accounts Manager, Route to Market Manager, Customer Development Manager and Territory Manager for 31 different territories within the Caribbean, Central America and South America. He also served as the Business Development Manager where he was a key player in the transition of the BAT Group's interest headquarters in Colombia. Prior to his journey with BAT, Andre held positions in the fields of marketing and teaching. He also served as Board Chairman for Pesticides Control Authority in Jamaica.

He is a detailed, self-driven and result-oriented professional with developed marketing competencies, people skills and a proven track record of working collaboratively with various teams, countries and cultures to develop strategies, deliver results and exceed expectations.

#### **Qualifications:**

Andre holds a MBA in Marketing (Distinction) and a Bachelor of Arts in English, both from The University of the West Indies. Mona.





I am pleased to report that DEMTOCO has achieved significant growth for the reporting year 2023 and to share with you, our valued shareholders, key 2023 highlights.

KATHRYN ANNE ABDULLA Chairman

For the last three years, we have seen consistent global disruptions — the pandemic, armed conflicts between countries, supply chain challenges, and closer to home, the national security threat regarding Venezuela's border claim. Notwithstanding this, we are encouraged by the outlook for Guyana and what this means for its citizens and the business community. It is against this backdrop that DEMTOCO, supported by strong leadership from its Board and management, has continued to adapt its strategies to combat the main forces affecting global businesses today.

For another consecutive year, Ernst & Young noted in its "Focus on Guyana Budget 2024" that Guyana remained among the fastest-growing economies in 2023, experiencing another year of double-digit real GDP growth of 33.1% driven mainly by the energy sector, surpassing the Minister of Finance's

projection of 25.1%. It is noteworthy that non-oil GDP also surpassed projections in 2023, growing by 11.7%, after being projected to grow by 7.9%. We are optimistic about the initiatives announced by the Minister of Finance to drive economic growth, improve infrastructure and social services and improve quality of life.

In this environment, and backed by the strength of our brand portfolio, the Company has continued on the path of growth and stability. While we continue to lead in adult consumer choice, for 2023, we placed significant emphasis on enhancing sustainable and strong business relationships with the trade.

# **Superior Returns for our Shareholders**

Our Company delivered earnings per share of G\$97.39 versus G\$88.76 in the prior year and total dividend payments of G\$2.014 billion were

distributed in 2023. We generated profit after tax of G\$2,279 billion versus G\$2,077 billion (2022) which represented an increase of 9.7%. Overall, the Company saw growth in revenue of 4.4% with a favourable movement in operating profit of 9.4% mainly driven by increased revenue and efficiencies in operating costs.

#### **Increase Sustainability and Responsibility**

Responsible business and sustainability have long been a part of our business principles and Environmental, Social and Governance (ESG) objectives. We remain committed to exploring opportunities within the context of the prevailing regulatory environment that will bring positive outcomes for the communities in which we operate. Employees, diversity and culture are areas that we continue to nurture and cherish within DEMTOCO. Additionally, we foster principles of the circular economy throughout our supply chain, with proactive ways to reduce wastage and the impact on the environment. Responsible marketing and full compliance with regulations for ourselves and our partners continue to be areas on which we do not waver.

# **Fighting Illicit Trade**

As a responsible company, DEMTOCO adheres to all local laws and regulations regarding the distribution, marketing and sale of our products. Unfortunately, we have continued to see a rise in illicit trade in the Guyana market.

The effects of illicit trade are both severe and numerous, including the loss of revenue to the Government, the provision of sub-standard goods which puts citizens at risk and the erosion of legitimate businesses.

At DEMTOCO, we recognise the adversities associated with illicit trade. We are committed to

supporting initiatives geared towards eradicating this trade, with the aim of countering the seriously detrimental effects, which impact the whole of society.

We remain encouraged to see the authorities taking a stance against this type of trade and believe that there are opportunities for continued collaboration. This will ensure the right type of enforcement is applied to disrupt the illicit supply chain.

Our Company remains committed to raising awareness about the harmful effects of illicit trade through active engagement with regulators, the Government and the private sector.

#### Governance and Board

Sound governance practices remain a core commitment for our Company's Board to always ensure our business objectives are achieved with integrity, transparency and accountability. For 2023, the Board underwent corporate governance training to ensure we are kept current on governance issues and corporate best practices.

I take this opportunity to thank my Directors for their unwavering support and commitment to the business.

In closing, we wish to thank our shareholders for their 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 of building "A Better Tomorrow" with confidence because of you.

Kathryn Anne Abdulla

Kabdella

Chairman





Dear Shareholders,

For 89 years, Demerara Tobacco has navigated an ever-changing global environment to deliver superior results across our key financial metrics, underpinned by strong consumer and shareholder value. I am therefore delighted to share that for the reporting year 2023, Demerara Tobacco has once again delivered strong operational performance with revenue growth of 4.4% to G\$8.073 billion, primarily driven by our improved value and mix of our portfolio. This achievement demonstrates our commitment to delivering our ambition of continuous growth and providing consumers with the best quality products.

There were of course challenges along the way. The medium and long-term effects of the pandemic and ongoing conflicts, which include disrupted global supply chains and increased global inflationary pressures as well as national security threats created uncertainty and constraints for businesses. Despite this, our performance in 2023 clearly demonstrates the determination and responsiveness of the DEMTOCO team as well as the strength of our consumer-focused portfolio.

The core of our ambition continues to be building and growing the long-lasting relevance of our brands. We do this through innovation, strong stakeholder relationships and a passionate team driven by clear objectives and deep knowledge and expertise in the tobacco industry. As Guyana's economy continues to gain momentum, we remain confident that DEMTOCO will continue its legacy of robust performance.

In this respect, as we embark on the journey for 2024, we will continue upgrading our operating model,

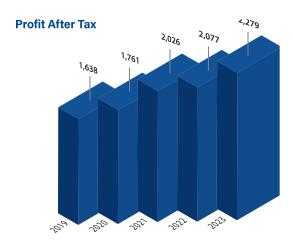
understanding and responding to our customers and consumers through innovation and with active portfolio management. I have no doubt that we have the key ingredients that will lead us to continue maximising the opportunities in the year ahead.

## **Company Performance**

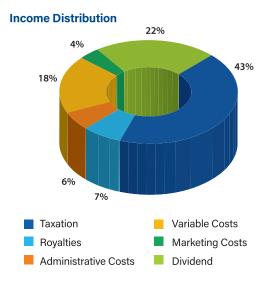
As Managing Director, I am pleased to share the following highlights which illustrate the superior value delivered across the total portfolio. The resolute commitment by the Demerara Tobacco employees, together with the strength of our global

brands and the deployment of innovative strategies, have allowed our team to respond to the dynamics of the local market and consumer preferences.

These efforts have resulted in Profit After Tax increasing from G\$2.077 billion to G\$2.279 billion, resulting in a 9.7% increase in Earnings Per Share. Our Company's share price at the close of the financial year stood at G\$2,500, which solidifies the confidence of our shareholders and commitment of management to deliver on expectations.



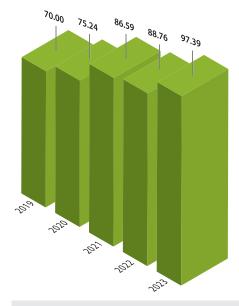
Profit after tax increased by 9.7% this year, from G\$2.077 billion to G\$2.279 billion. The maintenance of growth was due to the customer-focused and diligent approach of the DEMTOCO team.



A look at the distribution of income indicates that 43% was allocated to taxation, followed by dividend payments amounting to 22%.

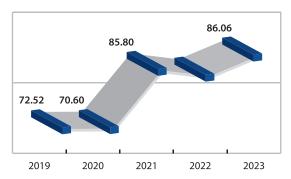


# **Earnings Per Share**



Earnings Per Share increased by 9.7% this year from G\$88.76 to G\$97.39.

#### **Dividends**



Dividend payouts increased by 4.8% to G\$86.06 in 2023 compared to a decline of 4.3% to G\$82.11 in 2022. Additional value will be passed to shareholders by way of the fourth interim and final dividends payable in 2024.

# **Dividend Payouts Per Calendar Year**

Dividend Payment						
Per Share	2019	2020	2021	2022	2023	2024
4th Quarter (Previous Year)	15.01	13.00	16.60	17.30	21.05	27.98
Final Proposed (Previous Year)	8.94	8.00	9.85	9.94	12.83	17.24
1st Quarter	13.57	10.50	13.50	15.64	3.75	-
2nd Quarter	19.00	20.90	22.60	20.90	27.15	-
3rd Quarter	16.00	18.20	23.25	18.33	21.28	-
Total	72.52	70.60	85.80	82.11	86.06	-

Dividend payouts increased by 4.8% to G\$86.06 in 2023. Additional value will be passed to shareholders by way of the fourth interim and final dividends payable in 2024.

#### **Share Price**



Share price decreased by 17% in 2023.

#### Marketing

#### Volume performance and stable growth

During 2023, Demerara Tobacco Company continued along the path of growth and stability, with sales amassing to 431 million sticks. This achievement is accredited to our resilient portfolio, robust distribution, empowered team and support from our loyal customers and stakeholders on the trade.

Tremendous support was given to ensure we maintained the successful performance of our portfolio throughout the year. We are proud to report that our premium category (Dunhill) for the third consecutive year achieved growth of 9.5% vs 2022, driven mainly by the continuation of innovation and evolution of this portfolio. Our key leading brand Pall Mall has displayed resilience, declining by less than 1% despite the growing presence of illicit trade.

DEMTOCO remains committed to delivering strong brands supported by innovation and quality to deliver value to our consumers, retailers and shareholders.

#### **Illicit Trade**

Illicit trade is a persistent and growing threat as a wide range of consumer products, which are either counterfeit or duty not paid, continue to infiltrate supply chains. This is quite concerning as illicit networks evade law enforcement and put citizens at risk due to unregulated products which also contribute to crime and deprive the government of tax revenue.

In Guyana, we estimate the illicit cigarette market to be 29%, with two key brands sold in large quantities across the country. This therefore continues to be a direct threat to our Company, and as such, combatting illicit trade remains one of our main priorities.

Illicit trade in tobacco products is determined by multiple factors. It is therefore our view that an effective anti-illicit trade strategy has to be multi-sectoral, involving all relevant government agencies, the private sector and in some facets, even regional entities.

Additionally, focus should be placed on enforcement to address non-compliance and adherence to all laws such as Excise Tax Stamps and the packaging and labelling requirements as mandated by the Tobacco Control Act of 2017. However, we remain encouraged to see the authorities such as the Guyana National Bureau of Standards, the Guyana Revenue Authority (GRA) and the Customs Anti-Narcotic Unit taking a stance against this type of trade. It would be remiss of me not to applaud the efforts that led to the number of seizures in 2023 and to the GRA's publishing of official notices to sensitise the public on the legal brands.

At DEMTOCO, we believe that there are areas for further collaboration to ensure the applicable methods of enforcement are applied throughout



the supply chain. If this is done from the source, then we can expect to see further positive strides. The criminal nature of the illicit cigarette trade has significant detrimental effects on society and should therefore be the focus of collective efforts and attention by all stakeholders.

#### **Our Corporate Purpose**

I wish to close by asserting that it is a privilege for me to lead such an impactful team at DEMTOCO, one that embodies our core values. We place a high emphasis on our employees, supporting inclusion and diversity, and celebrating the success of the team and the communities in which we operate.

As a responsible company, we not only adhere to the laws and regulations, but pride ourselves in setting high standards which govern our approach to marketing all our products and business practices. Responsible marketing to adults and full legal compliance are areas in which we do not compromise.

Lastly, as we move into our 90th year as a stable and strong contributor to the Guyanese economy, we will also seek to take further action to reduce the health impact of our business so that we can move closer to our goal to create "A Better Tomorrow".

Vijay Singh

Managing Director





Solange Pertab Executive Assistant

> Vedant James Finance Manager

Vijay Singh Managing Director

> Yasoda Babulall Head of Trade

Marise Jordan Marketing Deployment Executive



**Realising Our Ambition** relates to the strategies undertaken by DEMTOCO to move our business forward to achieve our goal of delivering greater results for all our stakeholders. As we close our 89th year with outstanding results, we reflect on the plan that drove our outcomes and the lessons learnt along the way. We also recognise the strong foundation which we have built with our resilient team and support from our stakeholders.







# Our Portfolio and Partnerships — The Means to Achieve our Ambition

Dunhill remains the premium brand in Guyana, delivering 9.5% growth in 2023 which resulted in an improved share of market to 11.5% of our portfolio. This international brand continues to offer our consumers an unrivalled premium experience from our core to our freshness offers. Our continuous growth in this segment over the last three years highlights the demand for our premium products amongst our consumers.

The migration of our local beauty Bristol to our internationally known Lucky Strike, has catapulted our entire portfolio into an internationally recognisable one. Overall, the brand remained flat versus 2022. As we anticipate an exciting portfolio line-up in 2024, we continue to leverage on the Lucky Strike brand which represents modernity and innovation.





Pall Mall overall declined only by 1% versus 2022. However, Pall Mall White saw a 35% increase in 2023. Having launched at the end of 2021, Pall Mall White has continued to be our main driver for regaining market share from the current low-priced competitive landscape. In addition, our Pall Mall freshness offers continue to deliver value in this segment, growing by 10% in 2023.



Looking ahead for 2024, we are committed to leveraging our international brands and portfolio to deliver sustainable growth whilst looking for opportunities to ensure we continue to deliver genuine moments of happiness to our consumers.

In addition to our portfolio, we are backed by a committed DEMTOCO field force that is responsible for ensuring our brands are available at all points of sale. The Company strengthened its business partnership through meaningful engagements and trade visits across Guyana with our management and trade teams. Our "Feet in the Street" initiative saw our entire DEMTOCO team take to the streets with our sales team to support our business partners and help build advocacy with our trade partners. We also extend our appreciation to the distribution team at Edward B. Beharry, as delivering volume growth would not be possible without their steadfast commitment and enthusiasm.

The Company plans to continue this momentum in 2024 and to maintain our position as an industry leader.

# Our Ambition — Building a Better Tomorrow

We believe that our people are at the core of our ambition of "A Better Tomorrow". In pursuit of this, we continue to implement a people-driven agenda targeted at talent development, employee engagement and fostering a collaborative company culture.

Talent development through reducing skills gaps and future-proofing the business is critical to

ensuring we maintain our position as a highperforming company. Utilising our online platform "The Grid", we drive the upskilling process to strengthen capacity and talent pipelines to ensure succession planning and preparation. In 2023, a hybrid approach of training courses on marketing skills were executed for the trade team.

We also consistently delivered employee engagement initiatives through our embedded culture platform the "Power of We". Through its four pillars, we captured all aspects of the employee experience and sustained meaningful connection among our team. This was supported by the launch of a new Reward & Recognition Platform "Building Tomorrow" which provides financial and non-financial modes of recognition in alignment with our company values.

Subsequently in the third quarter of 2023, the Your Voice Survey was executed internally to assess areas ranging from strategy, transformation and innovation, leadership, engagement and talent development. The results, which are compared against internal and the Fast Moving Consumer Goods (FMCG) industry benchmarks, were commendable and reflect the strength of DEMTOCO.

Diversity and culture are areas that we continue to nurture and cherish within DEMTOCO. All national holidays were observed and commemorated as we recognise the diversity of our workplace community. We also encourage work-life balance, taking time off to rejuvenate with our colleagues through various sporting and outdoor events.



2023 Divali celebrations included a beautiful Rangoli creation



Traditions well represented as the team dressed in cultural wear in observance of Emancipation Day



Recognising International Women's Day on 8 March



The DEMTOCO Team celebrates the Guyana Amazon Warriors triumph at the 2023 Caribbean Premier League





The team displayed their creativity at the Easter Kite Flying Competition

The workforce at Demerara Tobacco continues to be committed and motivated and they have demonstrated in 2023 that they are more than capable of sustaining an accelerated rate of performance, which contributed towards the delivery of our growing ambition. Looking ahead to 2024, we are confident that with our winning portfolio and dedicated team, we can continue on our path towards "Building a Better Tomorrow".



# FINANCIAL STATEMENTS TOGETHER WITH REPORT OF THE AUDITORS

DEMTOCO A BETTER TOMORROW



#### 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 2023, 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 material accounting policies, as set out on pages 44 to 59.

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 2023 and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards 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), including international independence standards 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 Matter**

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements for the year ended 31 December 2023. This matter was 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 this matter. This is not a complete list of all risks identified by our audit.

### Key audit matter

Tax obligations arising on related party transactions

The Company has undertaken transactions with numerous related parties which gives rise to various tax obligations in Guyana. We have identified accuracy and completeness of the related party transactions as a key audit matter due to the significance of related party transactions, the risk that transactions are entered into on a non- arm's length basis and the risk that such transactions remain undisclosed.

The disclosure associated with related parties is set out in the financial statements note 9.

Our procedures relating to related party relationships, transactions and balances included, amongst others:

- inquired from management and those charged with governance, and performed other risk assessment procedures considered appropriate, to obtain an understanding of the controls, if any, established to identify, account for and disclose related party relationships and transactions in the financial statements:
- maintained alertness for related party information when reviewing records and other supporting documents to assess the completeness and accuracy of related party transaction disclosures;
- reviewed an extensive list of business documents and compiled a list of related parties and related party transactions independently;
- where management asserted that the transactions are in fact at arm's length, we assessed this assertion by:
  - comparing the terms of related party transactions to known market terms for broadly similar transactions;
  - verifying the source of the internal or external data supporting the assertion and testing the data to determine their accuracy, completeness, and relevance; and
  - evaluating the reasonableness of any significant assumptions on which the assertion is based and assessed 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;
- assessed and evaluated the presentation and disclosure of the above matter.



#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2023 Annual Report but does not include the financial statements and our auditors' report thereon. The Company's 2023 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 IFRS Accounting 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 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 Javed A. Alli.

JACK A. ALLI, SONS & CO.

JACK A. ALLI, SONS & CO.

145 Crown Street Queenstown Georgetown, Guyana 22 February 2024



# STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

Thousands of Guyana Dollars	Notes	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	4	65,741	98,355
Right-of-use assets	5	20,557	56,622
Deferred taxation	6	17,378	19,451
		103,676	174,428
Current assets			
Inventories	7	77,319	204,466
Accounts receivable and prepayments	8	1,092,516	858,871
Amount due from related party	9	7,236	13,737
Taxation	10	199,092	199,092
Cash and cash equivalents	10	1,724,614	949,069
		3,100,777	2,225,235
TOTAL ASSETS		3,204,453	2,399,663
EQUITY AND LIABILITIES			
Equity			
Share capital	11	23,400	23,400
Retained earnings		1,257,055	965,179
		1,280,455	988,579
Non-current liabilities			
Lease liabilities	5	0	30,398
Current liabilities			
Accounts payable and accruals	12	999,316	810,577
Amounts due to related parties	9	659,491	354,242
Lease Liabilities	5	30,398	43,829
Taxation		188,637	123,656
Provision for other liabilities	13	46,156	48,382
		1,923,998	1,380,686
TOTAL EQUITY AND LIABILITIES		3,204,453	2,399,663

The notes on pages 44 to 59 form an integral part of these financial statements. The Board of Directors approved these financial statements for issue on 22 February 2024.

Directors

Thousands of Guyana Dollars	Notes	2023	2022
Revenue		8,072,778	7,731,961
Cost of sales	14	(3,182,493)	(3,144,852)
Gross profit		4,890,285	4,587,109
Distribution and marketing costs	14	(401,538)	(400,570)
Administrative expenses	14	(553,022)	(595,607)
Other income		1,745	8,472
Profit before taxation		3,937,470	3,599,404
Taxation	17	(1,658,499)	(1,522,501)
Profit for the year		2,278,971	2,076,903
Earnings per share	18	97.39 Dollars	88.76 Dollars



Thousands of Guyana Dollars	Notes			
		Share Capital	Retained Earnings	Total
Year ended 31 December 2022				
As at beginning of year Profit for the year Dividends paid Forfeiture of unclaimed dividends As at end of year	19 19	23,400 0 0 0 23,400	780,181 2,076,903 (1,921,374) 29,469 965,179	803,581 2,076,903 (1,921,374) 29,469 988,579
Year ended 31 December 2023				
As at beginning of year Profit for the year Dividends paid Forfeiture of unclaimed dividends	19 19	23,400 0 0 0	965,179 2,278,971 (2,013,804) 26,709	988,579 2,278,971 (2,013,804) 26,709
As at end of year		23,400	1,257,055	1,280,455



Thousands of Guyana Dollars	Notes	2023	2022
OPERATING ACTIVITIES			
Profit before taxation Adjusted for:		3,937,470	3,599,404
Depreciation		76,283	77,401
Loss / (gain) on disposal of property, plant and equipm	ent	6,451	(3,413)
Net movement in provision for other liabilities		(2,226)	(9,315)
Interest on lease liabilities		7,284	12,623
Operating profit before changes in working capital		4,025,262	3,676,700
Decrease / (increase) in inventories		127,147	(22,297)
Increase in accounts receivable and prepayments		(233,645)	(255,401)
Increase in accounts payable and accruals		188,739	159,911
Decrease / (increase) in net amount due to related part	ies	311,750	(37,037)
Cash generated from operations		4,419,253	3,521,876
Taxes paid		(1,591,445)	(1,617,169)
Interest paid		(7,284)	(12,623)
Net Cash Inflow - Operating Activities		2,820,524	1,892,084
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(15,143)	(45,186)
Proceeds from sale of property, plant and equipment		1,088	7,892
Net Cash Outflow - Investing Activities		(14,055)	(37,294)
FINANCING ACTIVITIES			
Dividends paid	19	(2,013,804)	(1,921,374)
Forfeiture of unclaimed dividends	19	26,709	29,469
Payment of lease liabilities - principal portion		(43,829)	(40,868)
Net Cash Outflow - Financing Activities		( 2,030,924)	(1,932,773)



Thousands of Guyana Dollars	Notes	2023	2022
NET MOVEMENT IN			
CASH AND CASH EQUIVALENTS		775,545	(77,983)
CASH AND CASH EQUIVALENTS			
AS AT BEGINNING OF YEAR		949,069	1,027,052
CASH AND CASH EQUIVALENTS			
AS AT END OF YEAR	10	1,724,614	949,069



31 DECEMBER 2023

### 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. MATERIAL ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements have been prepared under the historical cost convention. The Company's accounting policies conform with IFRS Accounting Standards and the Guyana Companies Act.

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Pronouncements effective in current year

The following new standard and amendments to existing standards have been published and are effective in the current year. These standards did not have a material impact on the Company's financial statements.

IFRS 17	Insurance Contracts
IAS 1	Amendments - Disclosure of Accounting Policies
IAS 8	Amendments - Definition of Accounting Estimates
IAS 12	Amendments - Deferred Tax related Assets and Liabilities arising from a
	Single Transaction
IAS 12	Amendments - International Tax Reform - Pillar Two Model Rules

#### Pronouncements effective in future years

The following amendments to existing standards have been published and are effective in future financial years. The Company is currently evaluating the potential impact of these standards.

IAS 1	Amendments – Classification of Liabilities as Current or Non-current
IAS 1	Amendments - Non-current Liabilities with Covenants



**31 DECEMBER 2023** 

### 2. MATERIAL ACCOUNTING POLICIES (cont'd)

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

Pronouncements effective in future years (cont'd)

IAS 16 Amendments - Lease Liability in a Sale and Leaseback

IAS 7 and IFRS 7 Amendments - Supplier Finance Arrangements

### (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) Property, Plant and Equipment

Property, 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:

Leasehold improvements	Over the lease term
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. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.



31 DECEMBER 2023

### 2. MATERIAL ACCOUNTING POLICIES (cont'd)

### (c) Property, Plant and Equipment (cont'd)

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

The Company applies IFRS 16 Leases to contractual arrangements which are, or contain, leases of assets. Right-of-use lease assets are initially recognised at an amount equal to the lease liability, adjusted for initial direct costs in relation to the assets, then depreciated over the shorter of the lease term and their estimated useful lives. Lease liabilities are initially recognised at an amount equal to the present value of estimated contractual lease payments at the inception of the lease, discounted using the interest rate implicit in the lease if this can be readily determined, or the applicable incremental rate of borrowing, as appropriate.

The Company has adopted several practical expedients available under the IFRS 16 including not applying the recognition and measurement requirements of IFRS 16 to leases of less than 12 months maximum duration or to leases of low-value assets.

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.

## (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 differences arise from depreciation on property, plant and equipment and the treatment of lease expenses.

# 2. MATERIAL ACCOUNTING POLICIES (cont'd)

### (f) Inventories

**31 DECEMBER 2023** 

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, less a provision for expected credit losses (ECL).

### (h) Impairment of Financial Assets

The Company assesses on a forward looking basis the provision for ECL associated with its financial assets classified at amortised cost. To determine this provision, the Company applies the simplified approach, as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Factors considered in the Company's calculation of the provision for ECL is provided in Note 21 (b).

When a receivable is uncollectible, it was written off against the allowance account. Subsequent recoveries of amounts previously written off are 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 amortised 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.

## (I) 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.

31 DECEMBER 2023

## 2. MATERIAL ACCOUNTING POLICIES (cont'd)

### (m) Revenue Recognition

Revenue comprises the sale of cigarettes to external customers. Revenue is recognised when control of the goods is transferred to a customer at a point in time; this is usually evidenced by a transfer of the significant risks and rewards of ownership upon delivery to the customer. Revenue represents the value of goods sold, after deducting sales discounts and marketing payments to customers.

## (n) Operating Segments

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

#### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. The key estimates and assumptions are described below.

### Impairment Assessment of Property, Plant and Equipment

The residual values and useful lives of property, plant and equipment are reviewed at each reporting date and key assumptions used in respect of impairment testing are the determination of cash-generating units, the budgeted and forecast cash flows of these units, the long-term growth rate for cash flow projections and the rate used to discount the cash flow projections.

#### Valuation of Inventories

Inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Company estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow moving and obsolete items. The accuracy of the Company's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.



31 DECEMBER 2023

# **Thousands of Guyana Dollars**

PROPERTY, PLANT AND E	QUIPMENT	O#:				
	Plant and Machinery	Office and Other Equipment	Motor Vehicles	Leasehold Improvements	Work in Progress	Total
Cost						
As at 01 January 2023	0	69,176	45,426	55,786	31,541	201,929
Additions in the year	0	3,505	0	0	11,638	15,143
Transfers in the year	0	2,602	21,400	0	(24,002)	0
Disposals in the year	0	0	(3,796)	0	(7,539)	(11,335)
As at 31 December 2023	0	75,283	63,030	55,786	11,638	205,737
Accumulated Depreciation						
As at 01 January 2023	0	(45,044)	(39,935)	(18,595)	0	(103,574)
Charges for the year	0	(9,834)	(7,926)	(22,458)	0	(40,218)
Written back on disposals	0	0	3,796	0	0	3,796
As at 31 December 2023	0	(54,878)	(44,065)	(41,053)	0	(139,996)
Net Carrying Amount						
As at 31 December 2023	0	20,405	18,965	14,733	11,638	65,741
Cost						
As at 01 January 2022	297	59,591	75,103	57,085	14,356	206,432
Additions in the year	0	12,948	0	0	32,238	45,186
Transfers in the year	0	2,836	0	12,217	(15,053)	0
Disposals in the year	(297)	(6,199)	(29,677)	(13,516)	0	(49,689)
As at 31 December 2022	0	69,176	45,426	55,786	31,541	201,929
Accumulated Depreciation						
As at 01 January 2022	(297)	(42,898)	(58,561)	(11,224)	0	(112,980)
Charges for the year	0	(7,769)	(7,301)	(20,734)	0	(35,804)
Written back on disposals	297	5,623	25,927	13,363	0	45,210
As at 31 December 2022	0	(45,044)	(39,935)	(18,595)	0	(103,574)
Net Carrying Amount						
As at 31 December 2022	0	24,132	5,491	37,191	31,541	98,355

The Company has no contracted capital expenditure on plant and equipment for the coming year (2022 - \$13,000).



	nds of Guyana Dollars ASES	2023	2022
	e Company leases various properties to carry out its activities.	2020	2022
(a)	Right-of-use Asset		
	Cost		
	As at beginning of year	163,611	168,537
	Additions	0	12,107
	Disposals	(12,107)	(17,033)
	As at end of year	151,504	163,611
	Accumulated Depreciation		
	As at beginning of year	106,989	82,425
	Charge in the year	36,065	41,597
	Written back on disposals	(12,107)	(17,033)
	As at end of year	130,947	106,989
	Net Carrying Amount		
	As at end of year	20,557	56,622
(b)	Lease Liabilities		
	As at beginning of year	74,227	102,988
	New lease	. 0	12,107
	Interest expense	7,284	12,623
	Payments	(51,113)	(53,491)
	As at end of year	30,398	74,227
	Current	30,398	43,829
	Non-current	0	30,398
		30,398	74,227



The	ousa	nds of Guyana Dollars		
6.	DEI	FERRED TAXATION	2023	2022
	Def	erred tax asset:		
		Accelerated accounts depreciation Lease expenses	13,404 3,974	12,372 7,079
			17,378	19,451
7.	INV	PENTORIES	2023	2022
		ods for resale	77,319	86,772
	God	ods in transit	0	117,694
			77,319	204,466
8.	AC	COUNTS RECEIVABLE AND PREPAYMENTS	2023	2022
	Trac	de receivables	949,515	802,168
		er receivables	116,772	57,505
	Les	s provision for ECL	(884)	(802)
		de and other receivables - net	1,065,403	858,871
	Pre	payments	27,113	0
			1,092,516	858,871
9.	REI	ATED PARTIES	2023	2022
	(a)	Key management compensation:		
		Short term benefits	78,220	56,046
	(b)	Transactions carried out with related parties:		
		Acquisition of products from fellow group subsidiary	1,333,172	1,403,796
		Royalty charges from fellow group subsidiaries	658,795	569,191
		Technical and advisory service charges from fellow group subsidiary	118,740	161,608
		Information technology charges from fellow group subsidiaries	97,485	91,548
		Area service charges from fellow group subsidiary	73,941	73,240
		Research and development charges from fellow group subsidiary	12,007	32,837
		Recharges from fellow group subsidiary	162,394	51,473
		Recharges to fellow group subsidiaries Dividends paid to parent	58,109	72,448
		Dividends paid to parent	1,414,777	1,349,841



. RE			
. RE	ELATED PARTIES (cont'd)	2023	2022
(c)	) Outstanding balances at year end:		
	Amount due from fellow group subsidiary	7,236	13,737
	Amounts due to fellow group subsidiaries	659,491	354,242
	All balances are interest free, unsecured and repayable on deman	d.	
0. CA	ASH AND CASH EQUIVALENTS	2023	2022
	nort term deposits her cash at bank	18,645 1,705,969	18,635 930,434
		1,724,614	949,069
1. SH	HARE CAPITAL	2023	2022
2: Iss	uthorised 3,400,000 ordinary shares of no par value sued and fully paid 3,400,000 ordinary shares of no par value	23,400	23,400
sh	ne Company's ordinary share confers upon its holder the right areholders, (ii) receive any dividend declared by the Company, operty of the Company on its dissolution.		
sha pro	areholders, (ii) receive any dividend declared by the Company,		
sha pro <b>2. AC</b> Su	areholders, (ii) receive any dividend declared by the Company, operty of the Company on its dissolution.	and (iii) receive	the remaining
sha pro <b>2. AC</b> Su	areholders, (ii) receive any dividend declared by the Company, operty of the Company on its dissolution.  CCOUNTS PAYABLE AND ACCRUALS undry payables	and (iii) receive 2023 760,914	2022 573,802
shapro 2. AC Su Ac	areholders, (ii) receive any dividend declared by the Company, operty of the Company on its dissolution.  CCOUNTS PAYABLE AND ACCRUALS undry payables	2023 760,914 238,402	2022 573,802 236,775
shipro  2. AC  Su  Ac  3. PF	areholders, (ii) receive any dividend declared by the Company, operty of the Company on its dissolution.  CCOUNTS PAYABLE AND ACCRUALS and any payables occurred to the company of the Company of the Company of the Company of the Company, operty of the Company of the Company, operty of the Company of the Company, operty of the Company of the Company, operty of the Company, operty of the Company on its dissolution.	2023 760,914 238,402 999,316	2022 573,802 236,775 810,577
shi pro  2. AC  Su  Ac  3. PF	areholders, (ii) receive any dividend declared by the Company, operty of the Company on its dissolution.  CCOUNTS PAYABLE AND ACCRUALS undry payables ceruals  ROVISION FOR OTHER LIABILITIES ovision for bonuses: As at beginning of year Charged in the year	2023 760,914 238,402 999,316 2023 48,382 46,156	2022 573,802 236,775 810,577 2022 57,697 48,382
shapro  2. AC  Su  Ac  3. PF	areholders, (ii) receive any dividend declared by the Company, operty of the Company on its dissolution.  CCOUNTS PAYABLE AND ACCRUALS undry payables ceruals  ROVISION FOR OTHER LIABILITIES ovision for bonuses: As at beginning of year	2023 760,914 238,402 999,316 2023 48,382	2022 573,802 236,775 810,577 2022



31 DECEMBER 2023

The	ousands of Guyana Dollars		
14.	EXPENSES BY NATURE	2023	2022
	Cost of inventories expensed	3,182,493	3,144,852
	Staff costs (note 15)	213,692	207,632
	Technical and advisory service charges	118,740	161,608
	Area service charges	73,941	73,240
	Information technology charges	109,492	91,548
	Depreciation	76,283	77,401
	Communications expenses	17,062	22,836
	Advertising expenses	67,003	42,413
	Auditors' remuneration	6,700	6,600
	Interest on lease liabilities	7,284	12,623
	Directors' remuneration (note 16)	3,888	5,572
	Other	260,475	294,704
	Total of Cost of Sales, Distribution and Marketing	-	
	Costs, and Administrative Expenses	4,137,053	4,141,029
15.	STAFF COSTS	2023	2022
	Wages and salaries	165,509	171,846
	Other benefits	48,183	35,786
		213,692	207,632
16.	DIRECTORS' REMUNERATION	2023	2022
	Remuneration paid to Directors for services as directors, included in key management compensation:		
	Patricia Bacchus	1,987	2,700
	Troy Beharry	1,901	2,138
	Chandradat Chintamani (retired 28 April 2022)	0	734
		3,888	5,572

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



17.	ousands of Guyana Dollars TAXATION	2023	2022
•••	The provisional charge for taxation is made up as follows:	2020	2022
	Current tax Deferred tax Prior year adjustments	1,656,579 2,073 (153)	1,524,296 (1,795) 0
		1,658,499	1,522,501
	Reconciliation of tax expense and accounting profit:		
	Profit before taxation	3,937,470	3,599,404
	Corporation tax at 40% Expenses not deductible for tax purposes Property tax Income exempt from corporation tax Prior year adjustments	1,574,988 74,237 9,791 (364) (153) 1,658,499	1,439,762 77,256 6,910 (1,427) 0 1,522,501
18.	EARNINGS PER SHARE	2023	2022
	Profit attributable to shareholders	2,278,971	2,076,903
	Weighed average number of ordinary shares in issue	23,400	23,400
	Earnings per share	97.39 Dollars	88.76 Dollars
19.	DIVIDENDS	2023	2022
	Prior year fourth interim paid \$21.05 per share (2022 - \$17.30 per share) Prior year final paid \$12.83 per share	492,570	404,820
	(2022 - \$9.94 per share)	300,222	232,596
	Interim declared and paid \$3.75 per share (2022 - \$15.64 per share)	87,750	365,976
	Interim declared and paid \$27.15 per share (2022 - \$22.90 per share) Interim declared and paid \$21.28 per share	635,310	489,060
	(2022 - \$18.33 per share)	497,952	428,922
		2,013,804	1,921,374

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### **Thousands of Guyana Dollars**

### 19. DIVIDENDS (cont.)

A fourth interim dividend in respect of the financial year of \$27.98 per share (2022 - \$21.05), amounting to a total dividend of \$654,732 (2022 - \$492,570) has been declared and paid after the year end. A final dividend in respect of the financial year of \$17.24 per share (2022 - \$12.83 per share), amounting to a total dividend of \$403,416 (2022 - \$300,222), is to be proposed at the annual general meeting on 26 April 2024.

In accordance with By-law 26(6) of the Company's Amended By-Laws, the Company has recorded through equity, a recovery of \$26,709 in forfeited unclaimed dividends (2022 - \$29,469).

20. CONTINGENT LIABILITY	2023	2022
Guarantees	2,802	8,000

### 21. 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, lease liabilities and provision for liabilities based on contractual obligations.

Financial assets and financial liabilities by class and by category is shown in the table below.

	Category	Carrying Amount 2023	Carrying Amount 2022
Financial assets			
Accounts receivable	Amortised cost	1,065,403	858,871
Related party's balance	Amortised cost	7,236	13,737
Cash and cash equivalents	Amortised cost	1,724,614	949,069
Financial liabilities			
Accounts payable and accruals	Amortised cost	999,316	810,577
Related parties' balances	Amortised cost	659,491	354,242
Lease liabilities	Amortised cost	30,398	74,227
Provision for other liabilities (based on			
obligations)	Amortised cost	33,304	29,017

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### **Thousands of Guyana Dollars**

### 21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

### (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 8, 9 and 10 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 percent 99 (2022 - 99 percent) of total revenue.

Management considers the credit risk arising on balance due from related party to be minimal given that the entity is controlled by British American Tobacco plc. and is of good financial standing. Cash resources are held with financial institutions licensed in Guyana. While related party balance 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 0.09 (2022 - 0.10) percent of amounts due from customers 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.

# Thousands of Guyana Dollars

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### 21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

## (b) Credit Risk (cont.)

The following is a summary of the ECL on trade receivables arising from application of the provision matrix:

As at 31 December 2023 Ageing Bucket	Average ECL rate	Estimated exposure	Expected credit loss
Performing (0 - 30 days)	0.08%	1,073,523	884
Underperforming (31 to 90 days)	0.00%	0	0
Non-performing (over 90 days)	0.00%	0	0
		1,073,523	884
As at 31 December 2022 Ageing Bucket	Average ECL rate	Estimated exposure	Expected credit loss
	•		
Ageing Bucket	ECL rate	exposure	credit loss
Ageing Bucket Performing (0 - 30 days)	ECL rate	<b>exposure</b> 873,410	credit loss

### (c) 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.

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### **Thousands of Guyana Dollars**

### 21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

### (d) Liquidity Risk

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

	Within 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Total
As at 31 December 2023					
Accounts payable and accruals	388,228	579,572	0	0	967,800
Amounts due to related parties	659,491	0	0	0	659,491
Lease liabilities	4,122	8,244	19,684	0	32,050
Provision for other liabilities (based on contractual obligations)	0	33,304	0	0	33,304
As at 31 December 2022					
Accounts payable and accruals	194,039	616,538	0	0	810,577
Amounts due to related parties	354,242	0	0	0	354,242
Lease liabilities	4,651	9,303	37,259	32,050	83,263
Provision for other liabilities (based					
on contractual obligations)	0	29,017	0	0	29,017

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

### (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:

	2023	2022
Assets United States Dollars	7,236	13,737
Liabilities United States Dollars British Pound Sterling	91,971 9,033	358,138 0

The Company's aim is to minimise exposure to foreign exchange risk where it is practicable and costeffective to do so through matching foreign denominated assets and liabilities.

The Company recognised net exchange loss of \$8,980 in the year (2022 - \$454).

# 31 DECEMBER 2023

### **Thousands of Guyana Dollars**

### 21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

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

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 \$508 (2022 - \$2,066) 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 \$54 (2022 - nil) lower / higher.

## (f) Fair Values

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





# MANAGEMENT PROXY CIRCULAR

THE COMPANIES ACT, 1991 - (Section 115)

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

### 2 Particulars of Meeting:

Ninetieth Annual General Meeting of Demerara Tobacco Company Limited to be held at the Guyana Marriott Hotel, Block Alpha Battery Road, Kingston, Georgetown, Guyana on Friday 26th April 2024.

### 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
22 February 2024	Trinelle Sanoir Secretary Demerara Tobacco Company Limited	Jinette Jinous



## **PROXY FORM**

# THE COMPANIES ACT, 1991 (Section 114)

1	Name of Company:	Company No:
	DEMERARA TOBACCO COMPANY LIMITED	308
2	Particulars of Meeting: Ninetieth Annual Meeting of The Demerara Tobacco ( Guyana Marriott Hotel, Block Alpha Battery Road, Friday 26th April 2024 at 2.00 p.m.	
3	I/We	
	(BLOCK LETTERS PI	LEASE)
	Of	
	shareholder/s in the above Company appoint:	
	☐ the Chairman of the Meeting	
	or failing him	
	of	
	(NAME IN BLOCK LETTERS)	(ADDRESS)

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.

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.

# PROXY FORM (CONTINUED)

RESOLUTION	DETAILS	FOR	AGAINST
1	To receive and consider the Audited Financial Statements of the Company for the financial year ended 31st December 2023 together with the Reports of the Directors and Auditors thereon.		
2	To declare a Final Dividend of G \$17.24 per share in respect of the year 2023.		
3	To re-elect Mr Raoul Glynn, who retires as a Director of the Company in accordance with By-Law 18(1) of the Company's By-Laws, as a Director of the Company		
4	To re-elect Troy Beharry, who retires as a Director of the Company in accordance with By-Law 18(1) of the Company's By-Laws, as a Director of the Company		
5	To fix the remuneration of the Independent Directors.		
6	To re-appoint auditors Jack A. Alli, Sons & Co until the close of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		

Signature/s of Shareholde	er/s	
Dated this	day of	2024.

# PROXY FORM (CONTINUED)

#### NOTES:

- If the appointer is a corporation, this Proxy Form must be under its common seal or under the hand of an officer of the corporation or attorney duly authorized in that behalf.
- 2. A shareholder who is a body corporate may, in lieu of appointing a proxy, authorize an individual by resolution of its directors or governing body to represent it at this Annual General 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.
- 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 General Meeting.

#### Return to:

THE SECRETARY
THE DEMERARA TOBACCO COMPANY LIMITED
LOT 122 PARADE STREET, KINGSTON
GEORGETOWN
GUYANA
EMAIL: trinelle\_temika\_sanoir@bat.com

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