

# CARRERAS GROUP LIMITED 1997

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## Chairman's Statement

The Group's results for the year under review show operating profit after exceptional items of J\$2.183 million, an increase of 17% over the previous year after charging depreciation of J\$40.6 million (1996: \$48.2 million).

Exceptional items totalled J\$50 million and represent the final cost of phase 2 of the restructuring of Agricultural Products of Jamaica, resulting in redundancy payments, the writing down of certain fixed assets and the writing off of obsolete stocks.

Profit attributable to shareholders amounted to J\$1.543 million or earnings per stock unit of 635.7 cents, compared with 549 cents in 1996, an increase of 16%. The revaluation of the Jamaican dollar against its US counterpart, resulted in exchange losses of J\$144 million in contrast to last year's gains of J\$186 million. Interest and investment income before tax was \$1.132 million compared to last year's J\$619 million. The combination of exchange losses and interest and investment income, accounted for 45% of the Group's before tax profit, compared to 43% last year.

### **Manufacturing**

#### **Cigarette Company of Jamaica Limited**

Cigarette sales declined by just under 2% year on year. Management,

conscious of the pressures on disposable income, postponed the implementation of a price increase until mid-March 1997, 15 months having elapsed since the last price increase in January 1996. No doubt, this will also have an effect on volumes in the ensuing year but management are confident that by continuing to provide quality products widely distributed, the long term effect on volumes will be minimal.

The importation of cheap brands mainly from Caricom sources continues but I am pleased to report that they have met with very little acceptance by the smoking community. We do however expect an escalation in this activity in the months ahead, but management are confident that they can successfully withstand this challenge.

#### **Jamaica Biscuit Company Limited**

Export sales volumes year on year were flat, which when combined with the revalued dollar meant less revenue for the company. Domestic sales volumes were down 12% and is mainly a result of the flood of competitively priced imports from Caricom and Trinidad in particular. The company continues its programme of improving its packaging presentation as well as its product quality and plans to introduce four new product lines in the ensuing year. The Company is also examining the possibility of contract manufacturing for selected reputable International Brands.

#### **Print**

The division continues to operate at a modest profit, servicing a small and exclusive clientele.

#### **Agricultural Products of Jamaica Limited**

For the first time this year, a considerable percentage of the Virginia tobacco crop is being produced by contract farmers and when the 1997/98 crop commences, the entire crop will be grown on this basis. The company purchases cured tobacco from these contract farmers, appropriately graded at competitive world prices and there is every indication based on the results of the 1996/97 crop, that these farmers

have been highly successful in achieving this objective and that both sides will benefit from this new arrangement.

### **Tourism**

#### Sans Souci Hotel

While the hotel achieved its occupancy targets and its US dollar revenue projections, the revaluation of the Jamaica dollar has naturally depressed the Jamaican dollar earnings. We are convinced that the present over-valuation of the Jamaican dollar will be reversed by the law of natural market forces and have therefore made the decision to increase the hotel's room base from 110 suites to 146. This expansion is scheduled to be completed in time for the 1997/98 winter season.

### **Dividends**

The Directors recommend total dividends for this financial year of \$1.50 per stock unit (1995/96 - \$1.35 per stock unit) at a cost of J\$364.080 million (1995/96 - \$327.672 million). Stockholders of record at January 15, 1997 were paid their first interim dividend of 25 cents per stock unit on February 6, 1997.

The stockholders of record at May 30, 1997 will be paid their second interim dividend of 60 cents per stock unit (less income tax) on June 17, 1997.

A final dividend of 65 cents per stock unit (less income tax) is recommended for approval at the Annual General Meeting.

### **Future Prospects**

As expected, the financial year 1996/97 proved to be a very challenging year and failed to produce the exemplary growth in the Group's profit of recent years. The Directors expect that the financial year 1997/98 will be just as challenging and with falling interest rates, interest and investment income will be considerably depressed. Your Board is mindful of the considerable cash resources available to us but are determined that

investment of these resources must be carefully assessed so that shareholders' funds continue to yield maximum returns given all the options which are available.

On behalf of the Board, I would like to express my appreciation for the continued technical support and advice given by our associates Rothmans International and to thank the management and staff in the Group of companies for another year of loyal and dedicated service. Our appreciation also must be recorded to our distributors, retailers and suppliers for their contribution towards the Group's achievement and above all, our appreciation to our customers for their loyalty and support to our brands and services.

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