



## CARRERAS LIMITED

On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the FIRST HALF of financial year ended September 30, 2014.

Performance Highlights are:

|                                      | 6 months to<br>9/30/2014<br>\$M | 6 months to<br>9/30/2013<br>\$M | %<br>Change |
|--------------------------------------|---------------------------------|---------------------------------|-------------|
| Gross Operating Revenue              | 5,246.5                         | 4,398.4                         | 19%         |
| Total Operating Revenue              | 5,272.7                         | 4,479.0                         | 18%         |
| Interest and Other Investment Income | 83.7                            | 72.2                            | 16%         |
| Net Income                           | 1,165.5                         | 971.2                           | 20%         |
| EPS                                  | 240.1                           | 200.1                           | 20%         |

Carreras Limited achieved total operating income of \$5,272.7 million for the six months ended September 30, 2014, representing an increase of 18% compared to the same period in the prior year. The Company also delivered net income of \$1,165.5 million, an increase of 20% compared to the same period last year.

As we continue to operate in a very challenging environment with impending changes to tobacco regulations, we expect volume growth to continue to be challenged for the rest of the financial year.

Interest and other investment income increased by 16% to \$83.7 million for the six months as the Company realigned its investment portfolio and benefited from higher interest rates in the market when compared to the similar period in 2013.

Given our economic environment we have managed to limit the increase in operating cost to 3%. Our focus will continue to ensure that the business operates in the most efficient manner.

Shareholders, I am also pleased to report that the Board of Directors has approved an interim dividend payment of \$1.20 per stock unit to be paid out of accumulated profits on December 11, 2014.

On behalf of the Board

  
Marcus Steele  
Managing Director

CARRERAS LIMITED & SUBSIDIARIES

Group Statement of Comprehensive Income

Period Ended September 30, 2014

| Group Statement of Comprehensive Income       |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
|   | UNAUDITED        |                  | UNAUDITED        |                  | AUDITED          |
|   | 6 months         |                  | 3 months to      |                  | 12 months        |
|   | Sep-14<br>S'000  | Sep-13<br>S'000  | Sep-14<br>S'000  | Sep-13<br>S'000  | Mar-14<br>S'000  |
| Gross operating revenue                       | 5,246,505        | 4,398,393        | 2,656,711        | 2,243,595        | 10,342,006       |
| Cost of operating revenue                     | (2,730,952)      | (2,172,721)      | (1,398,328)      | (1,094,780)      | (5,268,780)      |
| <b>Gross operating profit</b>                 | <b>2,515,553</b> | <b>2,225,672</b> | <b>1,258,383</b> | <b>1,148,815</b> | <b>5,073,226</b> |
| Employee benefit income                       | -                | -                | -                | -                | 22,600           |
| Interest and other investment income          | 83,694           | 72,249           | 32,565           | 34,995           | 174,719          |
| Other operating income:                       |                  |                  |                  |                  |                  |
| Exchange gains/(Loss)                         | 23,200           | 55,536           | 6,840            | 16,630           | 88,953           |
| Other income                                  | 26,154           | 80,614           | 47,132           | 23,091           | 1,908,680        |
| Distribution and marketing expenses           | (375,857)        | (415,134)        | (191,139)        | (208,077)        | (866,431)        |
| Administrative expenses                       | (707,968)        | (634,489)        | (336,332)        | (314,350)        | (1,217,276)      |
| <b>Profit before income tax</b>               | <b>1,564,776</b> | <b>1,384,448</b> | <b>817,449</b>   | <b>701,104</b>   | <b>5,184,471</b> |
| Income tax                                    | (399,313)        | (413,235)        | (203,766)        | (215,303)        | (1,181,296)      |
| Profit for the period                         | 1,165,463        | 971,213          | 613,683          | 485,800          | 4,003,175        |
| <b>Other comprehensive income</b>             |                  |                  |                  |                  |                  |
| Remeasurement loss on obligation              | -                | -                | -                | -                | (208,900)        |
| Remeasurement loss on plan assets             | -                | -                | -                | -                | (56,000)         |
| Change in effect of asset ceiling             | -                | -                | -                | -                | 242,300          |
| Income tax on other comprehensive income      | 59,429           | (789)            | (48)             | (421)            | (24,854)         |
| <b>Other comprehensive income, net of tax</b> | <b>59,429</b>    | <b>(789)</b>     | <b>(48)</b>      | <b>(421)</b>     | <b>(47,454)</b>  |
| Total comprehensive income for the year       | 1,224,892        | 970,424          | 613,635          | 485,379          | 3,955,721        |
| Attributable to:                              |                  |                  |                  |                  |                  |
| Minority interests                            | 25               | 47               | 3                | 21               | 3,183            |
| Stockholders in parent                        | 1,165,438        | 971,166          | 613,680          | 485,779          | 3,999,992        |
|   | <b>1,165,463</b> | <b>971,213</b>   | <b>613,683</b>   | <b>485,800</b>   | <b>4,003,175</b> |
| Total comprehensive income attributed to:     |                  |                  |                  |                  |                  |
| Minority interests                            | 25               | 47               | 3                | 21               | 3,183            |
| Stockholders in parent                        | 1,224,867        | 970,377          | 613,632          | 485,358          | 3,952,538        |
|   | <b>1,224,892</b> | <b>970,424</b>   | <b>613,635</b>   | <b>485,379</b>   | <b>3,955,721</b> |
| Earnings per ordinary stock unit of 25c each  | 240.08¢          | 200.06¢          | 126.42¢          | 100.07¢          | 824.00¢          |

**CARRERAS LIMITED & SUBSIDIARIES**

**UNAUDITED GROUP FINANCIAL STATEMENTS**

As at September 30, 2014

| <b>Group Statement of Financial Position</b>        |                  |                  |
|---|------------------|------------------|
|   | <b>Unaudited</b> | <b>Audited</b>   |
|   | <b>30-Sep-14</b> | <b>31-Mar-14</b> |
|   | <b>\$000</b>     | <b>\$000</b>     |
| <b>Current Assets</b>                               |                  |                  |
| Cash and cash equivalents                           | 2,931,051        | 3,222,035        |
| Accounts receivable                                 | 1,737,524        | 1,649,374        |
| Income tax recoverable                              | 600,758          | 1,305,714        |
| Inventories   | 376,290          | 295,565          |
|   | <b>5,645,623</b> | <b>6,472,688</b> |
| <b>Current Liabilities</b>                          |                  |                  |
| Accounts payable                                    | 1,590,629        | 1,186,373        |
| Income tax payable                                  | 807,543          | 1,063,217        |
|   | <b>2,398,172</b> | <b>2,249,590</b> |
| <b>Net Current Assets</b>                           | <b>3,247,451</b> | <b>4,223,098</b> |
| <b>Non-current assets:</b>                          |                  |                  |
| Retirement benefit asset                            | 349,300          | 349,300          |
| Property, plant and equipment                       | 187,489          | 204,632          |
|   | <b>3,784,241</b> | <b>4,777,030</b> |
| <b>Equity:</b>                                      |                  |                  |
| Share capital                                       | 121,360          | 121,360          |
| Reserves:   |                  |                  |
| Unappropriated profits                              | 3,133,276        | 4,050,807        |
| Other   | 22,322           | 22,322           |
|   | <b>3,155,598</b> | <b>4,073,129</b> |
| <b>Total attributable to stockholders of parent</b> | <b>3,276,958</b> | <b>4,194,489</b> |
| Minority interests                                  | 3,260            | 6,734            |
| <b>Total equity</b>                                 | <b>3,280,218</b> | <b>4,201,223</b> |
| <b>Non-current liabilities:</b>                     |                  |                  |
| Deferred taxation liability                         | 309,923          | 381,707          |
| Retirement benefit obligation                       | 194,100          | 194,100          |
|   | <b>3,784,241</b> | <b>4,777,030</b> |

**ON BEHALF OF THE BOARD**

.....  
 Marcus Steele  
 Managing Director

.....  
 Gavin Jordan  
 Finance Director

CARRERAS LIMITED  
Statement of Changes in Equity

For 6 Months ended September 30, 2014  
The Group

|   | Share Capital<br>\$'000 | Unappropriated Profits<br>\$'000 | Capital Reserves<br>\$'000 | Other Reserves<br>\$'000 | Total<br>\$'000 | Minority Interest<br>\$'000 | Total<br>\$'000 |
|---|-------------------------|----------------------------------|----------------------------|--------------------------|-----------------|-----------------------------|-----------------|
| Balances at March 31, 2013                              | 121,360                 | 1,669,080                        | 22,322                     | 1,870,762                | 3,683,524       | 4,951                       | 3,688,475       |
| Profit for the period                                   | -                       | 971,166                          | -                          | -                        | 971,166         | 47                          | 971,213         |
| Deferred tax on reserves of subsidiaries in liquidation | -                       | (789)                            | -                          | -                        | (789)           | -                           | (789)           |
| Total comprehensive income for the period               | -                       | 970,377                          | -                          | -                        | 970,377         | 47                          | 970,424         |
| Transactions with owners                                | -                       | -                                | -                          | -                        | -               | -                           | -               |
| Dividends paid, being total transactions with owners    | -                       | (1,572,826)                      | -                          | -                        | (1,572,826)     | -                           | (1,572,826)     |
| Total transactions with owners                          | -                       | (1,572,826)                      | -                          | -                        | (1,572,826)     | -                           | (1,572,826)     |
| Unaudited Balances at September 30, 2013                | 121,360                 | 1,066,631                        | 22,322                     | 1,870,762                | 3,081,075       | 4,998                       | 3,086,073       |

|   | Share Capital<br>\$'000 | Unappropriated Profits<br>\$'000 | Capital Reserves<br>\$'000 | Other Reserves<br>\$'000 | Total<br>\$'000 | Minority Interest<br>\$'000 | Total<br>\$'000 |
|---|-------------------------|----------------------------------|----------------------------|--------------------------|-----------------|-----------------------------|-----------------|
| Balances at March 31, 2014                              | 121,360                 | 4,050,807                        | 22,322                     | -                        | 4,194,489       | 6,734                       | 4,201,223       |
| Profit for the period                                   | -                       | 1,165,438                        | -                          | -                        | 1,165,438       | 25                          | 1,165,463       |
| Deferred tax on reserves of subsidiaries in liquidation | -                       | 59,429                           | -                          | -                        | 59,429          | -                           | 59,429          |
| Total comprehensive income for the period               | -                       | 1,224,867                        | -                          | -                        | 1,224,867       | 25                          | 1,224,892       |
| Transactions with owners                                | -                       | -                                | -                          | -                        | -               | -                           | -               |
| Transfer tax paid on intra-group distributions          | -                       | (59,860)                         | -                          | -                        | (59,860)        | -                           | (59,860)        |
| Dividends paid, being total transactions with owners    | -                       | (2,082,538)                      | -                          | -                        | (2,082,538)     | (3,499)                     | (2,086,037)     |
| Total transactions with owners                          | -                       | (2,142,398)                      | -                          | -                        | (2,142,398)     | (3,499)                     | (2,145,897)     |
| Unaudited Balances at September 30, 2014                | 121,360                 | 3,133,276                        | 22,322                     | -                        | 3,276,958       | 3,260                       | 3,280,218       |

**CARRERAS LIMITED**  
**Statement of Changes in Equity**  
**For 6 Months ended September 30, 2014**

The Company

|  | Share<br>Capital<br>\$'000 | Revenue<br>Reserves<br>\$'000 | Capital<br>Reserves<br>\$'000 | Total<br>\$'000 |
|--|----------------------------|-------------------------------|-------------------------------|-----------------|
| Balances at March 31, 2013                           | 121,360                    | 1,603,583                     | 22,322                        | 1,747,265       |
| Profit for the year                                  | -                          | 946,231                       | -                             | 946,231         |
| Total comprehensive income for the period            | -                          | 946,231                       | -                             | 946,231         |
| Dividends paid, being total transactions with owners | -                          | (1,572,826)                   | -                             | (1,572,826)     |
| Unaudited Balances at September 30, 2013             | 121,360                    | 976,987                       | 22,322                        | 1,120,670       |

|  |         |             |        |             |
|--|---------|-------------|--------|-------------|
| Balances at March 31, 2014                           | 121,360 | 1,371,813   | 22,322 | 1,515,495   |
| Profit for the period                                | -       | 2,588,012   | -      | 2,588,012   |
| Total comprehensive income for the period            | -       | 2,588,012   | -      | 2,588,012   |
| Dividends paid, being total transactions with owners | -       | (2,082,537) | -      | (2,082,537) |
| Unaudited Balances at September 30, 2014             | 121,360 | 1,877,288   | 22,322 | 2,020,970   |

CARRERAS LIMITED & SUBSIDIARIES

UNAUDITED GROUP FINANCIAL STATEMENTS

For 6 Months ended September 30, 2014

|  | Group Statement of Cash Flows |                     |                     |
|--|-------------------------------|---------------------|---------------------|
|  | 6 months                      |                     | 12 months           |
|  | 30-Sep-14<br>\$'000           | 30-Sep-13<br>\$'000 | 31-Mar-14<br>\$'000 |
| <b>Cash flows from operating activities:</b>                 |                               |                     |                     |
| Net profit for the period                                    | 1,165,463                     | 971,213             | 4,003,175           |
| Items not affecting cash                                     | 333,871                       | 310,693             | 1,005,378           |
|  | 1,499,334                     | 1,281,906           | 5,008,553           |
| Changes in working capital                                   | 209,472                       | (318,234)           | (2,462,233)         |
| Cash provided by operating activities                        | 1,708,806                     | 963,672             | 2,546,320           |
| Cash (used)/provided by investing activities                 | 71,878                        | 1,612,135           | 1,646,201           |
| Cash used by financing activities                            | (2,086,036)                   | (1,572,826)         | (3,418,898)         |
| Increase/(Decrease) in cash and cash equivalents             | (305,352)                     | 1,002,981           | 773,623             |
| Effect of exchange rate changes on cash and cash equivalents | 14,368                        | 55,536              | 88,953              |
| Cash and cash equivalents, at beginning of period            | 3,222,035                     | 2,359,459           | 2,359,459           |
| <b>Cash and cash equivalents, at end of period</b>           | <b>2,931,051</b>              | <b>3,417,976</b>    | <b>3,222,035</b>    |

## CARRERAS LIMITED AND SUBSIDIARIES

### Notes to the Financial Statements September 30, 2014

#### 1. General

Carreras Limited (“the company”) is incorporated and domiciled in Jamaica and is a 50.4% subsidiary of Rothmans Holdings (Caricom) Limited, which is incorporated in St. Lucia. The ultimate parent company is British American Tobacco plc, incorporated in the United Kingdom. The principal activities of the company are the marketing and distribution of cigarettes.

The principal place of business is Twickenham Park, St. Catherine, Jamaica.

#### 2. (a) Basis of Preparation

The financial statements are presented on the historical cost basis. Unless otherwise stated, the financial statements are presented in thousands of Jamaican dollars (\$'000), which is the functional currency of the company and the group.

#### (b) Accounting estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the period then ended. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts could differ from these estimates. The unaudited financial results for the nine month period have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustments in the next year are as follows:

##### (i) Key source of estimation uncertainty

##### Employee benefits:

The amounts recognised in the balance sheet and income statement for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognized insofar as the defined benefit section of the fund include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-employment obligations and the expected rate of increase in medical costs for post-employment medical benefits.

Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

It is reasonably possible that outcomes within the next financial period that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

(ii) There are no critical accounting judgments in applying the group’s and the company’s accounting policies.

#### 3. Significant Accounting Policies

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual audited financial statements.

#### 4. Income Tax

Income tax for the year comprises current and deferred tax based upon taxable profits. Capital gains, which are not subject to taxation, are excluded.

## 5. Earnings per Stock Unit

The calculation of earnings per stock unit is based on the net profit for the period attributable to stockholders and the 485,440,000 issued and fully paid ordinary stock units.

## 6. Deferred Tax

A provision has been made in these financial statements for deferred transfer tax on undistributed reserves of subsidiaries in liquidation.

## 7. Tax Assessment

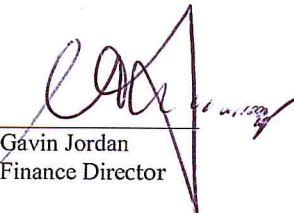
In 2004, the company's subsidiary, Cigarette Company of Jamaica Limited (in voluntary liquidation) ("CCJ") received assessments for income tax claimed by the Commissioner of Taxpayer Audit and Assessment, subsequently renamed Tax Administration Jamaica (TAJ), for the years 1997 to 2002 amounting to \$5.68 billion. CCJ appealed the assessment. Whilst the appeal was in progress, CCJ paid an amount of \$1.73 billion to TAJ.

On March 13, 2012, after a series of judgements and appeals in lower courts, the Judicial Committee of the Privy Council handed down its decision dismissing the appeal of the TAJ with costs to CCJ. These costs have been taxed and recovered.

On December 30, 2013, the company reached an agreement with the TAJ and the Ministry of Finance & Planning, to recover the \$1.73 billion plus interest of \$1.78 billion on the outstanding sum. To date, TAJ has refunded to CCJ by issuing offsets against the estimated tax liability of Carreras Limited in the aggregate amount of \$2.57 billion. The company expects to recover a further \$0.94 billion over the next twelve months.

ON BEHALF OF THE BOARD

  
\_\_\_\_\_  
Marcus Steele  
Managing Director

  
\_\_\_\_\_  
Gavin Jordan  
Finance Director