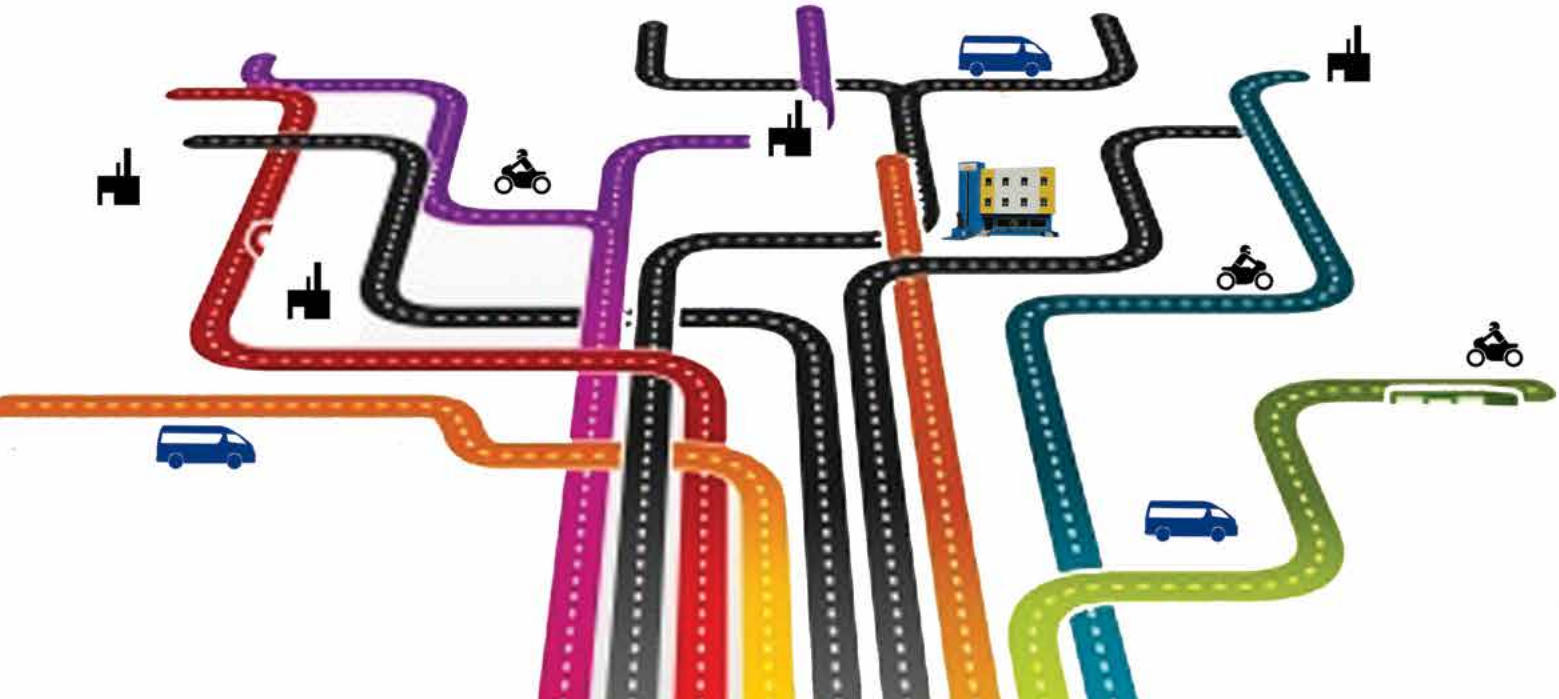
CARRERAS LIMITED

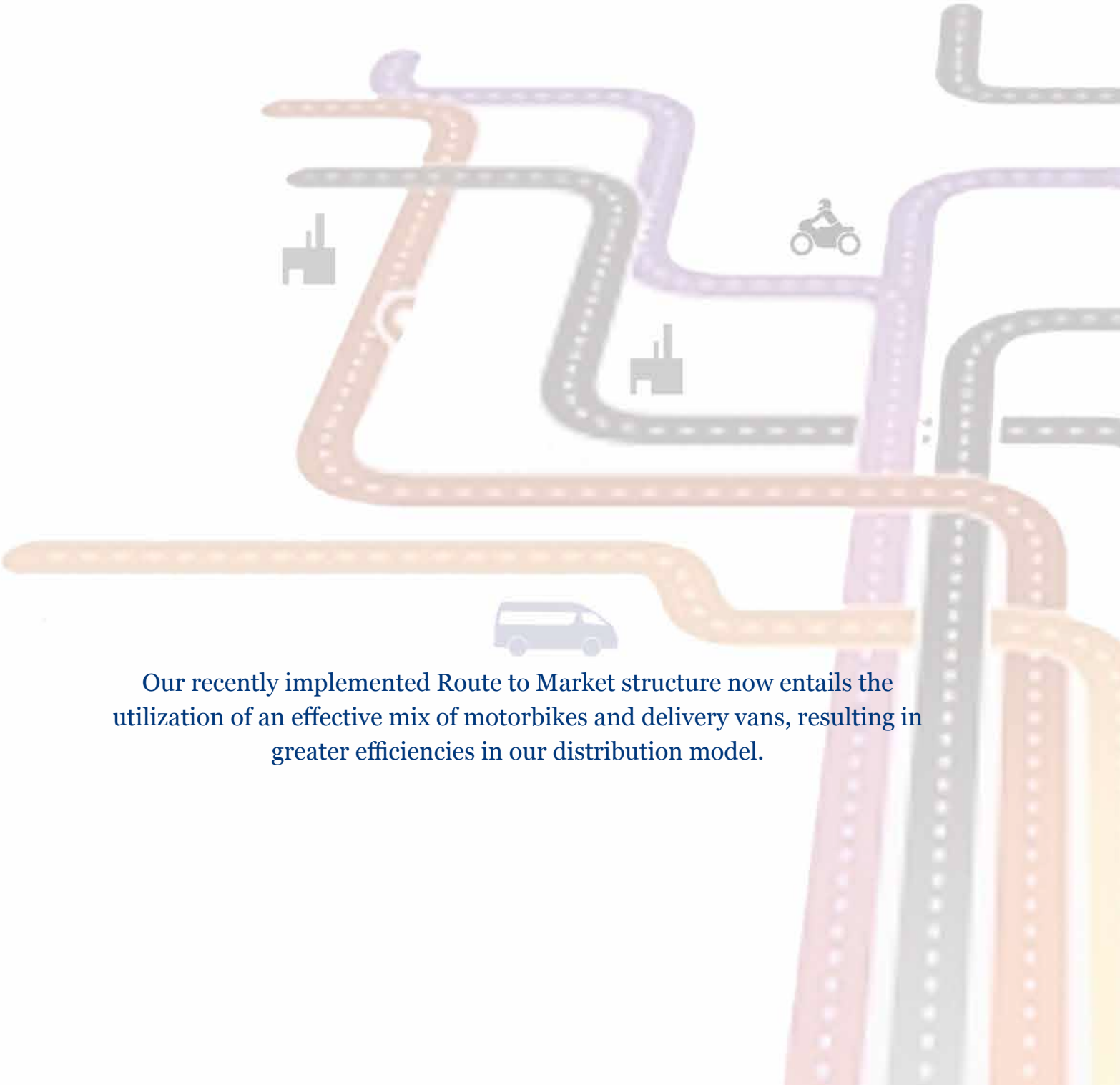
A Proud Jamaican Company since 1962

ANNUAL REPORT 2016

FIT FOR THE FUTURE



FIT FOR THE FUTURE



Our recently implemented Route to Market structure now entails the utilization of an effective mix of motorbikes and delivery vans, resulting in greater efficiencies in our distribution model.

Our Vision & Mission

Our Vision & Mission

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

Four elements around which all our efforts revolve are Growth, Productivity, Sustainability and a Winning Organization.

Our Strategy

We hold steadfast to the strategy of our parent company, British American Tobacco, in 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 Organization.

Growth

British American Tobacco and its subsidiary Companies, including Carreras, focuses on key strategic segments of the market that offer the best prospects for long-term growth, including driving our premium segment. We also believe it is important to continue to develop and utilise innovative, differentiated products and offer our consumers added value from our brands.

Productivity

As a member of the British American Tobacco Group, our overall approach to productivity is about using our global resources to increase profits and generate funds for reinvesting in our business.

Sustainability

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

Winning Organization

We are confident in BAT's 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 Organization strategy.

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Notice of Annual General Meeting

Notice is hereby given that the Fifty-Fourth Annual General Meeting of the Stockholders of CARRERAS LIMITED will be held at the Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5 on Wednesday, September 7, 2016 at 2:00 p.m. for the following purposes:

1. To receive the Audited Financial Statements and the Reports of the Auditors and Directors for the year ended March 31, 2016

   To consider and (if thought fit) pass the following Resolution:

   "THAT the Audited Financial Statements and the Reports of the Auditors and Directors for the year ended March 31, 2016 be and are hereby adopted."

2. To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors

   To consider and (if thought fit) pass the following Resolution:

   "THAT KPMG, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

3. To elect Directors

   (a) The Directors due to retire in accordance with the provisions of Article 84 of the Articles of Association are Mr. Eduardo Castañeda and Mr. Michael Bernard and, being eligible, offer themselves for re-election.

   To consider and (if thought fit) pass the following Resolutions:

   (i) "THAT Mr. Eduardo Castañeda be and is hereby re-elected a Director of the Company."

   (ii) "THAT Mr. Michael Bernard be and is hereby re-elected a Director of the Company."

   (b) Mr. Andrew Long and Mr. Matthew Hogarth were appointed as Directors since the last Annual General Meeting of the Company and, being eligible, offer themselves for election.

   To consider and (if thought fit) pass the following Resolutions:

   (i) "THAT Mr. Andrew Long be and is hereby elected a Director of the Company."

   (ii) "THAT Mr. Matthew Hogarth be and is hereby elected a Director of the Company."

4. To confirm the remuneration of the Non-Executive Directors

   To consider and (if thought fit) pass the following Resolution:

   "THAT the amount shown in the Financial Statements of the Company for the year ended March 31, 2016 for emoluments received by the Non-Executive Directors for their services as Directors be and is hereby approved."

5. (i) To approve and ratify dividends

   To consider and (if thought fit) pass the following Resolution:

   "THAT the interim dividends of $2.00 paid on June 25, 2015; $1.20 paid on Sept. 3, 2015; $1.40 paid on Dec. 10, 2015 and $1.80 paid on March 17, 2016, making a total of $6.40 for the Year, be and are hereby ratified."

   (ii) To ratify interim special capital cash distributions:

   To consider and (if thought fit) pass the following Resolution:

   "THAT the interim special capital cash distributions of $0.60 paid on Sept.10, 2015 and $1.94 paid on Dec. 17, 2015 be and are hereby ratified."

6. To consider any other business which may properly be transacted at an Annual General Meeting.

By Order of the Board

Janene Shaw
Company Secretary

Registered Office: 13A Ripon Road, Kingston 5

May 25, 2016

Important Notice for Members who are not able to attend:

Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint one or more proxies to attend and vote in his/her stead. Such proxies need not be members of the Company. A suitable Form of Proxy is enclosed.

Form of Proxy must be lodged with the Registrar and Transfer Office, Sagicor Bank Corporate Trust Service Unit, 28 – 48 Barbados Avenue, Kingston 5 not less than forty-eight (48) hours before the time appointed for holding the meeting.

Corporate Data

Location

CARRERAS LIMITED
13A Ripon Road
Kingston 5
Telephone: 749 9800
Fax: 906 9284
E-Mail: Carreras@bat.com
Website: www.carrerasltd.com

Leadership Team

Marcus Steele	Managing Director
Janene Shaw	Finance Director
Ashleigh-Ann Arnold	Legal and External Affairs Manager
Monique Blake	HR Business Partner
Heather Bulgin Williams	Trade Marketing & Distribution Manager
Camille Robinson	Marketing Deployment Executive

Depots

35 1/2 Hagley Park Road, Kingston 10
6 Allan Avenue, Port Antonio
1-2 Villa Road, Mandeville
74 Main Street, Ocho Rios
26 Humber Avenue, Montego Bay

Board of Directors

Oliver Holmes - Chairman
Alan Bergin
Michael Bernard
Eduardo Castañeda
Tony Hayward
Matthew Hogarth
Andrew Long
Janene Shaw
Marcus Steele

Company Secretary

Janene Shaw

Registered Office

13A Ripon Road, Kingston 5

Auditors

KPMG, 6 Duke Street, Kingston

Bankers

The Bank of Nova Scotia Jamaica Limited, Scotiabank Centre, Cnr. of Duke & Port Royal Streets, Kingston

Registrar and Transfer Office

Sagicor Bank Corporate Trust Service Unit,
28 – 48 Barbados Avenue, Kingston 5

Chairman's Report to Stockholders

The year 2015-2016 marked another year of strong earnings and impressive achievement for Carreras despite persistent challenges including increased tobacco taxation, competition from the illicit cigarette trade and a weak economy that saw low GDP growth, lower domestic demand and overall reduced consumer purchasing power. Your Company remained strong amidst these challenges, delivering net profit of $3.01 billion. It should be noted that both current and prior year profits were impacted by one-off or non-recurring transactions; when adjusted for these transactions, profit from our core business increased by 14.8% over the prior year, even as we faced a 14.3% increase in the Special Consumption Tax on cigarettes in March 2015, and an increasingly dynamic regulatory environment with the Public Health Tobacco Control Regulations in effect.This profit performance is a significant reversal in comparison to last year's 26.5% decrease, providing assurance that your Company's profitability remains solid.

We are committed to delivering sustainable earnings for our shareholders and during the year we distributed dividends totaling $4.34 billion reflecting a 10.5% increase over the prior year's distribution of $3.93 billion. Dividends totaling $8.94 per stock unit were distributed from core business activities as well as special distributions from the reserves of the CCJ tax settlement amounting to $6.40 and $2.54 per stock unit, respectively. We are truly committed to delivering superior shareholder value.

This delivery of superior shareholder value is supported by the 87.9% increase in Total Shareholder Return (TSR) for this financial year (2015: 35.4%). TSR is comprised of the increase in the share price of $26.18 (65.5%) over the prior year as well as distributions totaling $8.94 per share (22.4%) for the period. Undoubtedly, shareholders have achieved significant returns for the 2015/2016 financial year.

In a landscape of economic difficulty, our success is underpinned by Management's steadfastness to cost containment and during the year, we implemented initiatives that will see us achieving significant savings in both the short and longer term. One such initiative was a restructuring of our trade marketing and distribution platform as part of our effort to optimize our Route to Market (RTM) capabilities. Over the last few years we embarked on this RTM project to rigorously assess and analyse the business model and structure to ascertain how in a changing environment, we could obtain the most efficient distribution platform to get our products to the consumer. I am pleased to report that this RTM evaluation culminated on February 1, with a new trade marketing and distribution structure in place that is so far delivering on its objective. Whilst the restructuring cost totaled $80.94 million, the new RTM structure is expected to generate renewed efficiencies that will maximize shareholder value in future years.

Due to these restructuring costs however, administrative, distribution and marketing expenses increased by 3.8%, totaling $2.07 billion. Excluding these costs, total expenses would be $1.99 billion, a decline of 0.3% reflecting management's commitment and continued effort to employ cost containment and cost reduction strategies. Cost of sales increased by 6.4% chiefly due to an environment that produced inflation rates of 3.0% and where the Jamaican dollar was devalued against the US dollar by 6.1%.

Shareholders, your Company delivered operating revenues of $11.98 billion, which represents a 6.9% increase despite the very challenging operating environment characterized by increased competition for spend of the consumer dollar and a growing illicit cigarette trade. I must however commend the authorities, specifically Jamaica Customs and the Jamaica Constabulary Force, as their efforts to clamp down on the influx of illicit cigarettes, with some significant finds of counterfeit Craven during the year, yielded positive results with more contestable space being created for our brands. I however want to urge the Government, specifically the Minister of Finance and the relevant agencies, to continue placing the eradication of the illicit trade as a top priority, especially as the Government seeks to enhance its revenue streams to bolster economic growth and development. Additionally, I want to use the opportunity to again appeal to the Government, and emphasize that an unintended consequence of frequent and excessive excise increases is the growth in the illicit trade, therefore, as part of the solution to stem its growth, a more sustainable tobacco excise strategy must be evaluated.

Despite the presence of illicit as well as other brands of cigarettes and other tobacco products, we are confident of our brands' strong presence in the market. During the year, the Company engaged in various promotional and brand sponsorship activities revolving around our core brands, to help build equity, brand awareness and reward loyal customers and consumers. Importantly too is our relationship with our trade partners whom we continue to rely on in ensuring the availability of our brands to consumers. With our new RTM structure, we are even more confident in our trade marketing and distribution capabilities, and in the delivery of our products on-time and in full.

As Jamaica comes under increased scrutiny from global and local health authorities, with calls being made to implement more stringent tobacco control laws such as a total advertising, promotions and sponsorship ban, and the exclusion of the tobacco industry from engagement on policy matters with Government officials, the Company continues to assert that impractical tobacco regulations will only run counter to the Government's intended objectives. The Company, while not opposed to regulations, maintains that any new regulations must be fair and enforceable and we believe that as a legitimate commercial entity, we have a right to engage the Government on matters that will ultimately affect our business. We therefore continue to publicly state our position on the introduction of any new regulatory measure and welcome consultation with the Government on these and other issues affecting our business. As a responsible Company, we also continue to fully comply with the tobacco regulations in force and we work with our retailers in educating them on the requirements towards their full compliance.

Over the years, we have been advising shareholders of the rapid growth of local tobacco cultivation and our efforts to monitor its development. Following the execution of a second phase of the tobacco growing survey, conducted by the Rural Agricultural Development Authority (RADA), we note that there has been a slight reduction in tobacco cultivation island-wide. Nonetheless, the presence of raw tobacco, otherwise known as "Grabba," in the market continues to attract our close attention and at this time, the Company is evaluating the feasibility of a raw tobacco offer to consumers in this segment.

Shareholders, you can be proud of your Company's stellar record of contribution to Jamaica. Our tertiary education scholarship programme remain the hallmark of our commitment to Jamaica's development with our award of 32 scholarships, valued at over $4 million during the year. With our new RTM structure, we continue our deliberate effort to recruit individuals from challenging circumstances as bike sales representatives, thus empowering them and their families. Coupled with our contributions to civic life through various community development projects, your Company maintains an unwavering commitment to contributing to Jamaica's economic and social development.

The Company's strong business performance and its commitment to superior returns to our valued shareholders continues to be recognized by the Jamaica Stock Exchange through its award of Best Performing Company for 2014. Your Company has been a recipient of this award for the past 5 consecutive years, demonstrating our outstanding performance in enhancing shareholder value from a field of over 50 listed companies. Additionally,

we copped for the second consecutive year, a runner up award for best website. I want to take this opportunity to again credit the entire Carreras team and commend them for their superb effort in keeping Carreras as a top performing Company.

During the year we advised shareholders that the Jamaican Government honoured its debt in full to settle the Cigarette Company of Jamaica Tax Case amounting to over J$3.5 billion, including tax and interest. This was a momentous win for the Company and a very significant development as this was the first time in recent history that the Government of Jamaica honoured a judgment debt in full in accordance with any settlement agreement. Furthermore, the Government's payment of the settlement was extraordinary within the context of a weak economy and the Government's tight fiscal management. On behalf of Board, I want to again give high commendations to the team led by Managing Director, Marcus Steele, in assiduously following up and engaging with the Government in fully recovering the claim which has subsequently been distributed in full to shareholders.

I would like to use this opportunity to recognize and thank those members of your Board of Directors who no longer serve us in this capacity:
Mrs. Amanda Cavill de Zavaley, who has resigned and the Hon. William McConnell, O.J. who has retired. Mr. Tony Hayward, who joined the Board in September 2015, resigned on May 25, 2016 to assume a new role within the British American Tobacco Group of Companies. We thank them for their dedicated service and wish them every success in their future endeavours. `At the same time, we welcome Messrs. Alan Bergin, Tony Hayward, Matthew Hogarth and Andrew Long. We're happy to have them join us and look forward to their contribution. Your Board will continue to set the right tone from the top and ensure that a robust governance structure is in place to enable the business to succeed and deliver long-term sustainable growth.

I would also like to offer on behalf of the Board, our appreciation to our customers and consumers for their support and partnership. You remain at the heart of this business.

Shareholders, we have built a strong foundation for long-term leadership, combining critical elements such as innovation, cost containment and an unrelenting focus on productivity. I would like to recognize Managing Director, Marcus Steele who continues to distinguish himself through his stewardship of Carreras. His visionary and reliable management is very suitable to the advancement our Company. Our people are our greatest asset and I would also like to thank our highly skilled Carreras staff for their unrelenting commitment to excellence.

Your Company is fit for the future, sustained by an efficient and clear strategy, good corporate governance, innovation and excellent management. My fellow Directors, thank you for your support, diligence, guidance and expertise. I look forward to working with you as, together, we seek to propel this great Company forward.

Oliver Holmes
Chairman

CARRERAS LIMITED
A proud Jamaican company since 1962

BEST PERFORMING COMPANY

As a listed company on the Jamaica Stock Exchange (JSE), we have been the proud recipient of many awards in the category of Best Performing Company. These awards recognize Carreras for its outstanding performance in enhancing shareholder value in the areas of capital efficiency, profitability and direct return on shareholdings.

Jamaica Stock Exchange Awards
Best Performing Company Award, - 2007, 2010, 2011, 2012, 2013, 2014
First Runner-up Award, Best Website - 2012, 2014
Second Runner-up Award, Best Website - 2013

Board of Directors

Oliver Holmes

Mr. Oliver Holmes was appointed Chairman of the Board of Directors of Carreras Limited on November 12, 2015. He has served as a Director of the Company since February 6, 2007. He is Managing Director of Capital Options, a financial advisory firm he founded in 1997. Prior to establishing Capital Options, Mr. Holmes was the Chief Operating Officer of Manufacturers Merchant Bank Ltd. and prior to that Vice President of Citibank N. A.

He served as a senior manager in virtually all aspects of Citibank and its subsidiaries operations in Jamaica, including Vice President - Corporate Finance, Financial Controller - Citibank Jamaica and its subsidiaries, Corporate Banking Group Head, Managing Director - Citifinance Limited, Manager - Centralized Operations and Chief Inspector for the Caribbean region.

During his career in the financial sector, he has led or participated in many notable transactions in the Jamaican and international financial markets where he continues to be recognized for his creativity in bringing solutions to complex financial challenges in the markets in which his firm operates.

In addition to Carreras Limited, Mr. Holmes is Chairman of the Board of Allied Insurance Brokers Limited. He is also a Director of Business Access TV Ltd.

Mr. Holmes graduated from the University of the West Indies with a B.Sc. degree in Management Studies (Hons.) and a M.Sc. degree in Accounting.

Mr. Holmes contributes actively in people development, plays a number of sports and is an avid reader in the areas of business and finance.

Marcus Steele

Mr Marcus Steele currently serves as Managing Director of Carreras Limited. He graduated from St. Jago High School and is a qualified Chartered Accountant and has a Bachelor of Science degree in Accounting from the University of the West Indies and a Master of Business Administration from Florida International University. Mr. Steele also completed an Executive Programme in General Management at the Harvard Business School.

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

Mr. Steele serves as a Director on the Board of Proven Wealth Limited and Peak Bottling Limited. He enjoys reading, dancing, cricket, football and athletics and has two children, son, Marquis and daughter, Sonique.

Michael Bernard

Mr. Michael Bernard first joined Carreras Group Limited in 1988 and in 1991 he was appointed General Manager of the Jamaica Biscuit Company. In 1995 he assumed concurrently, the positions of Managing Director of two subsidiaries; the Cigarette Company of Jamaica Limited and Agricultural Products of Jamaica Limited. In 1997, he was appointed to the Board of Directors of Carreras Limited until 2000 when he was seconded to the USA subsidiary of British American Tobacco, Brown and Williamson Tobacco Corporation. He regained leadership of the Cigarette Company of Jamaica Limited at the end of 2001 and was re-appointed to the Board of Carreras Group Limited in 2004.

In 2005, Michael was appointed Managing Director of Carreras Limited, the role he held until retirement in 2010. Michael currently serves as Executive Chairman of Peak Bottling Company Limited and Chairman of Spike Industries Limited. He also serves on the Board of Directors of Salada Foods Limited, GK General Insurance Company Limited, New Transport Group Limited and Sterling Investments Limited. He is a graduate of Jamaica College where he serves as Chairman of the Board of Management.

He holds a Bachelor of Arts and Bachelor of Science summa cum laude degrees in Business Administration and Forest Management respectively, from Washington State University, and a Master of Business Administration from the Harvard Graduate School of Business Administration. Michael is the 2010 recipient of the Carlton Alexander Award for Excellence and is also a Fellow of the Jamaica Institute of Management.

He is a philanthropist, a former national youth cricket representative, a significant owner and breeder of thoroughbred horses and is the 2012 Leading Owner of Thoroughbred Horses in Jamaica.

Board of Directors

Matthew Hogarth

Mr Matthew Hogarth was appointed to the Board of Directors of Carreras Limited on February 4, 2016. He is currently the Managing Partner at MH&CO., Attorneys-at-Law, a corporate law firm specializing in banking and finance, mergers and acquisitions, corporate governance, taxation and real estate.

Over his years in practice, Mr. Hogarth has managed numerous corporate bank loan transactions for numerous international blue chip companies, private equity and debt transactions, mergers and acquisitions, Initial Public Offerings (IPOs), private business and legal audits and has acted in numerous cross-border matters including the management and strategy of insolvency and receivership assignments, including advising the Liquidator or Receiver on legal issues. He also has considerable experience with both residential and commercial real estate transactions, including real estate investment vehicles and structures. Mr. Hogarth has a reputation for being solution-oriented, detailed, thorough and for his proficiency at creating practical corporate structures that marry business and the law. He received his LL.B (with Honours) from the University of Liverpool. Mr. Hogarth has been called to the bar in multiple jurisdictions including Jamaica, New York State, The British Virgin Islands and Saint Lucia. He is a member of the American Bar Association, the Jamaican Bar Association, the BVI Bar Association, INSOL International (International Association of Restructuring, Insolvency & Bankruptcy Professionals) and the American Bankruptcy Institute. He is also the legal member of the Private Sector Organization of Jamaica's Listed Company's Committee.

Mr. Hogarth currently sits on the Board of Directors of IronRock Insurance Company Limited and Heave-Ho Properties Limited (Century-21). He enjoys the culinary arts, traveling and golf and is married to Lisa Hogarth.

Eduardo Castañeda

Mr. Eduardo Castañeda was appointed to the Board of Directors of Carreras Limited on November 6, 2013.

Eduardo is currently the Legal and External Affairs Director for British American Tobacco Caribbean and Central America (BATCCA). Eduardo, a Colombian national, first joined the BAT group in 1997 and since then, has held several senior management positions in Marketing and Corporate and Regulatory Affairs across various Central American Markets including El Salvador, Guatemala and Costa Rica. In 2007, he assumed the position of Country Manager for Honduras and Guatemala, and in 2011, he was seconded for 2 years as General Manager for the Caucasus.

Eduardo enjoys spending time with his family, travelling, learning about new cultures, socializing and the arts.

Janene Shaw

Mrs. Janene Shaw joined Carreras Limited as Finance Director and Company Secretary and was appointed to the Board of Directors of Carreras Limited on May 27, 2015. She is a qualified Chartered Accountant with a Bachelor of Science degree in Accounting from the University of the West Indies, Mona. She has over 25 years' experience and a proven track record in financial management, accounting and auditing. Janene was previously employed at J. Wray & Nephew Limited / Lascelles deMercado & Co. Limited where she held various senior finance positions being General Manager, Finance & Administration – JWN Agricultural Division, Group Financial Officer and Accounting and Treasury Director. Prior to that, Janene was employed at PriceWaterhouseCoopers where she gained progressive audit experience to the level of Audit Manager.

Janene is a Member of the Institute of Chartered Accountants of Jamaica and also of the Association of Certified Chartered Accountants in the U.K. She is currently a trustee of both the Lascelles deMercado Defined Contribution Fund and the Carreras Limited Superannuation Fund.

She enjoys athletics, cricket, spending time with family and has an interest in the different cultures of the world. Janene is married to Ewan and they have two daughters, Kristen and Justine.

Board of Directors

Andrew Long

Mr. Andrew Long was appointed to the Board of Directors of Carreras Limited on November 12, 2015. He is currently the Area Director for British American Tobacco Caribbean and Central America (BATCCA).

Andrew joined British American Tobacco Souza Cruz Brazil in 1991 as a mid–career Marketing Executive. Over his more than 20 year international career, he has held several senior roles in marketing, as well as general management within BAT's operations across several countries including Brazil, Kuwait, The United States, The United Kingdom, Hungary, Russia, Vietnam, Turkey and Senegal.

Andrew holds an Honours Degree in Business Studies.

Alan Bergin

Mr. Alan Bergin was appointed to the Board of Carreras Limited in August 2015. A qualified professional accountant with a proven track record positioning finance as a value adding business partner, Alan holds a Bachelor of Arts degree in Medieval and Modern History and a Masters in European Economic and Public Affairs from the University College, Dublin, as well as an MBA from Imperial University Business School in London.

Alan has over 17 years' experience in financial roles internationally within the British American Tobacco (BAT) group, his most recent being Global Head of Commercial Finance Information and Analytics at British American Tobacco plc, where he was responsible for all internal reporting of key business metrics to board level, and the preparation of all external trading announcements to the stock exchange. Before assuming this position, he held other senior posts in finance within the BAT group including; Regional Audit Manager in Africa and the Middle East, , Group Corporate Finance Projects Manager, Finance Director and Company Secretary in Zambia, Mergers and Acquisitions Manager, Marketing Finance Manager in Russia and London and Management Accountant. In April 2015, Alan was appointed to the role of Finance Director for British American Tobacco Caribbean and Central America (BATCCA).

He enjoys running marathons and half marathons, music, trekking and travel. Alan is married to Mary-Ann and has two daughters.

Directors' Report

The Directors are pleased to submit their Report and Audited Financial Statements for the year ended March 31, 2016. The following are selected highlights:

Financial Results

	Year ended March 31, 2016 $000s	Year ended March 31, 2015 $000s
Profit before income taxation amounted to:	3,903,562	3,938,362
Income tax for the year	(892,229)	(995,402)
Total profit after tax	**3,011,333**	**2,942,960**
Less: minority interest	(142)	(46)
Net profit for the year attributable to stockholders	3,011,191	2,942,914
Revenue reserves at beginning of year	3,028,074	4,050,807
Total revenue reserves	6,039,265	6,993,721
Appropriations have been made as follows:		
Dividends and Distributions	(4,342,104)	(3,930,709)
Deferred tax on reserves of subsidiaries in liquidation	36,354	59,073
Defined benefit plan actuarial gains/losses, net of tax	(64,950)	(37,650)
Transfer tax	(38,856)	(59,860)
Distribution to non-controlling interests	2,271	3,499
	1,631,980	3,028,074
Earnings per stock unit for year:	620.30¢	606.24¢

Dividends and Distributions

The following payments were made during the year:

First quarter ended June 30, 2015	- $2.00 per stock unit (Ordinary)
Second quarter ended September 30, 2015	- $1.20 per stock unit (Ordinary)
	- $0.60 per stock unit (Interim special capital cash distribution)
Third quarter ended December 31, 2015	- $1.40 per stock unit (Ordinary)
	- $1.94 per stock unit (Interim special capital cash distribution)
Fourth quarter ended March 31, 2016	- $1.80 per stock unit (Ordinary)

No further final dividend payment is proposed in respect of 2015/2016.
The Directors have approved an interim dividend of $1.70 per stock unit, to be paid on June 28, 2016.

Auditors

KPMG have expressed their willingness to continue in office and offer themselves for re-appointment.

Directors

Hon. William McConnell, OJ, a stalwart member of the Board, retired on September 2, 2015 and the Board wishes to express its appreciation to him for his invaluable contribution to the Company.

Mrs. Amanda Cavill de Zavaley resigned on November 4, 2015 and the Board wishes to express its appreciation to her for her invaluable contribution to the Company.

Mr.Tony Hayward resigned on May 25, 2016 to assume a new role within British American Tobacco Group of Companies. The Board wishes to express its appreciation to him for the expertise and experience that he shared with the Company.

Mr. Andrew Long was appointed on November 12, 2015 and, being eligible, offers himself for election.
Mr. Matthew Hogarth was appointed on February 4, 2016 and, being eligible, offers himself for election.

The Directors due to retire in accordance with the provisions of the Articles of Association are Messrs. Eduardo Castañeda and Michael Bernard, and being eligible, offer themselves for re-election.

ON BEHALF OF THE BOARD

Secretary

Stockholdings

as at March 31, 2016

Ten Largest Stockholders

	Stock units held
Rothmans Holdings (Caricom) Limited	244,650,826
Sagicor PIF Equity Fund	31,751,880
National Insurance Fund	19,716,721
L.B.J. Overseas Limited	10,193,750
SJIML A/C 3119	9,279,436
Millville Opportunities Master Fund LP	7,420,299
JCSD Trustee Services Ltd - SIGMA OPTIMA	6,497,294
GraceKennedy Ltd Pension Scheme	6,053,007
NCB Insurance Co. Ltd A/c WT 109	4,750,000
ATL Group Pension Fund Trustee Nominee	4,647,880
	344,961,093

Directors' Stockholdings

	Stock Units Held
Mr. Alan Bergin	Nil
Mr. Michael Bernard	Nil
Mr.Eduardo Castañeda	Nil
Mr. Tony Hayward	Nil
Mr. Matthew Hogarth	Nil
Mr. Oliver Holmes	Nil
Mr. Andrew Long	Nil
Mrs. Janene Shaw	Nil
Mr. Marcus Steele	Nil

There has been no change in the Directors' stockholding interests occurring between the end of the Company's financial year and the date of the Notice convening the Annual General Meeting.

At no time during or at the end of the financial year has any Director had any material interest in any contract or arrangement in relation to the business of the Company.

Executive & Senior Management Stockholdings:

Mr. Marcus Steele	Nil
Mrs. Janene Shaw	Nil
Mrs. Ashleigh-Ann Arnold	Nil
Miss Monique Blake	Nil
Mrs. Heather Bulgin Williams	Nil
Miss Camille Robinson	2,047

Corporate Governance

Board Mission

The Board of Directors is collectively responsible for the success of the Company.

The board remains committed to providing entrepreneurial leadership of Carreras within a framework of prudent and effective controls which enables risk to be assessed and managed. The board is responsible for overseeing the Company's strategic aims; ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; and reviewing management's performance. The board also upholds the Company's values and standards and ensures that its obligations to the Company's shareholders and others are understood and met.

Responsibilities of Board Members (Chairman, Non-Executive Members, Company Secretary)

There is a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the Company's business. No one individual has unfettered powers of decision.

Chairman

The Chairman is responsible for leadership of the board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chairman is also responsible for ensuring that the directors receive accurate, timely and clear information. He also ensures effective communication with Shareholders.

Non-Executive Directors

As part of their role as members of a unitary board, non-executive directors constructively challenge and help develop proposals on strategy. Non-executive directors also scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They ensure the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

Directors can obtain independent professional advice in the course of their duties, if necessary, at the Company's expense.

Company Secretary

The Company Secretary plays a key role in assisting all directors to obtain the information they need to carry out their roles effectively. She is responsible for ensuring that board processes and procedures are appropriately followed and that they support effective decision making and governance in accordance with the Companies Act.

Appointments to the Board

There is a formal, rigorous and transparent procedure for the appointment of new directors to the board.

Appointments to the board are made on merit and against objective criteria. Care is also taken to ensure that appointees have enough time available to devote to the job. This is particularly important in the case of chairmanship. The board also satisfies itself that plans are in place for orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the Company and on the board.

Election and Re-Election

All directors are submitted for re-election at regular intervals, subject to continued satisfactory performance. The board ensures planned and progressive refreshing of the board.

Independence of Directors

Independence is based on criteria agreed by the Board and includes:

- a Director that has not within the last three years been an employee of the Company or a related company;
- a Director that has not within the last three years had a material business relationship with the Company either directly or as a shareholder, director or senior employee of a body that has a relationship with the Company either as a supplier, a customer or competitor of the Company;

- a Director that has not within the last three years received additional remuneration from the Company (apart from a director's compensation) nor participated in the Company's performance-related pay scheme;
- a Director whose spouse, child(ren) or dependent(s) are not advisors, directors or senior employees of the Company;
- A Director who does not represent a significant shareholder.

The Board is not aware of any relationships or circumstances affecting the Directors' independent judgement.

Board Committees

Audit Committee

The board has established formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

The main role and responsibilities of the audit committee include:

- to monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- to review the Company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the Company's internal control and risk management systems;
- to monitor and review the effectiveness of the Company's internal audit function;
- to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- The audit committee should review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors.

The audit committee of the board comprises of three members who are non-executive directors, the majority of whom is identified by the Board as independent directors. At least one member of the audit committee has recent and relevant financial experience.

Meetings of the Audit Committee

The Chairman of the audit committee, in consultation with the Company Secretary decide the frequency and timing of its meetings.

Four (4) meetings are held during the year to coincide with key dates within the financial reporting and audit cycle. The Company's external audit lead partner is invited regularly to attend the meetings.

The audit committee met with the external auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.

Relationship with the Board

The role of the audit committee is for the board to decide and to the extent that the audit committee undertakes tasks on behalf of the board, the results are reported to, and considered by, the board. In doing so it identifies any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken. The audit committee should review annually its terms of reference and its own effectiveness and recommend any necessary changes to the board.

The Committee members are: Michael Bernard (Chairman), Alan Bergin, Matthew Hogarth

Nomination and Compensation Committee

The main role and responsibilities of the nomination and compensation committee include:

- To determine the framework and policy on terms of engagement including the specific compensation of each executive director and each member of the Senior Management Team ["Leadership Team"] of the Company, including entitlements where applicable under any share incentive schemes and the pensions schemes and any compensation payments.
- To make recommendations to the board on suitable candidates for appointment as board directors and to make recommendations to the board as to the suitability of candidates for appointment as executive directors of the Company.

Fees payable to non-executive directors are determined by the main board on the recommendation of the chairman and chief executive.

The Committee is authorized by the board to obtain at the Company's expense such outside legal or other independent professional advice as it considers necessary and, in particular, is responsible for the appointment of any compensation consultants, Executive Recruitment & Placement Services [head-hunters] or any other professional service provider who may advise the Committee. Where such consultants are appointed, the Committee is required to make available a statement of whether they may have any other connections with the Company.

Meetings of the Nomination and Compensation Committee

The Committee was appointed by the board on September 8, 2009 and comprises three members. The quorum is three and in the absence of a member, he will select another director to be his alternate at the meeting. The Chairman and the Managing Director of Carreras Limited are required to attend meetings of the Committee on the occasion of a discussion of compensation and to discuss the performance of the Executive Directors and other members of the Senior Management Team [except when their own compensation is under review], and to make proposals as appropriate.

Relationship with the Board

The Committee shall make recommendations to the board in specific regard to the re-appointment of any Non-executive Director at the conclusion of their specified term of office after reviewing the Director's performance; the re-election by shareholders of any director under the retirement or by rotation provisions in the Company's Articles of Association; and the continuation in office of any Director at any time.

The Committee members are: Oliver Holmes, Eduardo Castañeda, Matthew Hogarth

Our Standards of Business Conduct

Our Standards of Business Conduct express the high standards of business integrity that British American Tobacco (BAT) requires from employees worldwide. As a member Company of the BAT group, Carreras Limited and its employees are expected to comply with these standards.

The Standards of Business Conduct set out specific guidelines which provide support and guidance for employee conduct. Whistle blowing procedures are also put in place so that any employee who suspects wrongdoing can raise his/her concern in confidence.

The Standards cover four broad areas which govern general business conduct, as well as provide guidance for employees in making appropriate decisions and judgements in the course of work. These areas are: Personal and Business Integrity; Public Contributions; Corporate Assets and Financial Integrity; and National and International Trade.

Each employee is expected to know, understand and practice the standards, as appropriate, and review and sign in accordance with the policy, on an annual basis.

Please note that our Corporate Governance guidelines are available on our website at www.carrerasltd.com

Meeting Attendance of Directors to March 31, 2016

Name of Director	Board	Audit	
Alan Bergin	5	3	Joined July 31, 2015
Michael Bernard	6	4	
Eduardo Castañeda	6	n/a	
Tony Hayward	2	n/a	Joined September 2, 2015
Matthew Hogarth	1	1	Joined February 4, 2016
Oliver Holmes	6	4	
Andrew Long	2	n/a	Joined November 12, 2015
Janene Shaw	6	4	
Marcus Steele	6	4	

Number of Meetings Held in Financial Year:

Board	6
Audit Committee	4

Ten-Year Financial Review

(all figures expressed in thousands of dollars except where otherwise noted)

Financial Year	2015/16	2014/15	2013/14
Profit & Loss Summary			
Gross Operating Revenue	11,980,138	11,208,369	10,342,006
Trading Profit	3,736,050	3,804,121	3,199,787
Income From Non Routine Transactions	-	-	1,787,365
Total Trading Profit	3,736,050	3,804,121	4,987,152
Investment & Interest Income	176,612	146,141	174,719
Operating Profit	3,912,662	3,950,262	5,161,871
Employee Benefit Income	(9,100)	(11,900)	22,600
Restructuring Costs	-	-	-
Profit before taxation	3,903,562	3,938,362	5,184,471
Profit After Taxation	3,011,333	2,942,960	4,003,175
Profit Attributable To Stockholders	3,011,191	2,942,914	3,999,992
Balance Sheet Summary			
Fixed assets	236,485	248,256	204,632
Share Capital	121,360	121,360	121,360
Reserves	1,654,302	3,050,396	4,073,129
Stockholders' Equity	1,775,662	3,171,756	4,194,489
Financial Ratios			
Trading Profit Margin	31.2%	33.9%	30.9%
Operating Profit/Operating Revenue	32.7%	35.2%	32.6%
Stockholders' Return On Equity	169.6%	92.8%	95.4%
EARNINGS PER STOCK UNIT (from normal operations)	620.30¢	606.24¢	547.85¢
EARNINGS PER STOCK UNIT (from non-routine transactions)	-	-	276.15¢
EARNINGS PER STOCK UNIT (from discontinued operations)	-	-	-
P/E Ratio	10.7	6.6	4.3
Distribution - Per Stock Unit	894¢	809¢	704¢
Other Data			
Share Capital			
- Stock Units In Issue ('000)	485,440	485,440	485,440
Closing Stock Price ($) - March 31	66.15	39.97	35.51
Dividend Paid	4,342,104	3,930,709	3,418,898
Depreciation Charged	62,506	65,887	50,556
Exchange Gain / (Loss)	30,692	45,591	88,953
Weighted Average Exchange Rates:			
US$ 1 to J$	122.0421	115.0435	109.5744

Restated 2012/13	2011/12	2010/11	2009/10	Restated 2008/09	2007/08	2006/07
12,241,512	11,022,746	12,935,692	10,410,178	10,923,530	9,037,241	7,005,159
3,844,022	3,437,158	4,291,204	3,514,143	4,782,969	5,136,894	3,379,964
5,083,600	-	-	-	-	-	-
8,927,622	3,437,158	4,291,204	3,514,143	4,782,969	5,136,894	3,379,964
158,294	125,672	138,890	269,142	599,027	690,841	657,919
9,085,916	3,562,830	4,430,094	3,783,285	5,381,996	5,827,735	4,037,883
(233,100)	363,400	550,400	711,200	694,900	-	-
-	-	-	-	-	-	-
8,852,816	3,926,230	4,980,494	4,494,485	6,076,896	5,827,735	4,037,883
6,234,234	2,597,220	3,314,076	3,001,875	4,093,911	4,000,020	2,766,915
6,234,059	2,597,229	3,314,097	3,001,869	4,093,682	3,999,018	2,765,947
158,650	145,150	140,190	114,724	101,915	79,945	83,560
121,360	121,360	121,360	121,360	121,360	121,360	121,360
3,562,164	2,818,195	3,210,417	2,669,801	3,472,034	7,768,667	6,642,746
3,683,524	2,939,555	3,331,777	2,791,161	3,593,394	7,890,027	6,764,106
31.4%	31.2%	33.2%	33.8%	43.8%	56.8%	48.2%
32.7%	32.3%	34.2%	36.3%	49.3%	64.5%	57.6%
169.2%	88.4%	99.5%	107.5%	113.9%	50.7%	40.9%
551.16¢	535.03¢	682.7¢	618.3¢	843.2¢	823.8¢	570.1¢
733.05¢	-	-	-	-	-	-
-	-	-	-	-	-	(0.3)¢
4.1	11.8	8.9	7.8	4.4	8.9	8.7
1179¢	560¢	500¢	700¢	1,630¢	540¢	490¢
485,440	485,440	485,440	485,440	485,440	485,440	485,440
52.92	63.00	60.51	48.50	37.76	73.51	49.61
5,723,338	2,718,464	2,427,200	3,398,080	7,912,672	2,621,376	2,378,656
46,616	55,349	48,884	40,833	25,081	22,555	24,913
160,582	19,369	(48,911)	4,945	209,967	167,855	124,087
98.8865	87.3000	85.7486	89.5082	88.8158	71.0888	67.8003

Leadership Team

Our Team

Marcus Steele
(Managing Director)
BSc., ACCA, CA, MBA, GMP (HBS)

Mr Marcus Steele currently serves as Managing Director of Carreras Limited. He graduated from St. Jago High School and is a qualified Chartered Accountant and has a Bachelor of Science degree in Accounting from the University of the West Indies and a Master of Business Administration from Florida International University. Mr. Steele also completed an Executive Programme in General Management at the Harvard Business School.

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

Mr. Steele serves as a Director on the Board of Proven Wealth Limited and Peak Bottling Limited. He enjoys reading, dancing, cricket, football and athletics and has two children, son, Marquis and daughter, Sonique.

Janene Shaw

(Finance Director & Company Secretary)
FCA, FCCA, BSc

Janene Shaw joined Carreras Limited as Finance Director and Company Secretary and was appointed to the Board of Directors of Carreras Limited on May 27, 2015. She is a qualified Chartered Accountant with a Bachelor of Science degree in Accounting from the University of the West Indies, Mona. She has over 25 years' experience and a proven track record in financial management, accounting and auditing. Janene was previously employed at J. Wray & Nephew Limited / Lascelles deMercado & Co. Limited where she held various senior finance positions being General Manager, Finance & Administration – JWN Agricultural Division, Group Financial Officer and Accounting and Treasury Director. Prior to that, Janene was employed at PriceWaterhouseCoopers where she gained progressive audit experience to the level of Audit Manager.

Janene is a Member of the Institute of Chartered Accountants of Jamaica and also of the Association of Certified Chartered Accountants in the U.K. She is currently a trustee of both the Lascelles deMercado Defined Contribution Fund and the Carreras Limited Superannuation Fund.

She enjoys athletics, cricket, spending time with family and has an interest in the different cultures of the world. Janene is married to Ewan and they have two daughters, Kristen and Justine.

Ashleigh-Ann Arnold

(Legal & External Affairs Manager)
BSc. (Hons), MA (Dist)

Ashleigh-Ann was appointed as the Legal and External Affairs Manager in March 2016. She previously served as the Legal and External Affairs Executive for Carreras since 2008 and concurrently since 2014, Legal and External Affairs Executive for 11 Markets in the Northern Caribbean for Carisma Marketing Services, another British American Tobacco Company.

After joining the Company in 2005 as a Management Trainee, she was promoted to the role of Corporate and Regulatory Affairs Executive during which time she played an integral role in the execution of the Company's reputation and regulatory strategy. In February 2012, she was seconded to British American Tobacco Caribbean and Central America's (BATCCA) Area Office in Costa Rica as the Area Corporate Social Responsibility & Regulations Executive where she was responsible for developing and coordinating BATCCA's corporate social responsibility initiatives and regulatory strategy in 30 markets across the Caribbean and Central America.

Ashleigh holds a Bachelor of Science degree, Cum Laude, in Integrated Marketing Communications, from Winthrop University in the USA and a Master of Arts Degree, with distinction, in Communications Studies, from the University of the West Indies. She has served as a Director, Nature Preservation Foundation, since 2009 and is the Jamaica Chamber of Commerce Representative on the Government of Jamaica and European Union Poverty Reduction Steering Committee. She loves travelling, dancing, working-out, and the culinary arts and is married to Tennyson.

Monique Blake

(Human Resource Business Partner)
AAS (Hons), BBA (Hons), MBA

Monique joined Carreras in May 2015 as the Human Resource Business Partner. She has more than 15 years' experience in financial services and human resource management and brings with her a wealth of diverse experiences in the field of Administration and Human Resources Management. Having led the human resources management and development functions in several organizations, Monique has garnered significant experience in talent acquisition and retention, industrial relations, training, development and performance management, rewards and recognition, payroll, re-structuring and compensation and benefits.

Monique holds a Bachelor of Business Administration degree with a concentration in Business Management (Hons) and an Associate of Applied Science in Accounting (Hons) from Monroe College in New Rochelle, New York. Monique also holds a Master of Business Administration in Human Resources Management from the University of New Haven in Connecticut and is a member of the Human Resource Management Association of Jamaica (HRMAJ). Monique is an avid reader who enjoys travelling, surfing the internet and exploring new recipe ideas.

Heather Bulgin Williams

(Trade Marketing & Distribution Manager)
BSc., MBA

Heather joined Carreras in June 2015 as the Trade Marketing and Distribution Manager. She has over 17 years' experience and a proven track record in sales and marketing in the Fast Moving Consumer Goods (FMCG) industry. Prior to joining Carreras, Heather was a Key Account Manager at Celebration Brands Limited, a joint venture between Red Stripe and Pepsi-Cola Jamaica, where she directly led initiatives that resulted in increased distribution coverage of the Company's portfolio of products and double digit growth in sales, specifically in the School Channel. She has held other senior sales and marketing and brand management roles at Pepsi-Cola Jamaica and Nestlé Jamaica, with a proven track record in increasing brand and product awareness and market share, negotiating exclusive partnerships with strategic key accounts and category management. At Pepsi, she received the General Manager's Award for Outstanding Performance and Target Achievement in the area of On Premise sales.

Heather holds a Bachelor of Science Degree in Management Studies from the University of the West Indies, Mona, and a Master of Business Administration from Florida International University. She enjoys playing dominoes, doing word and number puzzles, and spending time with family and friends. She is married to Andrew and has two children – stepson, Denandre and son, Elisandro.

Camille Robinson

(Marketing Deployment Executive)
BSc.

Camille joined Carreras in 2009 as a Trade Marketing Representative. In 2011, she was seconded to BAT's Caribbean and Central America Office as a Marketing Management Trainee. She returned to Carreras in 2012 to fill a critical gap in the Brand Marketing area and was promoted to her current role of Marketing Deployment Executive. Since then, Camille's passion and drive has resulted in the successful roll-out of several new products which exceeded their sales targets in their specific brand category. She has also led several high quality consumer engagements including Bacchanal and Reggae Sumfest and executed the successful launch of the Craven "A" Special variant, the first tobacco-wrapped product for the Americas, which achieved 80% distribution within the first six weeks. In January 2016, Camille was appointed a member of the Carreras Leadership Team.

Prior to joining Carreras, Camille worked in the Marketing Department at Best Dressed Foods (Jamaica Broilers) where she developed and executed several successful promotional campaigns. Camille is a graduate of the University of Technology with a Bachelor of Science Degree in Hospitality and Tourism Management. At the end of this degree program, she was selected to participate in a 12 month internship with the Walt Disney World Company in Orlando, Florida. This experience helped to hone her international relations skills and nurtured her love of travelling to new and exotic places.

Management's Discussion & Analysis

Dear Shareholders,

Our strong performance in 2015/2016 demonstrated the strength of our innovation, cost containment, intelligent marketing strategies, as well as solid management, and has given us greater confidence that we remain on a sustainable path to revenue growth and overall, enhanced shareholder value. We delivered revenue and profit growth of 6.9% and 2.3%, respectively. It should be noted that both current and prior year profits were impacted by one-off or non-recurring transactions; when adjusted for these transactions, profit from our core business increased by 14.8% over the prior year.

As it relates to managing the costs to the business, the current period under review includes restructuring costs of $80.94 million which consequently saw an increase in operating expenses of 3.8% over the prior year. Without these restructuring costs, operating expenses showed a decline of 0.3% and I am pleased to credit this to the teams' tireless focus on cost containment.

One of the main pillars of our cost reduction strategy is achieving efficiencies in our core activities, such as distribution. During the year I am pleased to report the successful implementation of a new Route to Market (RTM) structure designed to match the needs of the business now and into the future. This RTM project came to fruition in February 2016 following years of testing, refining and retesting various distribution arrangements including the utilization of bikes on new and existing routes serviced by delivery vans. The reality is such that the business has been and is rapidly changing and the purchasing patterns of our customers and consumers are evolving. Hence, following a successful pilot of the RTM programme over the last 2 years, we believe we now have the most efficient, effective and appropriate distribution structure to move the business forward into the future. Despite having to conduct a restructuring exercise, I am pleased to note that the result was a net positive increase in our permanent employee count. We doubled the recruitment of bike sales representatives whilst reorganizing a few of the van sales routes, and to date, we are yielding very positive results including the achievement of significant savings to the business that will be reflected in the short term.

Shareholders, whilst the performance of the Company in 2015 is proof that our strategic objectives are being met, we continue to closely manage the key business risks, namely increasing tobacco taxation and its unintended consequence in fuelling an illegal trade in cigarettes. The truth is with lower consumer purchasing power and increased taxation, the illicit trade remains the business' biggest threat. We therefore continue to engage the Jamaica Customs Department, the Jamaica Constabulary Force and other relevant agencies which we commend for their continued

efforts in addressing the prevalence of the illicit trade. Through work done by the Authorities in 2015, specifically the Police, we have been able to regain a small portion of our total sales volumes through major seizures of counterfeit and illicit cigarettes. Notwithstanding, illicit cigarettes remain a going threat, and we therefore continued to increase our call on Customs and the Police to ramp up their port monitoring and enforcement activities and to employ an above market approach in creating synergies with the various customs authorities in the region to tackle the transnational nature of the illicit cigarette trade.

With the continued threat of illicit cigarettes, the strength of our brands remains paramount. This is why our strategies have focused on maintaining a strong presence throughout the market through our execution of various promotional and sponsorship activities and providing affordable product offers such as our low price offer of Pall Mall and its strategic distribution within areas of high illicit trade. We also continued to lead in innovation with the launch of Craven "A" Special in September, while building strong relationships with our customers. These we believe, along with effective marketing and pricing strategies will continue to drive sales and optimize brand performance.

During the year as well management continued to monitor the prevalence of raw tobacco cultivation and we noted with great interest, the results from a second phase of the survey on tobacco growing by the Rural Agricultural Development Authority (RADA) which showed a slight decline in tobacco cultivation island-wide. We however recognize the strong presence of raw tobacco otherwise known as Grabba in the marketplace and we are currently evaluating the feasibility of a commercial response while supporting the calls for more robust regulation of that sector through the enforcement of the Tobacco Growers Act as well as ensuring equity in the application of the excise on raw tobacco.

In 2015, we continued to anticipate and actively prepare our operations for the introduction of a second phase of regulations, which includes a ban on all tobacco advertising, promotions and sponsorships, as well as the removal of our ability to engage with the Government on matters affecting our industry. Internally, we proactively engaged in a comprehensive review of opportunities for our marketing and distribution activities that should be addressed should these regulations be introduced. At the same time we continued our calls for balanced and fair regulations and rejecting the proposal to prohibit our involvement in the advisory process, as it is our legitimate right to consultation on matters affecting our business and industry.

Shareholders, our strong focus on giving back to Jamaica and the communities in which we operate were demonstrated in our targeted social investments during the year. These investments include our continued award of numerous scholarships at the tertiary level. Thirty-two students at the tertiary level, received scholarships valued at over $4 million. The bike sales representative programme is also viewed as one of your Company's Corporate Social Responsibility initiatives which seek to empower individuals whether economically or educationally. In this regard, our hiring is to seek out traditionally disadvantaged applicants, from the inner city, in order to provide them with the means to grasp opportunities as employees of Carreras and thereby create a more secure future for themselves and their families.

By implementing succession planning, work life balance initiatives, converting more of the sales team to staff and increasingly efficient recruitment programs, we continue to create the right environment for the execution of our strategic objectives. We work hard to place the right people into the right places, and empower them to make the right choices.

Many of you, our valued shareholders, may be wondering about our experience at our new location over the past year. We are pleased to advise that we have found ourselves at home and say thank you to those who have helped with this transition and continue to support us through the change. We have not forgotten Twickenham Park and will continue to cherish the support we felt from that community.

Jamaica's economy is growing, however small, despite macroeconomic issues. That, in combination with an optimized distribution structure, high quality brands, a commitment to nation building and talented, dedicated and innovative staff, makes us fit for the future. We will continue to rely on and look forward to the support of all our stakeholders. I extend a heartfelt thank you to our Board for continued wise counsel and guidance and to our customers, consumers and staff for their unfailing support as we move Carreras towards continued growth and success.

Marcus Steele
Managing Director

Financial Results

For the financial year ended March 31, 2016, the Company returned operating revenues of $11.98 billion and profit after tax of $3.01 billion. These results compare favourably to the corresponding period last year as operating revenues and profit after tax achieved growth of 6.9% and 2.3% respectively.

Key performance indicators which reflect the Company's positive results are:

- Trading profit margin - 31.2% (2015: 33.9%)
- Operating profit / Operating revenue - 32.7% (2015: 35.2%)
- Stockholders' return on equity - 169.6% (2015: 92.8%)
- Earnings per stock unit - 620.30¢ (2015: 606.24¢)
- Market capitalization - $32.1 billion (2015: $19.4 billion)

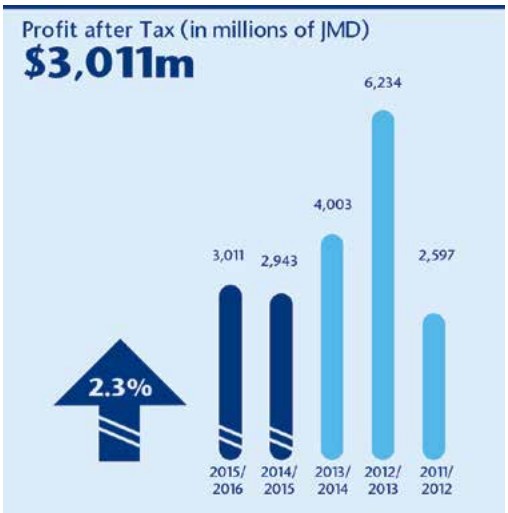
The Company's performance is attributed to growth in revenues offset by increases in operational expenses and a reduction in tax expense.

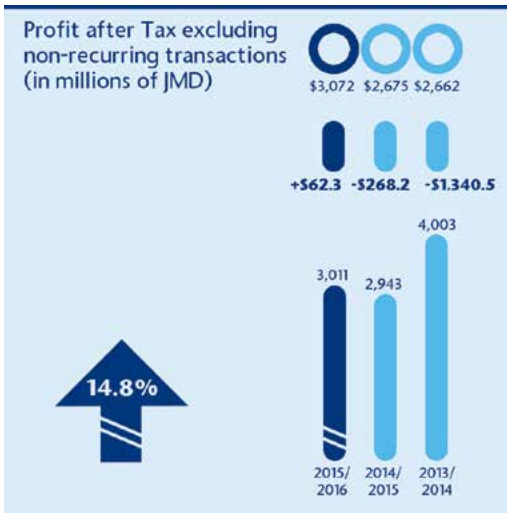
It is worthy to note that excluding certain non-recurring transactions in both the current period and the prior year, the Company's profit after tax from normal operations increased by 14.8%. The current period includes restructuring costs of $80.94 million ($62.3 million after tax) whilst prior year was impacted by gains of $357.65 million ($268.2 million after tax) mainly from disposal of property, plant and equipment held at the Twickenham Park property.

The overall 14.8% improvement in after tax profits from normal operations compared to the prior period, once again, demonstrates the Company's focus and commitment in achieving sustainable long-term earnings for shareholders.

Dividends

The Company distributed $4.34 billion to shareholders reflecting a 10.5% increase over the prior year's distribution of $3.93 billion. This represents a dividend of $8.94 per stock unit (2015: $8.09). For the year, dividends were distributed from reserves from core business activities as well as special distributions from the reserves of the CCJ tax settlement totaling $6.40 and $2.54 per stock unit, respectively. Note that all residual amounts in relation to the CCJ tax settlement were fully distributed to shareholders in the current period.





Profit and Loss Analysis

Operating Revenue

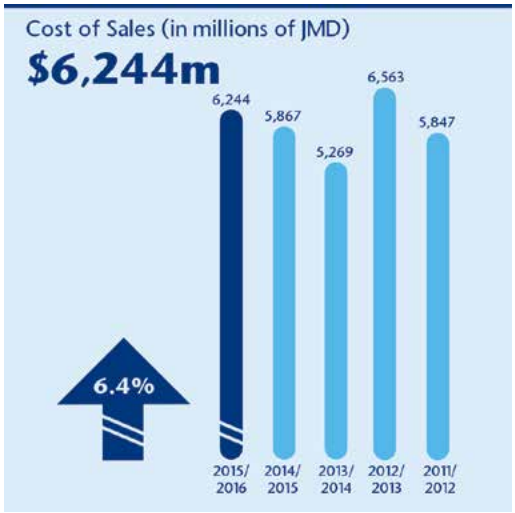
Operating Revenue increased by 6.9% from $11.21 billion in 2015 to $11.98 billion in 2016. This is commendable as a 14.3% increase in Special Consumption Tax was implemented by the Government on March 13, 2015. In spite of the adverse impact the increase in the SCT rate had on the volume performance for the period it is worth recognizing the result of the good work being done by the authorities in the illicit trade fight and for the period; reaped some positive volume recovery results.

For the year, Craven "A" and Matterhorn performed satisfactorily, providing once again a statement of the strength of our core brands.

In September 2015, Craven "A" Special was added to the Craven "A" family. This innovation has complimented the brand and has added to the range of quality tobacco products thereby ensuring that we continue to create satisfying consumer moments.

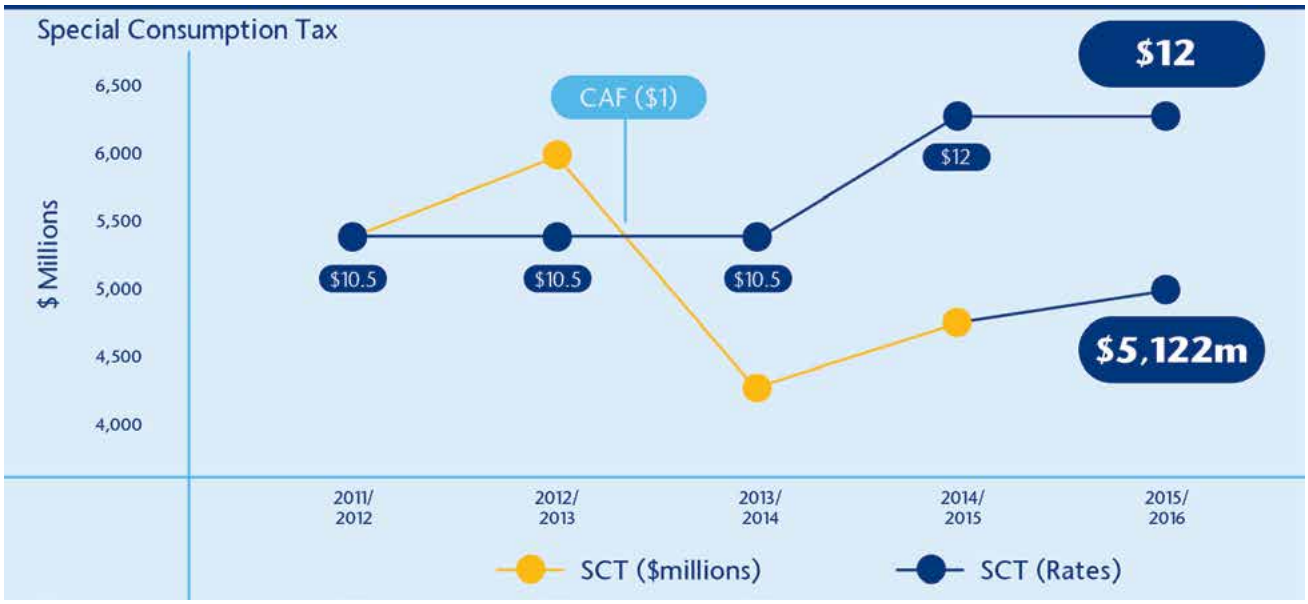
Cost of Operating Revenue

Cost of operating revenue totaled $6.24 billion, a 6.4% increase over the $5.87 billion recorded in the prior year. The increase in the cost of operating revenue is due mainly to the increase in Special Consumption Tax rate which was implemented on March 13, 2015 as well as higher costs associated with the purchase of our products due to the devaluation of the Jamaican dollar against the United States dollar. These two factors have significantly impacted the Company's operating margin for the financial year.



Special Consumption Tax

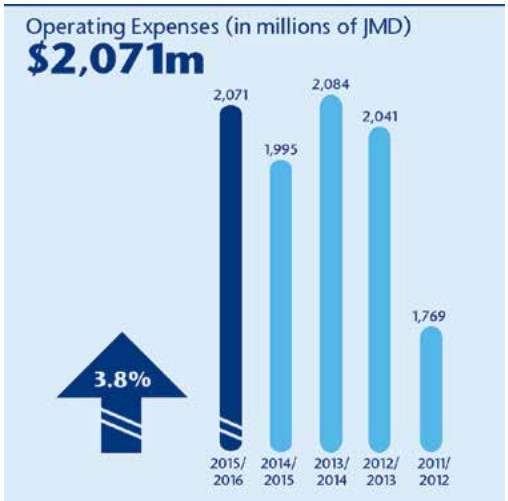
Special Consumption Tax (SCT) on cigarettes has been a significant contributor to the Government's revenue over the years. For the 2016 financial year, the Company incurred SCT amounting to $5.12 billion representing an increase of 6.40% over the prior year. It is worth noting that the revenue from SCT peaked in 2012/13, at $10.50 per stick, amounted to $6.00 billion. This performance was just prior to the implementation of the Tobacco Regulations and the imposition of a $1 per stick Customs Administrative Fee (CAF) on the importation of cigarettes resulting in a precipitous decline in the volumes for that period. Consequently, there was a significant decline in the Government revenue from SCT. This performance merely reinforced the point the Company makes regarding the link between high taxes and its impact on legal volumes, Government's revenue and the rise of the illicit trade.



Operating Expenses

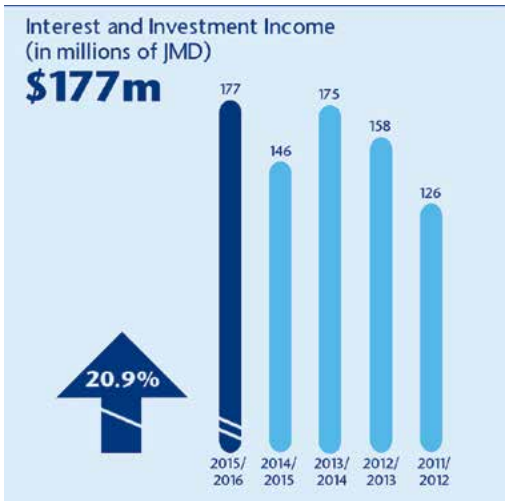
Administrative, distribution and marketing expenses of $2.07 billion incurred during the period, reflects a 3.8% increase over the prior year. The main reason for this increase is the inclusion of $80.94 million of restructuring costs. Excluding these costs, total expenses would be $1.99 billion, a decline of 0.3% which reflects management's commitment and continued effort to employ cost containment and cost reduction strategies. This was achieved in an environment that produced inflation rates of 3.0% and where the Jamaican dollar devalued against the United States dollar by 6.1%.

On February 1, 2016, the Company implemented a restructuring of its trade and distribution division, particularly in relation to its route to market. The $80.94 million cost of this restructuring exercise, though reflected in this year's operating expenses, is expected to generate renewed efficiencies that will maximize shareholder value in the future years.



Interest and Investment Income

Interest and Investment Income increased by 20.9% from $146.14 million in the prior year to $176.61 million in the current year. Reduction in market interest rates coupled with the increased investment balances resulted in a growth in investment income. The Group continues to strategically manage its cash holdings to maximize returns from investment placements and meet working capital requirements.

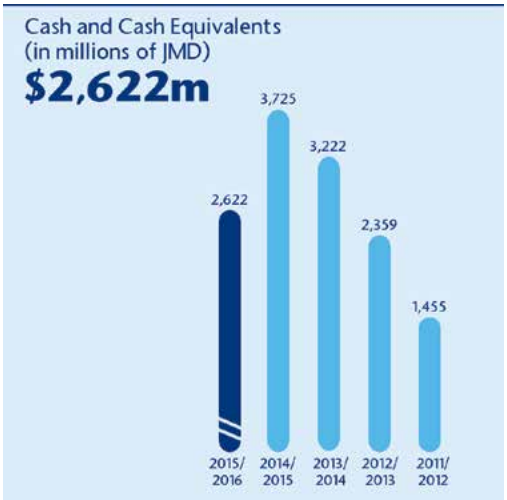


Balance Sheet Review

Assets

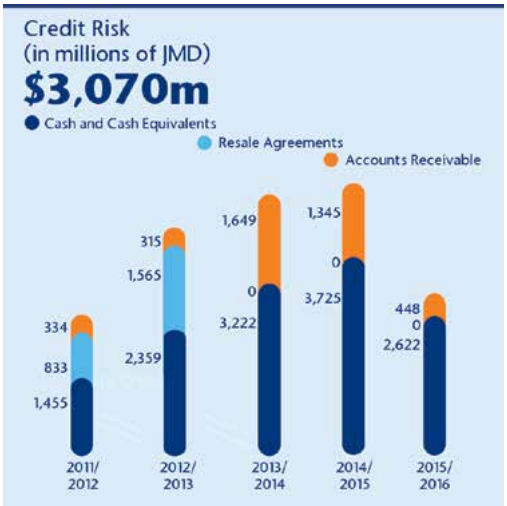
The Group's total assets at March 31, 2016 amounting to $3.71 billion had a significant reduction of approximately $2.48 billion or 40% compared to the prior year. Substantial decreases were noted for cash and cash equivalents and also accounts receivable.

Cash and cash equivalents which accounts for 71% of total assets amounted to $2.62 billion at March 31, 2016. The balance at year end represents a $1.10 billion or 29.6% reduction over the prior year. For the year, net cash provided by operating activities and net cash provided by investing activities were $3.08 billion and $0.13 billion, respectively. Dividends paid to shareholders for this financial year totaled $4.34 billion, the largest payout since 2013 (when the Company received its share of the pension surplus on liquidation of its defined benefit fund).



Accounts receivable decreased by $897.35 million or 66.7% from $1.35 billion in 2015 to $448.01 million in 2016, due primarily to the receipt of the final tranche in relation to CCJ tax settlement agreement. During the period, an offset of $875 million was issued by the TAJ to the Company to fully extinguish TAJ's liability to CCJ under the settlement agreement. This concludes a long standing issue which commenced in 2004.

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations and arises principally from the Group's receivables from customers, cash and investment securities. At March 31, 2016, the Group's credit risk resulting from receivables and cash and investments amounted to $3.07 billion, a 39% decrease compared to prior year's $5.07 billion.



As in previous years, credit risk is continually and rigorously assessed by Management and the Board.

Total liabilities at March 31, 2016 at $1.94 billion decreased by $1.08 billion or 35.8% compared to the corresponding period last year.

$648.81 million of this reduction relates to income tax payable which decreased from $1.22 billion in 2015 to $569.56 million in 2016. Consequent upon the finalization of the CCJ case, amounts previously reflected as tax recoverable were offset against the taxation payable in the current period. Accounts payable accounted for $145.51 million of this decrease following the settlement of related parties and other balances.

Trade Marketing and Distribution

The business environment in Jamaica continues to be very challenging, with FMCG companies needing to become increasingly creative and strategic in their bid to attract consumers, gain product loyalty and, ultimately, increase or retain market share. The tobacco industry is particularly interesting because of its high regulatory context and provides Carreras Limited and, more specifically, the Trade Marketing and Distribution (TM&D) team with daily challenges and opportunities that give us the drive and motivation necessary for success. TM&D supports the Company's Strategic Leadership Agenda (SLA) by providing trade-specific focus on the four elements around which all of the Company's efforts revolve – Growth, Productivity, Sustainability and Winning Organization.

Growth

The year under review was a phenomenal one for Team TM&D. We went beyond to deliver outstanding results, achieving volume growth in our Value For Money (VFM) segment and strengthening the position of our brands in all sales channels, allowing us to remain market leaders. "Excellence" was at the centre of the TM&D strategy for FY15/16, focusing on our main sales drivers - distribution, quality, visibility and leveraging brand equity through consumer loyalty. Plans deployed to ensure continued improvement on customer relationships and brand performance include:

Delivery of FY15/16 key performance indicator targets (Global Drive Brand volumes, Total volumes and by extension Net Turnover and Operating Profit)

- We optimized route efficiency and productivity through management of visitation cycles and customer demands, delivering remarkable results despite a price increase and an active illicit cigarette trade.

Volume Recapture

- The illicit trade continues to be a challenge for the tobacco industry. Through excellent work by the Authorities, we were able to recapture a small portion of our total sales volumes, which was lost to the illicit trade, resulting from the seizure of both counterfeit and illicit cigarettes during the 2015/16 year.

Successful New Product Introduction

- With the addition of our "new kid on the block", Craven "A" Special, to our Craven "A" family, we ensured 70% numeric distribution by implementing an effective pricing strategy and promotional mechanism. With our trade marketing initiatives, we aimed to increase awareness and drive sales, optimizing the performance of our brand portfolio.

Effective Customer Partnerships and Alliances

- The key to our winning performance in a strictly regulated industry is sustaining and fortifying customer relationships by understanding their business needs and creating value. We generated and executed mutually beneficial plans for our key customers to enhance performance.
- We also sought to engage our customers with strategies to ensure continuous traffic to outlets, one of which was adherence to price margins by suggestions of fair retail prices, in a time where price remains a key motivator for purchasing our products.
- Throughout the year we continued to leverage customer relationships to ensure increased communication coverage within all channels, ensuring that we continue exciting our consumers and keeping our products and brands top of mind.

Productivity

The TM&D team supports the overall business in its ongoing drive to deliver superb service and products to our valued customers and consumers in the most efficient and effective way.

Route To Market (RTM) Initiative

We have utilized our Delivery Excellence (DX) platform to arrive at an efficient route to market (RTM) which was successfully implemented on February 1, 2016. As a team, we continue to seek to add value to the business and are proud of our 2015/16 achievements as we were able to support

the Company in the successful delivery of its productivity and value growth agendas. Through the incorporation of what was previously referred to as the "Bike Project" into the mainstream business model and the resultant net positive headcount, the Company was able to positively impact the lives of several persons (now employees), many of whom are products of the country's inner-city communities. Some initiatives that were undertaken in the restructuring of the TM&D department are:

- Reducing the number of depots across the island by 29%.
- Expanding our sales force by 7% addressing one of our key metrics - speed and scale.
- Converting over 75% of the sales team to members of staff, who are now reaping employee benefits.

Our aim for 2016 is to stabilize the route to market exercise and drive productivity and effectiveness throughout the distribution platform.

Sustainability

With a keen awareness of the highly regulated industry in which we participate, a critical goal of the TM&D team is to build and maintain strong relationships with our customers and key trade partners. This coupled with our ability to respond to the market needs of the country set the framework within which we are able to achieve and maintain long-term sustainable competitive advantage. We constantly aim to improve the following:

- Our route to market to ensure we remain competitive in an evolving market, addressing at all times our efficiencies.
- Our capabilities and competencies as we strive to have the right people in the right roles delivering on one common goal.
- Our customer and consumer engagements, leveraging the strong relationships built over time.

- Our knowledge of the market, so that we can become industry experts, providing relevant and credible market insights.

Winning Organization

The largest department in the Company, TM&D is the "engine" of the Company. With a team from diverse backgrounds, we continuously strive to hone each team member's creativity and skills for the common goal of the department and, by extension, the Company. The February 1RTM implementation saw significant changes in the department's staff complement and talent pool. The new staff of "bikers" (Sales Representatives and Supervisors) welcomed the opportunity to be a part of a phenomenal Company and provided TM&D with the perfect vehicle through which to live the Company's Guiding Principle of Strength from Diversity. We consciously strive to remain a winning organization through initiatives that include:

- Embedding the Carreras culture within the new team members
- Deploying POSITIVE to the entire field force. POSITIVE is BAT's leading training tool aimed at developing our trade team members in delivering exceptional service to our customers and consumers and getting that "one extra yes".

Focus for 2016/17

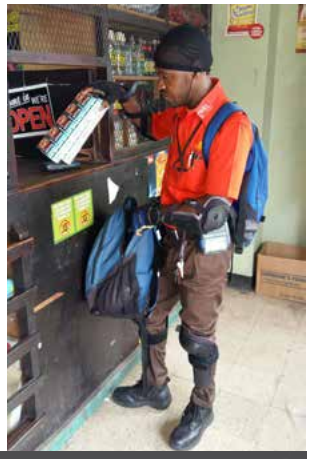
As we look forward to another successful year, it is our intention to deliver on all our 2016 targets:

- Overall volumes.
- Global Drive Brands (GDB) volumes.
- Net turnover (NTO).
- Operating profit (UOP).

We will continue to monitor anti-illicit trade activities in the market and recapture the volumes that become available by the space created when the Authorities have successful seizures. We will leverage the equity of our local beauties, Craven "A" & Matterhorn, while we continue to look within the industry for new and viable opportunities.

Undoubtedly a great place to work, Carreras Limited has shown its resilience over the years, navigating a highly regulated tobacco industry to deliver shareholder value while providing a positive and enriching work environment for staff. With over sixty team members, the TM&D team remains steadfast ambassadors for the delivery of the Company's SLA.

Cigarette dispenser with Craven "A" Special Communication with the accompanying Youth Smoking Prevention Programme message, "We don't sell cigarettes to persons under 18 years old'.



Our Bike Sales Representatives decked out in full safety gear

Carreras... Empowering Lives

The Carreras Team of Bike Sales Representatives was established in 2012 with a complement of 5. Today, the Team consists of 35 sales representatives, all recruited from economically challenging circumstances...each making a valuable contribution to Carreras, while being empowered to improve their lives through the social and economic opportunities now afforded to them.

"We realized we needed a game changer...to remain competitive and service our customers in the most cost efficient way....but at the same time, we are touching lives."

- Marcus STEELE, Managing Director, Carreras

"Carreras has done a wonderful job for me...my family....my son. I can save towards his college fee."

- Raschida James

Bike Sales Representative

"I'm from the garrison. By being here at Carreras every day, it just build a different impact in my life."

- Shaneil Johnson

Bike Sales Representative

Brand Marketing

Despite a changing regulatory landscape, a contracting industry and increased competition in the legal tobacco market, Carreras Limited finished 2015 with an overall winning performance from our brand portfolio. In order to offer maximum shareholder value, building and strengthening our brands was paramount in maintaining excellent performance.

Our Local Beauties

The strength of our Value for Money (VFM) brands is the backbone of our success. Great brands persevere, and, as a result, our primary focus for this segment was to build on the rich brand heritage of Craven "A" and Matterhorn. We captured the high energy, electrifying, bold and potent spirit of the brands in a real way, with our high voltage Craven "A" Power Grid at Sumfest and our Legacy Zone at Bacchanal 2016. In the freshness segment, Matterhorn and Matterhorn Click & On, once again proved to be the menthol authorities.

Craven "A" Special...Innovation To Fuel Performance

Craven "A" Special Launch Event

We acknowledge that our consumers have high expectations of the Company behind their much loved brands. As such, we further diversified our full-flavoured portfolio by officially launching a new innovation in the wider market; Craven "A" Special, wrapped in reconstituted tobacco leaf and a first for BAT within the Americas. The innovation behind this product was ignited by the maturation of the classic Craven "A" brand. We wanted to give our consumers the option to try something different. The distinct tobacco blend offers a robust but smooth smoke, while the tobacco wrap offers more puffs in every stick.

Global Drive Brands

Craven "A" Special Brand Ambassador

Despite the economic conditions in 2015, which included a price increase, our premium segment performance was solid. Our Rothmans and Dunhill brands continued to be stalwarts in the premium segment, due to the loyalty and unwavering support of our consumers.

We continued to carve our space in the Low Price Offer (LPO) segment with Pall Mall. Pall Mall is known globally as a cigarette which boasts superior product quality at an affordable price. The brand has proven to be a favourite to our consumers in our inner city spaces and is a major contributor to our strategy of fighting the illicit tobacco trade. There is potential to increase our presence in the legal tobacco industry by venturing into other tobacco product segments. In 2015, we conducted intensive research into "other tobacco" segments and we are now confident that we have a better understanding of this category which will enable us to come up with a relevant product offer that will satisfy our consumers within this segment.

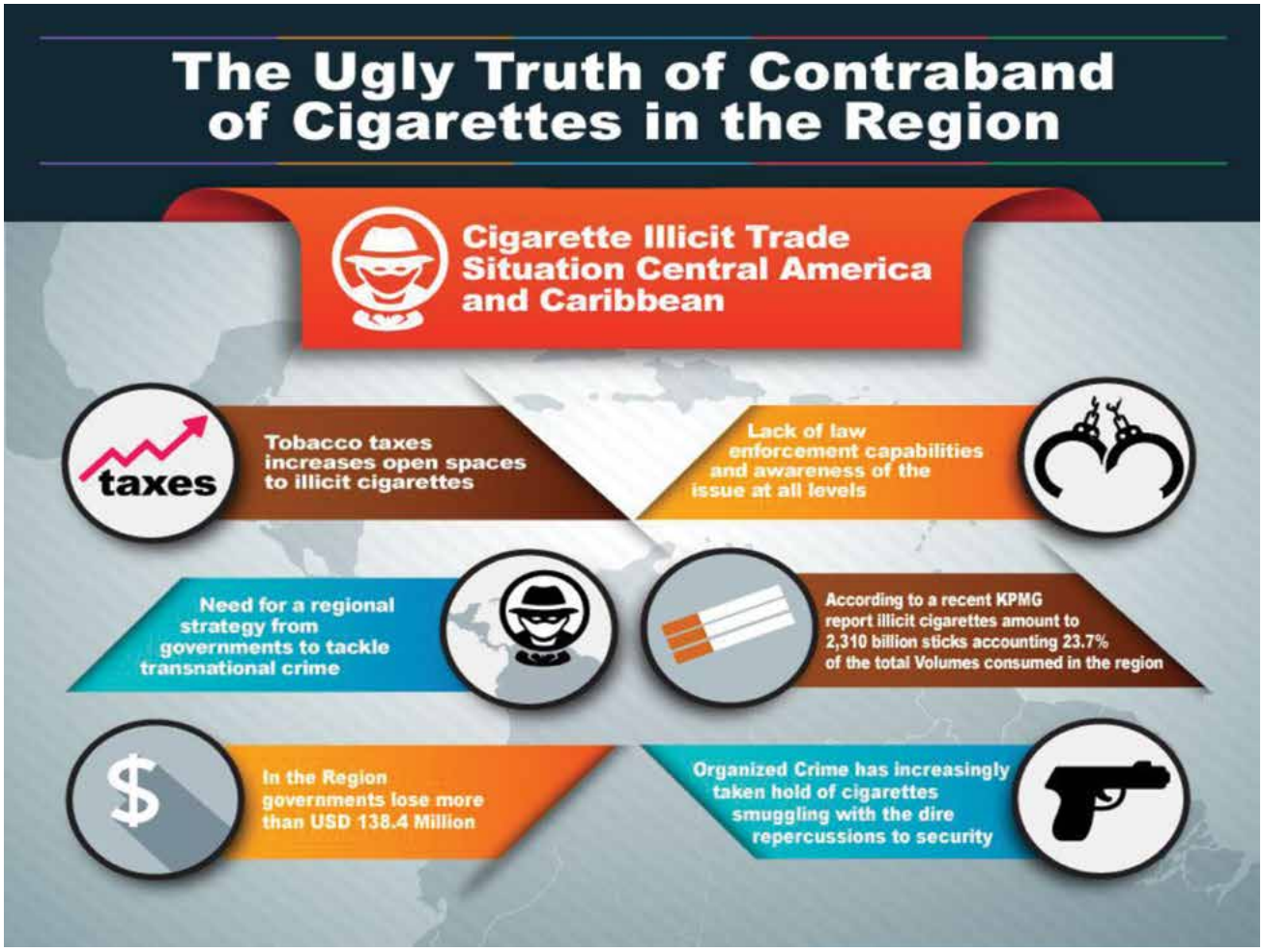
The Regulatory Environment

For the period under review, the Company has been continuing its internal preparations as well as its external engagement with key external stakeholders, including the Government, in anticipation of the introduction of a second phase of tobacco control regulations. Shareholders may recall that the proposed regulations include the following measures:

- A proposed ban on all tobacco advertising, promotions and sponsorships
- Exclusion of tobacco companies from policy development
- The introduction of an Illicit Trade Protocol
- Laws to limit interaction of Government officials with the tobacco industry

Indeed, as we have been sharing over the past several years, the Company has been actively preparing its operations following previous pronouncements by the Government that it would introduce such measures. We have sustained our calls to the Government, to ensure balance, practicality and fairness in the drafting and ultimate promulgation of tobacco control regulations, as well as the legitimate right of the Company to engage with the Government and other relevant authorities, on matters affecting our industry. We also continued to publicly reject the calls by both local and international anti-tobacco groupings to exclude the industry from the consultation process, and have made it very clear that the Company will vigorously defend our right as a legal enterprise to such consultations on the crafting and passage of any regulation that will impact our business.

Compliance with the Public Health Tobacco Control Regulations (2013), which includes among other things, the ban on smoking in indoor public places and the requirement for a Graphic Health Warning on all cigarette packaging, also continued to be at the forefront of the Company's operations during



the year under review. Our extensive engagement is ongoing with our business partners with respect to the importance of offering designated outdoor smoking and non-smoking areas in public places of leisure such as restaurants, bars and hotels, in compliance with the indoor public place smoking ban.

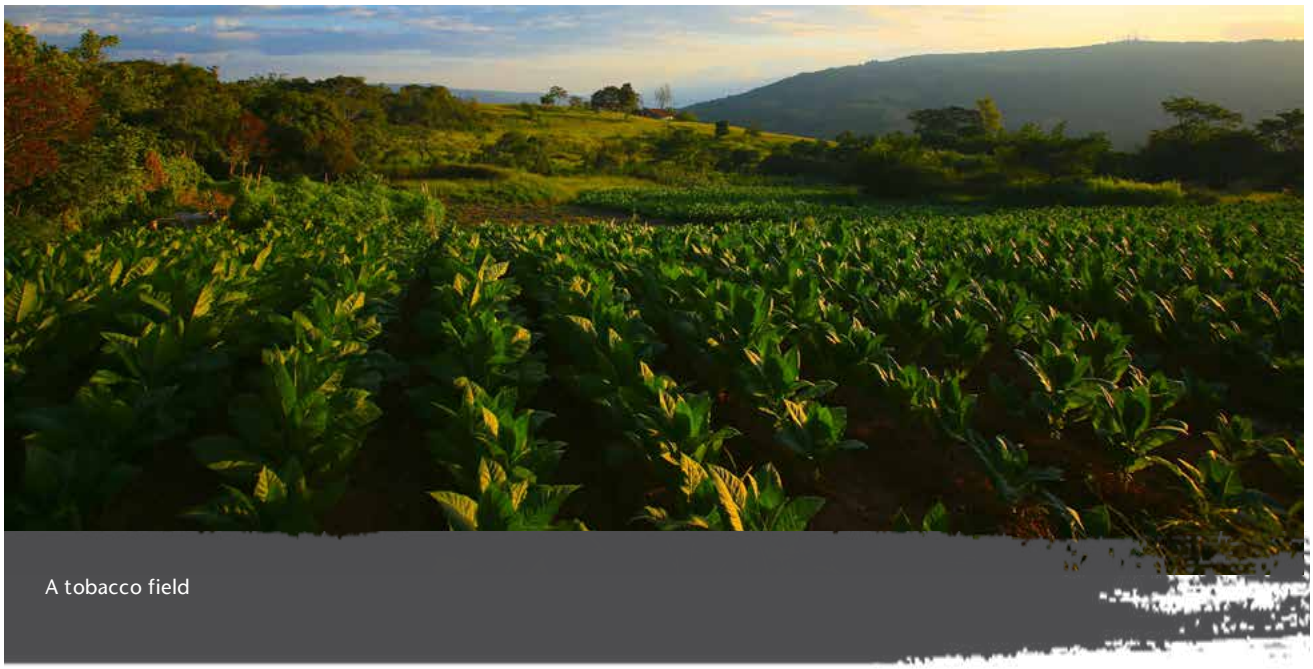
All told, the local regulatory environment remains very dynamic. Jamaica continues to receive significant attention and focus from both the local tobacco control community as well as the major global and regional health organizations such as the Pan American Health Organisation (PAHO) and the World Health Organization (WHO) who continue to call on the Government to enact more stringent regulations on the tobacco industry. Moreover, globally, the tobacco industry is increasingly facing an imposition of draconian regulations such as plain packaging, ingredients bans and retail display bans which infringe on the right of tobacco companies to the use its trademarks and severely hamper the ability to communicate with consumers among other things.

The Company therefore continues to closely monitor and engage with key stakeholders towards ensuring that any regulation being contemplated is one which is balanced, practical and protects the Company's fundamental commercial rights.

The Illicit Trade

Shareholders, the Company continues to register its commendations for the authorities' efforts to stem the influx of illicit cigarettes into the Jamaican market, as these efforts have yielded good results, particularly during 2015, with the significant illicit cigarette finds throughout the year which had a consequential effect of creating greater contestable space for the Company's brands. What we however continue to stress to the Jamaica Customs Department, is the need to bolster the port monitoring apparatus and improve the above market synergies among customs and law enforcement officials in the region. The nature of the illicit trade is such that it is highly organized, transnational and multifaceted, and will therefore require robust partnerships among Governments across the region to fight it.

Shareholders would also note that one of the proposed measures to be introduced in the second phase of tobacco regulations is an Illicit



A tobacco field

Trade Protocol. The Company has expressed its support for the introduction of this protocol as, if all the effort by Government is focused solely on regulating and introducing draconian measures on the legal cigarette business, then in short, that effort will be in vain. The Protocol in our view, would ensure greater cooperation and collaboration by all stakeholders to tackle the illicit trade in cigarettes and we continue to express our willingness to work with the Government, including all the relevant agencies (Customs, The Jamaica Constabulary Force, Ministry of Finance and the Ministry of Health) in quickly implementing the Framework Convention on Tobacco Control (FCTC) Protocol to eliminate the illicit trade in tobacco products.

Indeed, whilst we rely on the efforts of the authorities to clamp down on the influx and presence of illicit cigarettes into the market, the Company continued to play a key role in educating our customers, consumers and the public in general, on the illegality and dangers of trading in and purchasing illicit cigarette products through a sustained mass media campaign. We continue to highlight specifically, the requirement for all cigarette products to bear a graphic health warning on both the front and back panels of the pack.

Raw Tobacco Cultivation

A second phase of the tobacco growing survey, conducted by the Rural Agricultural Development Authority (RADA) first in 2011, was completed during the period under review. The results of this second phase show a slight reduction in the cultivation of tobacco across the island. Shareholders may recall that the survey was first implemented by RADA to assess the unregulated activities under which local tobacco growing was rapidly expanding across the country. One of the main concerns are the methods and processes employed in the cultivation of raw tobacco for consumption, and the Company therefore believes it is critical to ensure that these processes are monitored for compliance with the relevant standards.

We therefore continue to support the calls made to the Government to enforce the Tobacco Growers Act, towards regulating and bringing to order, the cultivation and harvesting of tobacco locally. Such enforcement we believe is necessary in consideration of the exponential increase in the growing and ultimate consumption of raw tobacco, otherwise known as grabba, in recent years. Additionally, as it relates to the application of the tax regime on raw tobacco which was announced 3 years ago, the Company shares the view that in appropriately regulating and bringing order to tobacco growing, it is fundamental for the Government to address and ensure equity amongst all players in the raw tobacco industry, from the growers and importers to the consumer.

Corporate Social Responsibility

Corporate social responsibility is embedded in Carreras' approach to business, driven by our firsthand knowledge of its positive impact on the community and public value outcomes, including being seen as an employer of choice. Consequently, over the past year, we continued to engage in targeted and robust corporate social responsibility initiatives and practices, focusing on empowering individuals through adult education and increasing economic opportunity.

Each year, the Company's scholarship programme stands as the hallmark of our social contributions, benefitting students at the tertiary level, who are both academically gifted and in need of financial assistance. Our objective is to increase access to college, increase academic achievement through reducing the concerns of families and students about how fees will be paid and importantly, help to retain high ability citizens in Jamaica.

For the academic year 2015/2016, a total of 32 tertiary level students, from a pool of nearly 350 applicants, were the beneficiaries of scholarships and bursaries, valued at over $4 million. The Company awarded 9 bursaries, 7 Teacher's College Scholarships, 7 Community Scholarships, 4 Visual and Performing Arts Scholarships and 4 National scholarships. The 49 year-old postgraduate scholarship, a biennial award, was also made in this year and continues to be one of Jamaica's premier postgraduate scholarships. This scholarship carries a value of $1.8 million for the two years of study and is tenable at any recognized university worldwide. This years' recipient is Kimani A. Kitson-Walters

Marcus Steele, Managing Director, presents the 2015/2017 Carreras Post-graduate Scholarship to Kenrick Kitson-Walters.

who is pursuing a PhD in Biotechnology at the University of the West Indies, Mona Campus.

Carreras is proud to see our corporate social responsibility mandate, to give back to the communities in which we operate, manifested in our recruitment activities. Our sales team is a true representation of our commitment to economic empowerment through our employment of individuals from the inner city in what was formerly known as the "bikers' project". During the year, through training, this team was integrated into the formal structure of Carreras as Sales Representatives. We reaffirm our belief that corporate success and social welfare relate; resulting in the Company operating in a better society. We are confident that this programme also increases Company loyalty and creates shared value.

Managing Director, Marcus Steele (centre), with the 2015/2016 Carreras Empowering Through Education Scholarship recipients.

Our focus on economic empowerment, one of the key pillars of our social responsibility mandate, saw the Company giving support to various community development projects and programs during the year.

Altogether, Carreras' long and illustrious history as a nation builder continues to be nurtured, and each year we make a renewed commitment to giving back more meaningfully to the country's economic and social development.

Human Resources

Marcus Steele, Managing Director (3rd left) with the top performing Bike Sales Representatives for 2015, Jermaine Miller (2nd left), Romain Linton, Damian Davis, Kenrick Layton and Raschida James. On either side is Erica Cowan (left) Marketing Communications Executive and Heather Bulgin Williams (right), Trade Marketing and Distribution Manager

Talent

In 2015 we started the fiscal year with a vision of creating a managerial team consisting of 'true' leaders and team players to complete the Local Leadership Team. In this regard, during the year under review, we charted a clear structure and vision of the roles, competencies and responsibilities which were a requirement and this remained the priority until all positions were filled in early June.

The success of this new group relied heavily on us moving swiftly through the various stages of group development to quickly arrive at a high performance team. It was a relationship that was built primarily on two key elements – leadership and trust. The leadership element meant that we as management had to 'hit the ground running' and start tackling head on some small and major changes that were in the pipelines, while trusting our decision that we made the right pick to fit not just the job, but our culture and group dynamics.

Our local talent pool continued to be recognized and we had two appointments to Senior Management roles in the Caribbean and numerous movements through the ranks at both the Management and non-management cadre in 2015.

TaO Implementation Support

TaO was one of the biggest transformation initiatives in recent BAT history. We embarked upon an integrated Enterprise Resource Platform called One SAP. End Markets had a huge responsibility to deliver each one of the programme's planned activities, to achieve the objectives and deliver the benefits to the region - Carreras was no exception. A key element of success was the involvement and commitment of our people. There were about 150 totally dedicated, capable employees from different functions and End Markets involved in the deployment of TaO and Jamaica had approximately five staff members over the course of the year that were dedicated to this project as Process Leads or Super users. There were a lot of people benefits with the implementation of TaO and Human Resource led and supported the training and retraining of the new processes which involved all tiers of staffing. By having better working methods and clear decisions; we were able to have better co-ordination, integration and team-work resulting in more effective roles and governance. It is our vision since our Go Live in November 2015 that we as a team will, therefore, become more agile, and more opportunities will be created for development and for the enjoyment of a great place to work.

New Route To Market (RTM) Structure

Carreras embarked upon a new Route to Market (RTM) structure to maintain business capabilities in order to support Jamaica's sustainability by creating a fit for purpose structure to support our long-term objectives.

A refined and optimized Route to Market structure, to fit volume load, provide a more nimble delivery platform with improved scale and speed was sought with a social benefit of a net increase in the number of available jobs . A successful delivery of this initiative became an objective for every employee as this new structure would continue to ensure the delivery of Company agreed targets. The Human Resource Department had a major role to play in the implementation which took place on February 1, 2016. The key to the successful delivery on HR's part, included, but was not limited to the following:

- Change Management
- Getting the right profiles
- Recruiting the right people with the right competencies
- Building capabilities and team integration

Winning Organization

Our winning organizational culture was at the forefront of everything we did last year. Our staff shone in all areas no matter the changes in process, system or structure throughout the year, reaffirming that our employees are our greatest asset. We started the year on a high note and were able to end the year on an even higher note by ensuring that all our targets were surpassed and all our stars were aligned to the right for a super special performance bonus. Though a lot of the successes could be attributed to how intrinsically motivated the team is, there were a lot of motivational drivers at play including our different recognition platforms, training and our Strategic Leadership Agenda (SLA) roll-out. This ensured that our Line of Sight (LoS) was cascaded to each and every member of staff so that the full team is always aligned as it relates to what our objectives and goals are and that our Going beyond recognition platform is reinforced and embraced.

Focus For 2016/17

With the implementation of the aforementioned major changes in our structure and processes in 2015, the Human Resources Department's major focus in 2016 continues to be concentrated on creating an engaging environment where individuals and teams are successful as we go through a period of stabilization. Apart from increased engagement, we continue to:

- Build capabilities and competencies through developmental and training platforms
- Increase commitment through communication, visibility and follow-ups.
- To be innovative while ensuring we are aligning each employee's roles, deliverables and responsibilities as we evolve in an ever-changing environment
- To close the gaps identified as we build a culture centered on our guiding principles.

Christopher Brown, Legal and External Affairs Manager presents the Tao Finance Process Lead Caribbean Award to Sales Compliance Auditor, Lexine Campbell

Camille Robinson, Marketing Deployment Executive, presents the 5 year Long Service Award to Kereen Brown Shaw, Finance Assistant-Payables

Audited Financial Statements

KPMG

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
CARRERAS LIMITED

Report on the Financial Statements

We have audited the separate financial statements of Carreras Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 42 to 82, which comprise the group's and the company's statements of financial position as at March 31, 2016, the group's and the company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

To the Members of
CARRERAS LIMITED

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company as at March 31, 2016, and of the group's and the company's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

May 25, 2016

Group Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
Operating revenue	3	11,980,138	11,208,369
Cost of operating revenue	4	(6,243,890)	(5,867,203)
Gross operating profit		5,736,248	5,341,166
Other operating income	5	247,635	604,554
		5,983,883	5,945,720
Administrative, distribution and marketing expenses	6	(2,071,221)	(1,995,458)
Employee benefits expense	9(i)(d),9(ii)(c)	(9,100)	(11,900)
		(2,080,321)	(2,007,358)
Profit before income tax		3,903,562	3,938,362
Income tax	7(a)	(892,229)	(995,402)
Profit for the year		3,011,333	2,942,960
Other comprehensive (loss)/income			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	9(i)(e)	(460,900)	379,000
Remeasurement gain/(loss) on plan assets	9(i)(e)	247,000	(400)
Remeasurement gain/(loss) on obligation	9(i)(e),9(ii)(d)	127,300	(428,800)
Income tax on other comprehensive income	15(b)	58,004	71,623
Other comprehensive (losses)/income, net of tax		(28,596)	21,423
Total comprehensive income for the year		2,982,737	2,964,383
Profit attributable to:			
Non-controlling interests		142	46
Stockholders' interests in parent	8	3,011,191	2,942,914
		3,011,333	2,942,960
Total comprehensive income attributable to:			
Non-controlling interests		142	46
Stockholders' interests in parent		2,982,595	2,964,337
		2,982,737	2,964,383
Earnings per ordinary stock unit	8	620.30¢	606.24¢

The accompanying notes form an integral part of the financial statements.

Group Statement of Financial Position
March 31, 2016

	Notes	2016 $'000	2015 $'000
Assets			
Employee benefits asset	9(i)(a)	168,200	260,600
Property, plant and equipment	10	236,485	248,256
Non-current assets		404,685	508,856
Cash and cash equivalents	11	2,622,147	3,724,749
Accounts receivable	12	448,005	1,345,353
Income tax recoverable		16,473	422,289
Inventories	23(f)	220,879	188,572
Current assets		3,307,504	5,680,963
Total assets		3,712,189	6,189,819
Equity			
Share capital	13	121,360	121,360
Reserves:			
Unappropriated profits		1,631,980	3,028,074
Other	14	22,322	22,322
		1,654,302	3,050,396
Total attributable to stockholders of the parent		1,775,662	3,171,756
Non-controlling interest	23(b)	1,152	3,281
Total equity		1,776,814	3,175,037
Liabilities:			
Deferred tax liability	15	12,056	288,350
Employee benefits obligation	9(ii)(a)	218,700	227,500
Non-current liabilities		230,756	515,850
Current liabilities			
Accounts payable	16	1,135,063	1,280,569
Income tax payable		569,556	1,218,363
Current liabilities		1,704,619	2,498,932
Total liabilities		1,935,375	3,014,782
Total equity and liabilities		3,712,189	6,189,819

The financial statements on pages 42 to 82, were approved for issue by the Board of Directors on May 25, 2016 and signed on its behalf by:

Michael G. Bernard — Director

Marcus B. Steele — Director

The accompanying notes form an integral part of the financial statements.

Group Statement of Changes in Equity
Year ended March 31, 2016

	Share capital (note 13) $'000	Unappropriated profits $'000
Balances at March 31, 2014	121,360	4,050,807
Profit for the year	-	2,942,914
Remeasurement of employee benefits assets and obligation, net of taxes	-	(37,650)
Deferred tax on reserves of subsidiary in liquidation	-	59,073
Total comprehensive income for the year	-	7,015,144
Transactions with owners		
Transfer tax paid on intra-group distributions	-	(59,860)
Dividends and distributions (note 19)	-	(3,927,210)
Total transactions with owners	-	(3,987,070)
Balances at March 31, 2015	121,360	3,028,074
Profit for the year	-	3,011,191
Remeasurement of employee benefit assets and obligation, net of taxes	-	(64,950)
Deferred tax on reserves of subsidiary in liquidation	-	36,354
Total comprehensive income for the year	-	2,982,595
Transactions with owners		
Transfer tax paid on intra-group distributions	-	(38,856)
Dividends and distributions (note 19)	-	(4,339,833)
Total transactions with owners	-	(4,378,689)
Balances at March 31, 2016	121,360	1,631,980

The accompanying notes form an integral part of the financial statements.

Group Statement of Changes in Equity cont'd

Capital reserves (note 14) $'000	Total attributable to stockholders $'000	Non-controlling interests [note 23(b)] $'000	Total $'000
22,322	4,194,489	6,734	4,201,223
-	2,942,914	46	2,942,960
-	(37,650)	-	(37,650)
-	59,073	-	59,073
-	7,158,826	6,780	7,165,606
-	(59,860)	-	(59,860)
-	(3,927,210)	(3,499)	(3,930,709)
-	(3,987,070)	(3,499)	(3,990,569)
22,322	3,171,756	3,281	3,175,037
-	3,011,191	142	3,011,333
-	(64,950)	-	(64,950)
-	36,354	-	36,354
-	2,982,595	142	2,982,737
-	(38,856)	-	(38,856)
-	(4,339,833)	(2,271)	(4,342,104)
-	(4,378,689)	(2,271)	(4,380,960)
22,322	1,775,662	1,152	1,776,814

Group Statement of Cash Flows
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit for the year		3,011,333	2,942,960
Adjustments for:			
Depreciation	10	62,506	65,887
Employee benefits		(3,000)	71,900
Income tax expense	7(a)	892,229	995,402
Foreign exchange gain	5	(30,692)	(45,591)
Loss/(gain) on disposal of property, plant and equipment	5	2,943	(357,648)
Investment income earned	5	(176,612)	(146,141)
		3,758,707	3,526,769
Changes in:			
Accounts receivable		894,677	299,587
Income tax recoverable		405,816	883,425
Inventories		(32,307)	106,993
Accounts payable		(145,506)	94,196
Cash generated from operations		4,881,387	4,910,970
Income tax paid		(1,798,182)	(921,850)
Net cash provided by operating activities		3,083,205	3,989,120
Cash flows from investing activities			
Investment income received		179,283	150,575
Additions to property, plant and equipment	10	(56,763)	(158,200)
Proceeds of disposal of property, plant and equipment		3,085	406,337
Net cash provided by investing activities		125,605	398,712
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities	19	(4,342,104)	(3,930,709)
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes		(1,133,294)	457,123
Effect of exchange rate changes on cash and cash equivalents		30,692	45,591
Cash and cash equivalents at beginning of year		3,724,749	3,222,035
Cash and cash equivalents at end of year	11	2,622,147	3,724,749

The accompanying notes form an integral part of the financial statements.

Company Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
Operating revenue	3	11,980,138	11,208,369
Cost of operating revenue	4	(6,243,890)	(5,867,203)
Gross operating profit		5,736,248	5,341,166
Other operating income	5	1,138,343	2,003,520
		6,874,591	7,344,686
Administrative, distribution and marketing expenses	6	(2,072,408)	(1,991,639)
Employee benefits expense	9(i)(d),(ii)(c)	(9,100)	(11,900)
Profit before income tax		4,793,083	5,341,147
Income tax	7(d)	(917,393)	(987,645)
Profit for the year		3,875,690	4,353,502
Other comprehensive loss			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	9(i)(e)	(460,900)	379,000
Remeasurement gain/(loss) on plan assets	9(i)(e)	247,000	(400)
Remeasurement gain/(loss) on obligation	9(i)(e),9(ii)(d)	127,300	(428,800)
Income tax on other comprehensive income	15(b)	21,650	12,550
Other comprehensive losses, net of tax		(64,950)	(37,650)
Total comprehensive income for the year		3,810,740	4,315,852

The accompanying notes form an integral part of the financial statements.

Company Statement of Financial Position
March 31, 2016

	Notes	2016 $'000	2015 $'000
Assets			
Deferred tax assets	15	15,257	-
Employee benefits asset	9(i)(a)	168,200	260,600
Property, plant and equipment	10	243,522	255,293
Investment in subsidiaries	20	206,294	206,294
Non-current assets		633,273	722,187
Cash and cash equivalents	11	2,011,848	3,100,877
Accounts receivable	12	448,003	469,843
Income tax recoverable		11,346	45,514
Inventories	23(f)	220,879	188,572
Current assets		2,692,076	3,804,806
Total assets		3,325,349	4,526,993
Equity			
Share capital	13	121,360	121,360
Reserves:			
Unappropriated profits		1,231,362	1,760,455
Other	14	22,322	22,322
		1,253,684	1,782,777
Total equity		1,375,044	1,904,137
Liabilities			
Deferred tax liability	15	-	8,559
Employee benefits obligation	9(ii)(a)	218,700	227,500
Non-current liabilities		218,700	236,059
Accounts payable	16	1,173,278	1,581,439
Income tax payable		558,327	805,358
Current liabilities		1,731,605	2,386,797
Total liabilities		1,950,305	2,622,856
Total equity and liabilities		3,325,349	4,526,993

The financial statements on pages 42 to 82, were approved for issue by the Board of Directors on May 25, 2016 and signed on its behalf by:

Michael G. Bernard — Director

Marcus B. Steele — Director

The accompanying notes form an integral part of the financial statements.

Company Statement of Changes in Equity
Year ended March 31, 2016

	Share capital (note 13) $'000	Unappropriated profits $'000	Capital reserves (note 14) $'000	Total $'000
Balances at March 31, 2014	121,360	1,371,813	22,322	1,515,495
Profit for the year	-	4,353,502	-	4,353,502
Remeasurement of employee benefit asset and obligation, net of taxes	-	(37,650)	-	(37,650)
Total comprehensive income for the year	-	4,315,852	-	4,315,852
Dividends paid (note 19), being total transactions with owners	-	(3,927,210)	-	(3,927,210)
Balances at March 31, 2015	121,360	1,760,455	22,322	1,904,137
Profit for the year	-	3,875,690	-	3,875,690
Remeasurement of employee benefit asset and obligation, net of taxes	-	(64,950)	-	(64,950)
Total comprehensive income for the year	-	3,810,740	-	3,810,740
Dividends paid (note 19), being total transactions with owners	-	(4,339,833)	-	(4,339,833)
Balances at March 31, 2016	121,360	1,231,362	22,322	1,375,044

The accompanying notes form an integral part of the financial statements.

Company Statement of Cash Flows
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit for the year		3,875,690	4,353,502
Adjustments for:			
Depreciation	10	62,506	65,887
Employee benefits		(3,000)	71,900
Loss/(gain) on disposal of property, plant and equipment		2,943	(357,648)
Foreign exchange loss/(gain)		23,273	(21,938)
Income tax expense	7(d)	917,393	987,645
Investment income earned	5	(165,484)	(132,466)
		4,713,321	4,966,882
Changes in:			
Accounts receivable		19,169	298,680
Income tax recoverable		34,168	1,519
Inventories		(32,307)	106,993
Accounts payable		(408,161)	(461,672)
Cash generated from operations		4,326,190	4,912,402
Income tax paid		(1,166,590)	(921,990)
Net cash provided by operating activities		3,159,600	3,990,412
Cash flows from investing activities			
Investment income received		168,155	136,755
Additions to property, plant and equipment	10	(56,763)	(158,200)
Proceeds from disposal of property, plant and equipment		3,085	406,337
Net cash provided by investing activities		114,477	384,892
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities	19	(4,339,833)	(3,927,210)
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes		(1,065,756)	448,094
Effect of exchange rate changes on cash and cash equivalents		(23,273)	21,938
Cash and cash equivalents at beginning of year		3,100,877	2,630,845
Cash and cash equivalents at end of year	11	2,011,848	3,100,877

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements
March 31, 2016

1. **Identification and principal activity**

Carreras Limited ("the company") is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It 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 and listed on the London Stock Exchange. The principal activities of the company are the marketing and distribution of cigarettes.

The address of the principal place of business and the registered office of the company is 13A Ripon Road, Kingston 5, Jamaica.

2. **Statement of compliance and basis of preparation**

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act.

A summary of significant accounting policies is included in note 23.

(b) Basis of preparation:

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

(c) Accounting estimates and judgements:

The preparation of the financial statements in accordance with IFRS and the Act requires management to make judgements, 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 reporting date and the income and expenses for the year 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. Actual amounts could differ from these estimates.

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.

Key sources of estimation uncertainty:

- Employee benefits [see notes 9 and 23(o)]:

  The amounts recognised in the statement of financial position and statement of profit or loss and other comprehensive income for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include 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 would impact the amounts recorded in the financial statements for these obligations.

2. **Statement of compliance and basis of preparation (cont'd)**

(c) Accounting estimates and judgements (cont'd):

- Allowance for losses [see notes 12 and 23(p)]:

  In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from resale agreements and receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows of impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

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

3. **Operating revenue**

Operating revenue for the group and the company represents the invoiced value of products and services sold and includes special consumption tax aggregating $5,122,042,000 (2015: $4,813,790,000).

4. **Cost of operating revenue**

	The Group and the Company	
	2016	2015
	$'000	$'000
Special consumption tax	5,122,042	4,813,790
Material and related costs	1,121,848	1,053,413
	6,243,890	5,867,203

5. **Other operating income**

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Interest income:				
Cash and cash equivalents	176,612	146,141	165,484	132,466
Exchange gains	30,692	45,591	-	21,938
(Loss)/gain on disposal of property, plant and equipment	(2,943)	357,648	(2,943)	357,648
Intra-group capital distribution, net	-	-	932,534	1,436,640
Unclaimed dividends written back (note 16)	23,615	34,696	23,615	34,696
Miscellaneous income	19,659	20,478	19,653	20,132
	247,635	604,554	1,138,343	2,003,520

6. **Expense by Nature:**

(a) Administrative Expenses:

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Staff costs	211,365	204,408	211,365	204,408
Directors' fees	6,419	5,474	6,419	5,474
Depreciation	22,374	24,617	22,374	24,617
Auditors' remuneration	8,504	7,279	7,875	6,650
Occupancy costs	43,977	43,275	43,977	43,275
Transportation and travel	67,614	68,256	67,614	68,256
Security	27,156	33,552	27,156	33,552
Insurance	27,041	24,929	27,041	24,929
Legal, professional and consultancy fees	60,086	77,479	60,086	76,850
Technical and advisory fees	100,159	118,430	100,159	118,430
Business support services	386,010	386,674	386,010	386,674
Shared Service Centre	69,928	50,596	69,928	50,596
Information technology	88,743	105,255	88,743	105,255
Bank charges	18,487	18,788	18,487	18,779
Public relations	37,617	52,956	37,617	52,956
Other expenses	35,133	36,458	36,949	33,906
	1,210,613	1,258,426	1,211,800	1,254,607

(b) Distribution expenses:

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Staff costs	316,355	293,632	316,355	293,632
Depreciation	40,132	41,270	40,132	41,270
Occupancy costs	56,492	39,222	56,492	39,222
Transportation and travel	89,147	97,033	89,147	97,033
Repairs and maintenance	3,154	514	3,154	514
Security	73,966	69,146	73,966	69,146
Insurance	5,145	4,568	5,145	4,568
Legal, professional and consultancy fees	13,020	8,212	13,020	8,212
Information technology	18,493	13,834	18,493	13,834
Restructuring costs	80,937	-	80,937	-
Other expenses	26,440	11,174	26,440	11,174
	723,281	578,605	723,281	578,605

(c) Marketing expenses:

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Sponsorship	98,978	125,273	98,978	125,273
Promotions	38,349	33,154	38,349	33,154
	137,327	158,427	137,327	158,427
Total administrative, distribution and marketing expenses	2,071,221	1,995,458	2,072,408	1,991,639

7. **Income tax**

The Group:

(a) Income tax is computed at 25% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2016 $'000	2015 $'000
Current:		
Provision for charge on current year's profit	1,191,341	1,014,504
Prior years' (over)/under provision	(80,822)	2,632
	1,110,519	1,017,136
Deferred:		
Origination and reversal of temporary differences [note 15(b)]	(218,290)	(21,734)
Income tax expense for the year	892,229	995,402

(b) Reconciliation of effective tax rate and charge:

	2016 $'000	2015 $'000
Profit before taxation	3,903,562	3,938,362
Computed "expected" tax charge at 25%	975,891	984,591
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	(3,129)	11,075
Foreign exchange gains	9,245	2,675
Adjustment in respect of prior years' provision	(80,822)	2,632
Capital (income)/expense	(32)	(6,614)
Other adjustments	(8,924)	1,043
Actual tax rate and charge	892,229	995,402
Effective tax rate	22.86%	25.27%

(c) At March 31, 2016, taxation losses in subsidiaries, subject to agreement by Tax Administration Jamaica, amounted to approximately $777,545,237 (2015: $777,570,000). These losses may be carried forward indefinitely. The amount that can be utilised in any one assessment year is restricted to 50% of chargeable income (before utilising any prior year losses) of that assessment year.

The Company:

(d) Income tax is computed at 25% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2016 $'000	2015 $'000
Current:		
Provision for charge on current year's profit	958,854	1,001,020
Prior years' (over)/under provision	(39,295)	2,632
	919,559	1,003,652
Deferred:		
Origination and reversal of temporary differences [note 15(b)]	(2,166)	(16,007)
	917,393	987,645

7. **Income tax (cont'd)**

(e) Reconciliation of effective tax rate and charge:

	2016 $'000	2015 $'000
Profit before taxation	4,793,083	5,341,147
Computed "expected" tax charge at 25%	1,198,271	1,335,287
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	(3,129)	11,075
Foreign exchange gains	611	-
Adjustment in respect of prior years' provision	(39,295)	2,632
Capital (income)/expense	(233,165)	(365,774)
Other adjustments	(5,900)	4,425
Actual tax charge	917,393	987,645
Effective tax rate	19.14%	18.49%

8. **Earnings per ordinary stock unit**

Earnings per ordinary stock unit is calculated as follows:

	2016	2015
Profit for the year attributable to stockholders	$3,011,191,000	2,942,914,000
Ordinary Stock units in issue	485,440,000	485,440,000
Earnings per stock unit	620.30¢	606.24¢

9. **Employee benefits**

The Carreras Group Limited Superannuation Scheme ("the old scheme") was discontinued with effect from December 31, 2006 and is being wound up in accordance with the rules, applicable legislation and subject to the oversight of the Financial Services Commission ("FSC"). Benefit improvements have been agreed for the pensioners, deferred pensioners and active members of the old scheme.

A replacement fund, the Carreras Limited Superannuation Fund ("the new fund") was established with effect from January 1, 2007. The new fund is divided into two sections – a defined benefit (DB) section and a defined contribution (DC) section. The employees who were members of the old scheme are now participating in the DB section of the new fund whilst the individuals employed after December 31, 2006, are participating in the DC section of the new fund.

The liabilities in respect of current pensioners and deferred pensioners, who opted to transfer the value of their pension entitlement in the old scheme to the DB section of the new fund to provide for all future pension payments, have been transferred to the DB section. The liabilities in respect of the active members who became members of the new fund and opted to transfer the total or a part of their past service to the new fund have also been transferred.

9. **Employee benefits (cont'd)**

The amounts recognised are computed as follows:

	The Group and the Company	
	2016	2015
	$'000	$'000
Pension benefits	(168,200)	(260,600)
Post employment health and group life insurance benefit	218,700	227,500

The amounts recognised are computed as follows:

(i) Pension benefits:

(a) Asset recognised in the statement of financial position:

	The Group and the Company	
	2016	2015
	$'000	$'000
Present value of funded obligations	3,193,100	3,156,000
Fair value of plan assets	(4,338,400)	(3,888,000)
Present value of net obligations	(1,145,300)	(732,000)
Unrecognised amount due to limitation	977,100	471,400
Asset recognised in statement of financial position	(168,200)	(260,600)

(b) Movements in the net asset recognised in the statement of financial position:

	The Group and the Company	
	2016	2015
	$'000	$'000
Net asset at beginning of the year	(260,600)	(349,300)
Contributions paid	(4,600)	(5,400)
Refund from old scheme	-	75,400
Expense recognised in the statement of profit or loss and other comprehensive income	97,000	18,700
Net asset at end of the year	(168,200)	(260,600)

(c) Movements in plan assets:

	The Group and the Company	
	2016	2015
	$'000	$'000
Fair value of plan assets at beginning of the year	3,888,000	3,806,600
Interest income on plan assets	361,800	350,100
Contributions paid	10,900	12,600
Benefits paid	(169,300)	(205,500)
Distribution of surplus	-	(75,400)
Remeasurement gain/(loss) on assets	247,000	(400)
Fair value of plan assets at end of the year	4,338,400	3,888,000

9. **Employee benefits (cont'd)**

The amounts recognised are computed as follows (cont'd):

(i) Pension benefits (cont'd):

(c) Movements in plan assets (cont'd):

	The Group and the Company	
	2016	2015
	$'000	$'000
Plan assets consist of the following:		
Equities	832,661	549,600
Pooled pension investments	2,693,132	-
Real property	603,573	635,500
Resale agreements	19,476	2,268,800
Corporate bonds	127,175	330,600
Leased assets	-	600
Net current assets	62,383	102,900
	4,338,400	3,888,000

(d) Income recognised in profit for the year:

	The Group and the Company	
	2016	2015
	$'000	$'000
Current service costs	26,700	24,800
Interest cost on obligation	294,600	247,200
Interest income on assets	(361,800)	(350,100)
Interest on effect of asset ceiling	44,800	73,800
Gain on curtailment and settlements	(11,600)	(8,500)
	(7,300)	(12,800)

(e) Remeasurements recognised in other comprehensive income:

	2016	2015
	$'000	$'000
Change in effect of asset ceiling	460,900	(379,000)
Remeasurement (gain)/loss on plan assets	(247,000)	400
Remeasurement (gain)/loss on obligation	(109,600)	410,100
	104,300	31,500

(f) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2016	2015
	%	%
Discount rate	9.00	9.5
Future salary increases	6.50	7.0
Future pension increases	5.50	6.0

Assumptions regarding future mortality are based on GAM 94 Tables with ages reduced by five years (2015: five years).

At March 31, 2016, the weighted average duration of the defined benefit obligation was 14 years (2015: 15 years).

9. **Employee benefits (cont'd)**

The amounts recognised are computed as follows (cont'd):

(i) Pension benefits (cont'd):

(g) Sensitivity analysis of principal actuarial assumptions:

	The Group and the Company One percentage point increase		The Group and the Company One percentage point decrease	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Discount rate	(390,100)	(395,800)	493,400	502,900
Salary increases	24,300	36,700	(22,200)	(31,900)
Pension increases	465,500	461,400	(371,600)	(368,600)

(h) Plan assets include ordinary stock units issued by the company with a fair value of $203,161,000 (2015: $125,613,000).

(ii) Post employment health and group life insurance benefits:

(a) Liability recognised in the statement of financial position:

	The Group and the Company	
	2016 $'000	2015 $'000
Present value of future obligations, being liability recognised in statement of financial position	218,700	227,500

(b) Movements in the net liability recognised in the statement of financial position:

	The Group and the Company	
	2016 $'000	2015 $'000
Net liability at the beginning of the year	227,500	194,100
Contributions paid	(7,500)	(10,000)
Income/expense recognised in the statement of profit or loss and other comprehensive income	(1,300)	43,400
Net liability at the end of the year	218,700	227,500

(c) Expense recognised in profit for the year:

	The Group and the Company	
	2016 $'000	2015 $'000
Current service costs	7,100	6,600
Interest on obligation	21,700	18,600
Gain on curtailment and settlements	(12,400)	(500)
	16,400	24,700

9. **Employee benefits (cont'd)**

The amounts recognised are computed as follows (cont'd):

(ii) Post employment health and group life insurance benefits (cont'd):

(d) Remeasurements recognised in other comprehensive income:

	The Group and the Company	
	2016	2015
	$'000	$'000
Remeasurement (gain)/loss on obligation	(17,700)	18,700

(e) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2016	2015
	%	%
Discount rate	9.0	9.5
Annual increase in health-care costs	7.5	8.0

Actuarial assumptions regarding mortality, inflation, etc., follows the same basis on those outlined in note 9(i)(f).

(f) Sensitivity analysis of principal actuarial assumptions:

	The Group and the Company One percentage point increase		The Group and the Company One percentage point decrease	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Discount rate	(27,300)	(29,800)	34,300	38,000
Health-care cost increases	33,600	37,300	(26,700)	(29,200)
Salary increases	400	400	(300)	(300)

Impact on post-employment obligation of a one year increase/decrease in life expectancy:

The post-employment obligation would increase/decrease by about $6,800,000 (2015: $7,200,000).

10. **Property, plant and equipment**

The Group:

	Freehold land, buildings and leaseholds $'000	Work-in-progress $'000	Machinery, furniture, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2014	104,733	16,314	439,182	560,229
Additions	17,609	135,241	5,350	158,200
Transfers	84,877	(135,165)	50,288	-
Disposals and write-offs	(77,020)	(115)	(84,169)	(161,304)
March 31, 2015	130,199	16,275	410,651	557,125
Additions	3,056	47,335	6,372	56,763
Transfers	24,299	(62,855)	38,556	-
Disposals and write-offs	-	-	(43,692)	(43,692)
March 31, 2016	157,554	755	411,887	570,196
Depreciation:				
March 31, 2014	62,513	-	293,084	355,597
Charge for the year	7,833	-	58,054	65,887
Eliminated on disposals	(49,076)	-	(63,539)	(112,615)
March 31, 2015	21,270	-	287,599	308,869
Charge for the year	14,293	-	48,213	62,506
Eliminated on disposals	-	-	(37,664)	(37,664)
March 31, 2016	35,563	-	298,148	333,711
Net book values:				
March 31, 2016	121,991	755	113,739	236,485
March 31, 2015	108,929	16,275	123,052	248,256

Freehold land, buildings and leaseholds for the Group and the Company include freehold land in the amount of $42,000 (2015: $42,000).

10. **Property, plant and equipment (cont'd)**

The Company:

	Freehold land, buildings and leaseholds $'000	Work-in-progress $'000	Machinery, furniture, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2014	104,733	16,314	381,950	502,997
Additions	17,609	135,241	5,350	158,200
Transfers	84,877	(135,165)	50,288	-
Disposals	(77,020)	(115)	(84,169)	(161,304)
March 31, 2015	130,199	16,275	353,419	499,893
Additions	3,056	47,335	6,372	56,763
Transfers	24,299	(62,855)	38,556	-
Disposals	-	-	(43,692)	(43,692)
March 31, 2016	157,554	755	354,655	512,964
Depreciation:				
March 31, 2014	55,670	-	235,658	291,328
Charge for the year	7,833	-	58,054	65,887
Eliminated on disposals	(49,076)	-	(63,539)	(112,615)
March 31, 2015	14,427	-	230,173	244,600
Charge for the year	14,293	-	48,213	62,506
Eliminated on disposals	-	-	(37,664)	(37,664)
March 31, 2016	28,720	-	240,722	269,442
Net book values:				
March 31, 2016	128,834	755	113,933	243,522
March 31, 2015	115,772	16,275	123,246	255,293

11. **Cash and cash equivalents**

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Demand and call deposits	1,500,437	1,993,766	920,189	1,376,936
Short-term fixed deposits	1,121,710	1,730,983	1,091,659	1,723,941
	2,622,147	3,724,749	2,011,848	3,100,877

12. Accounts receivable

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade accounts receivable	368,793	424,312	368,793	424,312
Interest and other investment income receivable	3,044	5,715	3,044	5,715
Interest receivable from CCJ settlement (note 22)	-	875,365	-	-
Prepayments	58,104	44,535	58,102	44,535
Other receivables and advances:				
Related parties	18,026	539	18,026	539
Other	8,565	3,196	8,565	3,051
	456,532	1,353,662	456,530	478,152
Less: Allowance for impairment losses	(8,527)	(8,309)	(8,527)	(8,309)
	448,005	1,345,353	448,003	469,843

During the year, net bad debts recognised in profit or loss aggregated $3,029,000 (2015: credit of $1,982,000) for the group and the company.

The group and the company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 18.

13. Share capital

	2016	2015
	$'000	$'000
Authorised:		
485,440,000 (2015: 485,440,000) ordinary shares of no par value		
Stated:		
Issued and fully paid:		
485,440,000 (2015: 485,440,000) stock units of no par value	121,360	121,360

14. Other reserves

	The Group and the Company	
	2016	2015
	$'000	$'000
Capital	22,322	22,322

15. **Deferred tax asset/(liability)**

(a) Deferred tax assets and liabilities are attributable to the following:

The Group:

	Assets		Liabilities		Net	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Deferred tax on reserves of subsidiary in liquidation	-	-	(19,893)	(56,247)	(19,893)	(56,247)
Accounts payable	2,543	1,785	-	-	2,543	1,785
Property, plant and equipment	8,716	101	-	-	8,716	101
Employee benefits	54,675	56,875	(42,050)	(65,150)	12,625	(8,275)
Accounts receivable	-	-	(5,359)	(220,569)	(5,359)	(220,569)
Unrealised foreign exchange gain	-	-	(10,688)	(5,145)	(10,688)	(5,145)
	65,934	58,761	(77,990)	(347,111)	(12,056)	(288,350)

The Company:

	Assets		Liabilities		Net	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Accounts payable	2,543	1,785	-	-	2,543	1,785
Property, plant and equipment	8,716	101	-	-	8,716	101
Employee benefits	54,675	56,875	(42,050)	(65,150)	12,625	(8,275)
Accounts receivable	-	-	(761)	(1,429)	(761)	(1,429)
Unrealised foreign exchange gain	-	-	(7,866)	(741)	(7,866)	(741)
	65,934	58,761	(50,677)	(67,320)	15,257	(8,559)

(b) Movements in temporary differences during the year are as follows:

The Group:

	2016			
	Opening balance $'000	Recognised in equity $'000	Recognised in income [note 7(a)] $'000	Closing balance $'000
Deferred tax on reserves of subsidiary in liquidation	(56,247)	36,354	-	(19,893)
Accounts payable	1,785	-	758	2,543
Property, plant and equipment	101	-	8,615	8,716
Employee benefits	(8,275)	21,650	(750)	12,625
Interest receivable	(220,569)	-	215,210	(5,359)
Unrealised foreign exchange gain	(5,145)	-	(5,543)	(10,688)
	(288,350)	58,004	218,290	(12,056)

15. **Deferred tax asset/(liability) (cont'd)**

(b) Movements in temporary differences during the year are as follows (cont'd):

The Group (cont'd):

	2015			
	Opening balance $'000	Recognised in equity $'000	Recognised in income [note 7(a)] $'000	Closing balance $'000
Deferred tax on reserves of subsidiary in liquidation	(115,320)	59,073	-	(56,247)
Accounts payable	3,130	-	(1,345)	1,785
Property, plant and equipment	4,029	-	(3,928)	101
Employee benefits	(38,800)	12,550	17,975	(8,275)
Accounts receivable	(221,378)	-	809	(220,569)
Unrealised foreign exchange gain	(13,368)	-	8,223	(5,145)
	(381,707)	71,623	21,734	(288,350)

The Company:

	2016			
	Opening balance $'000	Recognised in equity $'000	Recognised in income [note 7(d)] $'000	Closing balance $'000
Accounts payable	1,785	-	758	2,543
Property, plant and equipment	101	-	8,615	8,716
Employee benefits	(8,275)	21,650	(750)	12,625
Accounts receivable	(1,429)	-	668	(761)
Unrealised foreign exchange gain	(741)	-	(7,125)	(7,866)
	(8,559)	21,650	2,166	15,257

	2015			
	Opening balance $'000	Recognised in equity $'000	Recognised in income [note 7(d)] $'000	Closing balance $'000
Accounts payable	3,130	-	(1,345)	1,785
Property, plant and equipment	4,029	-	(3,928)	101
Employee benefits	(38,800)	12,550	17,975	(8,275)
Accounts receivable	(2,501)	-	1,072	(1,429)
Unrealised foreign exchange gain	(2,974)	-	2,233	(741)
	(37,116)	12,550	16,007	(8,559)

(c) The group has not recognised a deferred tax asset arising in subsidiaries amounting to $194,385,000 (2015: $194,393,000) in respect of unutilised tax losses of subsidiaries because it is not probable that the subsidiaries will have sufficient taxable profits in the foreseeable future to realise this benefit [see note 7(c)].

16. **Accounts payable**

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade accounts payable	78,765	85,780	78,765	85,780
General consumption tax payable	45,875	74,739	45,875	74,739
Related parties	53,818	201,660	106,817	518,595
Employee related	36,013	20,219	36,013	20,219
Unclaimed dividends*	623,403	661,854	618,617	658,218
Other	297,189	236,317	287,191	223,888
	1,135,063	1,280,569	1,173,278	1,581,439

*Article 117 of the Articles of Association provides that dividends declared after the date of adoption of this Article, which remain unclaimed after a period of twelve years from the date of declaration, shall be forfeited and revert to the Company (see also note 5).

17. **Related party transactions and statutory disclosures**

The financial statements include the following transactions with related parties in the ordinary course of business:

	The Group and the Company	
	2016	2015
	$'000	$'000
Royalties	5,442	5,337
Purchases from related companies - cigarettes	573,671	531,543
Technical fees paid to ultimate parent company	100,159	118,430
Technical fees and business support services paid to other related company	455,938	437,270
IT support fees paid to other related company	79,442	98,482
Pension schemes:		
Lease of motor vehicles	616	1,513
Dividends paid	54,299	24,846
Directors' remuneration:		
Fees	6,419	5,474
Management remuneration	49,022	45,136
Key management personnel:		
Short-term employee benefits	95,000	75,737
Post-employment benefits	4,409	3,327

All related party transactions were undertaken in the normal course business.

18. **Financial instruments and risk management**

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's and the company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the group's and the company's risk management framework. Senior management has responsibility for monitoring the group's risk management policies and report to delegates of the Board of Directors on its activities, on a monthly basis.

18. **Financial instruments and risk management (cont'd)**

The risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed on a regular basis and reflect changes in market conditions and the group's activities.

(i) Credit risk:

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations, and arises principally from the group's receivables from customers, cash and investment securities.

The maximum exposure to credit risk at the reporting date is represented by the carrying value of its financial assets.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each customer is analysed for creditworthiness prior to being offered a credit facility. Each customer is given a credit period which represents the maximum time allowed for having balances outstanding; these are reviewed monthly. Management has procedures in place to restrict customer orders if the customers have not cleared outstanding debts within the credit period. Customers that fail to meet the group's benchmark creditworthiness may transact business with the group on a cash basis.

Credit risk is monitored according to each customer's characteristics, such as whether it is an individual or company, its geographic location, industry, aging profile and financial history.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

The group's average credit period on the sale of goods is 28 days for certain established large (wholesale) customers and 7 days for other (retail) customers. Trade receivables over 90 days are reviewed and an allowance recognised for impairment based on an estimate of amounts that would not be recoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	The Group and the Company	
	2016	2015
	$'000	$'000
Wholesale customers	225,843	279,094
Retail customers	142,950	145,218
	368,793	424,312

The age of trade receivables at the reporting date was:

	The Group and the Company			
	Gross 2016 $'000	Impairment 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000
Not past due	338,062	-	383,995	-
Past due 7-30 days	21,749	-	26,769	-
Past due 31-120 days	8,931	(8,476)	10,949	(5,710)
More than one year	51	(51)	2,599	(2,599)
	368,793	(8,527)	424,312	(8,309)

18. **Financial instruments and risk management (cont'd)**

(i) Credit risk (cont'd):

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	The Group and the Company	
	2016	2015
	$'000	$'000
Balance at 1 April	8,309	10,291
Impairment loss recognised	2,236	6,795
Bad debts recovered	(2,018)	(8,777)
Balance at 31 March	8,527	8,309

Cash and investments

Management has an investment policy in place and the group's and the company's exposure to credit risk is monitored on an ongoing basis. Cash and investments are held with financial institutions which management considers to be sound and financially strong. As regards securities purchased under resale agreements, management has a policy of obtaining collateral in the form of Government of Jamaica instruments.

(ii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(a) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

At the reporting date the interest profile of the company's and the group's interest-bearing financial instruments was:

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Fixed rate instruments:				
Cash and cash equivalents	2,622,147	3,724,749	2,011,848	3,100,877

18. **Financial instruments and risk management (cont'd)**

(ii) Market risk (cont'd):

(b) Foreign currency risk:

The group incurs foreign currency risk primarily on purchases that are denominated in a currency other than the Jamaica dollar. The principal foreign currency risks of the group, represented by balances in the respective currencies, are as follows:

The Group:

	2016		2015	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	6,693	178	9,001	184
Related party receivables	140	-	5	-
Related party payables	(422)	(2)	(713)	(106)
Other payables	(6,689)	(516)	(45)	-
Exposure, net	(278)	(340)	8,248	78

The Company:

	2016		2015	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	2,321	178	4,257	36
Related party receivables	140	-	5	-
Related party payables	(422)	(2)	(713)	(106)
Other payables	(104)	-	(45)	-
Exposure, net	1,935	176	3,504	(70)

Sensitivity analysis

Strengthening or weakening of the currencies against the Jamaica dollar would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

The Group:

	2016 Increase/(decrease) in profit		2015 Increase/(decrease) in profit	
	6% Strengthening $'000	1% Weakening $'000	10% Strengthening $'000	1% Weakening $'000
US ($)	(2,036)	339	94,888	(9,489)
GBP (£)	(3,539)	590	1,326	(133)

18. **Financial instruments and risk management (cont'd)**

(ii) Market risk (cont'd):

(b) Foreign currency risk (cont'd):

The Company:

	2016		2015	
	Increase/(decrease) in profit		Increase/(decrease) in profit	
	6% Strengthening $'000	1% Weakening $'000	10% Strengthening $'000	1% Weakening $'000
US ($)	14,169	(2,362)	40,311	(4,031)
GBP (£)	1,832	(305)	(1,190)	119

Exchange rates, in terms of Jamaica dollars, were as follows:

	US$	£
At March 31, 2015:	115.0435	169.9738
At March 31, 2016:	122.0421	173.4625
At May 25, 2016:	125.4185	181.0144

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity problems may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed facilities. The group manages its liquidity risk by maintaining a substantial portion of its financial assets in highly liquid assets.

The contractual outflows as at March 31, 2016 and 2015 for trade accounts payable, General Consumption Tax payable, due to related parties, employee related payables, unclaimed dividends and other payables are represented by their carrying amounts and may require settlement within 12 months of the reporting date.

(iv) Capital management:

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders. The Board of Directors monitors the return on capital, which the group defines as net operating income divided by total shareholders' equity.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the group's approach to capital management during the year. Also, the group is not exposed to any externally imposed capital requirements.

(v) Fair value disclosure:

Due to their short term nature, the amounts reflected in the financial statements for cash and cash equivalents, accounts receivable, related party balances, and accounts payable are considered to approximate to their fair values. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

19. Dividends and distributions

	2016 $'000	2015 $'000
Declared and paid:		
First quarter ended June 30, 2015		
Ordinary - 200¢ (2014: 175¢)	970,880	849,520
Second quarter ended September 30, 2015:		
Ordinary - 120¢ (2014: 120¢)	582,528	582,528
Special interim distribution 60¢ (2014: 134¢)	291,264	650,490
Third quarter ended December 31, 2015:		
Ordinary - 140¢ (2014: 120¢)	679,616	582,528
Special interim distribution 194¢ (2014: 100¢)	941,753	485,440
Fourth quarter ended March 31, 2016:		
Ordinary - 180¢ (2014: 160¢)	873,792	776,704
Total dividends to stockholders	4,339,833	3,927,210
Distribution to non-controlling interests, net	2,271	3,499
	4,342,104	3,930,709

20. Subsidiary companies

The subsidiary companies, all of which are incorporated in Jamaica, are as follows:

Name of company	Principal activity	Percentage of ordinary shares held by Company		Subsidiary	
		2016 %	2015 %	2016 %	2015 %
Cigarette Company of Jamaica Limited (In Voluntary Liquidation)	Inactive (voluntary liquidation in process)	99.99	99.99	-	-
Sans Souci Development Limited and its subsidiary,	Dormant	100.00	100.00	-	-
Sans Souci Limited	Dormant	-	-	100.00	100.00

21. Contractual commitments

Lease commitments under operating leases at March 31, are payable as follows:

	The Group and the Company	
	2016 $'000	2015 $'000
Within one year	38,125	37,553
Between one year and five years	94,796	135,217
	132,921	172,770

Payments made during the year ended March 31, 2016 aggregated:

	2016 $'000	2015 $'000
The Group and Company	41,824	27,718

22. 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 ("the settlement agreement"), to recover the $1.73 billion plus interest of $1.78 billion on the outstanding sum. During the year, an offset of $0.87 billion (2015: $2.64 billion) was issued by the TAJ to the company to fully extinguish TAJ's liability to CCJ under the settlement agreement by June 2015.

23. Significant accounting policies

Certain new IFRS, interpretations of, and amendments to, existing standards which were in issue, came into effect for the current financial year. That which management considered relevant to the company are outlined below:

New or amended standards	Summary of the requirements
Improvements to IFRS *2010-2012 and 2011-2013*	- IFRS 13*, Fair Value Measurement* is amended to clarify that the issuing of the standard and consequential amendments to IAS 39 and IFRS 9 was not intended to prevent entities from measuring short-term receivables and payables that have no stated interest rateat their invoiced amounts without discounting, if the effect of not discounting is immaterial. - IAS 16, *Property, Plant and Equipment* and IAS 38*, Intangible Assets.* The standards have been amended to clarify that, at the date of revaluation: (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortisation) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or; (ii) the accumulated depreciation (amortisation) is eliminated against the gross carrying amount of the asset.

23. **Significant accounting policies (cont'd)**

New or amended standards	Summary of the requirements
Improvements to IFRS *2010-2012 and 2011-2013*	- IAS 24*, Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognised as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services. - Amendments to IAS 19, *Defined Benefit Plans*: *Employee Contributions,* clarify the requirements that relate to how contributions from employees or third parties that are linked to services should be attributed to periods of services. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of services.

The adoption of these amendments did not result in any significant change to the presentation and disclosures in the financial statements.

The group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Set out below is an index of the significant accounting polices, the details of which are available on the pages that follows:

23. **Significant accounting policies (cont'd)**

(a) Basis of consolidation:

Subsidiaries are entities controlled by the company. Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements combine the financial position of the company and its subsidiaries as at March 31, 2016 and their results of operations and cash flows for the year then ended, after eliminating significant intra-group amounts. The company and its subsidiaries are collectively referred to in the financial statements as "the Group".

(b) Non-controlling interests (NCI):

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

NCI relates to a 0.01% interest in Cigarette Company of Jamaica Limited, which is in voluntary liquidation, and non-controlling interests are insignificant to the consolidated financial statements.

(c) Cash and cash equivalents:

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. The amounts included are short-term fixed deposits.

(d) Accounts receivable:

Trade and other receivables are measured at amortised cost, less impairment losses [see note 23(p)].

(e) Accounts payable:

Accounts payable are measured at amortised cost.

A provision is recognised in the statement of financial position when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(f) Inventories:

Inventories comprising finished products are measured at the lower of cost, determined principally on the weighted average cost basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(g) Investment in subsidiaries:

The company's investment in subsidiaries is measured at cost.

(h) Related parties:

A related party is a person or company that is related to the entity which is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

23. **Significant accounting policies (cont'd)**

(h) Related parties (cont'd):

(i) A person or a close member of that person's family is related to a reporting entity if that person:

(a) has control or joint control over the reporting entity;

(b) has significant influence over the reporting entity; or

(c) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

(ii) An entity is related to a reporting entity if any of the following conditions applies:

(a) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(f) The entity is controlled, or jointly controlled, by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity or any member of a group of which it is a part, provides key management services to the entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

The company has related party relationships with its ultimate parent company, British American Tobacco plc (BAT) and other subsidiaries and affiliates of the BAT Group, its subsidiaries, directors and key management personnel and companies with common directors, and its pension schemes. "Key management personnel" comprises the group's leadership team which includes executive directors and specified senior officers.

(i) Property, plant and equipment:

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the group and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

23. **Significant accounting policies (cont'd)**

(i) Property, plant and equipment (cont'd):

With the exception of freehold land and work-in-progress, on which no depreciation is provided, property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of such assets, at the following annual rates:

Buildings	1.4% to 2.5%
Leasehold improvements	8% to 11%
Machinery, furniture and equipment	3.3% to 33.3%
Motor vehicles	20% to 33.3%

The depreciation methods, useful lives and residual values are reassessed annually at each reporting date.

(j) Income tax:

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

(i) Current income tax:

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

(ii) Deferred income tax:

Deferred income tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. The group's monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling at that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

23. **Significant accounting policies (cont'd)**

(l) Revenue recognition:

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and sales taxes.

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, receipt of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods.

(m) Other operating income:

Other operating income is mainly comprised of interest income, gains on disposal of property, plant and equipment and refund of pension surplus. Interest income is recognised as it accrues, using the effective interest method.

(n) Leases:

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease.

(o) Employee benefits:

Employee benefits comprising pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the group's and the company's post-employment benefits assets and obligations as computed by the actuary. In carrying out their audit, the auditors make use of the work of the actuary and the actuary's report.

(i) Pension assets:

The company and its subsidiaries are participating employers in a pension scheme, the assets of which are held separately from those of the group, and remain under the full control of the appointed trustees.

The group's net obligation in respect of its defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any scheme assets is deducted. To the extent that the obligation is less than the fair value of scheme assets, the asset recognised is restricted to the discounted value of unconditional future benefits available to the group in the form of any future refunds from the scheme or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. The discount rate applied is the yield at the reporting date on long-term government instruments that have maturity dates approximating the terms of the group's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

23. **Significant accounting policies (cont'd)**

(o) Employee benefits (cont'd):

(i) Pension assets (cont'd):

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in profit or loss as incurred.

(ii) Other post-retirement health and group life insurance benefits:

The group provides post-retirement health care and group life insurance benefits, which are not entitlements, to certain of its retirees. These benefits are usually conditional upon the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans and the present value of future benefits at the reporting date is shown as an obligation on the statement of financial position.

Actuarial gains and losses are recognised in a manner similar to the defined benefit pension plan.

(iii) Other employee benefits:

Employee leave entitlements are recognised as they accrue to employees. A provision is made for the estimated liability for vacation and sick leave, as a result of services rendered by employees up to the reporting date.

(p) Impairment:

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of investments in loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. An impairment loss in respect of an available-for-sale investment is calculated by reference to its current fair value. Receivables with a short duration are not discounted.

23. **Significant accounting policies (cont'd)**

(p) Impairment (cont'd):

(i) Calculation of recoverable amount (cont'd):

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversal of impairment losses is recognised in profit or loss, except for available-for-sale equity securities, which is recognised in other comprehensive income.

(q) Determination of profit or loss:

Profit is determined as the difference between the revenues from the goods and services rendered and the costs and other charges incurred during the year. Profits on transactions are taken in the year in which they are realised. A transaction is realised at the moment of delivery. Losses are taken in the year in which they are realised or determinable.

(r) Segment reporting:

A segment is a distinguishable component of the group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The group's activities are limited to the distribution of cigarettes to Jamaican consumers, operating in a single segment As such no additional segment information is provided.

(s) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents and accounts receivable. Similarly, financial liabilities mainly comprise accounts payable.

(t) Fair value:

Definition of fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

23. **Significant accounting policies (cont'd)**

(t) Fair value (cont'd):

Determination of fair value:

The company's financial instruments lack an available trading market. The fair value of all financial instruments included in current assets and current liabilities are considered to approximate their carrying values, due to their short-term nature. The fair values of amounts due from and due to subsidiary companies are assumed to approximate carrying values.

(u) Dividends and distributions:

Dividends and distributions are recognised in the period in which they are declared.

24. **Standards issued but not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016 and early application is permitted; however, the Group has not early applied the following new amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements
IFRS 9, *Financial Instruments*	Effective for annual reporting periods beginning on or after January 1, 2018, this standard replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.
IFRS 15, *Revenue from Contracts with Customers*	Effective for accounting periods beginning on or after January 1, 2018, this standard replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* IFRS 15 does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance. There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

24. **Standards issued but not yet effective (cont'd)**

New or amended standards	Summary of the requirements
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	These amendments are effective for accounting periods beginning on or after January 1, 2016. – The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets. – The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is in-appropriate for intangible assets.
Amendments to IAS 27 *Equity Method in Separate Financial Statements*	These amendments are effective for accounting periods beginning on or after January 1, 2016, and allow the use of the equity method in separate financial statements in respect of the accounting for subsidiaries, associates, and joint ventures.
Amendments to IFRS 10 *Consolidated Financial Statements,* and IAS 28 *Investments in Associates and Joint Ventures*	These amendments are in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint venture, and are effective for annual reporting periods beginning on or after January 1, 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognized when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations*.
IAS *1 Presentation of Financial Statements*	IAS *1*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following: – specific single disclosures that are not material do not have to be presented even if they are a minimum requirement of a standard. – the order of notes to the financial statements is not prescribed. – line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material. – specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement requirements for the statement of profit or loss and OCI. – the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

24. **Standards issued but not yet effective (cont'd)**

New or amended standards	**Summary of the requirements**
Improvements to IFRS *2012-2014* cycle	These contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the group are as follows: – IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e., reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting. - IAS 19, *Employee Benefits,* has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level. - IAS 34, *Interim Financial Reporting,* has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report". The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.
IAS 12, *Income Taxes*	These amendments are effective for accounting periods beginning on or after January 1, 2017, and clarify the following: • the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. • a deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met. • Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.

24. **Standards issued but not yet effective (cont'd)**

New or amended standards	Summary of the requirements
IAS 12, *Income Taxes (cont'd)*	These amendments are effective for accounting periods beginning on or after January 1, 2017, and clarify the following (cont'd): • An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. • Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.
IAS 7, *Statement of Cash Flows*	These amendments are effective for accounting periods beginning on or after January 1, 2017, and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The Company is assessing the impact that these new standards or amendments will have on its 2017, 2018 and 2019 financial statements.

Our Business Principles

As a commercial enterprise, Carreras Limited's primary role is to build long-term shareholder value by meeting consumers' preferences for high quality tobacco products. However, our Company cannot operate in isolation from the expectations of a broader range of stakeholders and it is by successfully balancing these expectations, that we are best placed to continue building a sustainable business.

We believe in the Business Principles of British American Tobacco which seek to capture the key topics that underpin Corporate Social Responsibility for a multinational tobacco business. They also address the issues that are important to stakeholders, including those who criticise tobacco products and the industry. Indeed, our Business Principles aim to cover all the issues that we must balance across our business.

There are three Business Principles: Mutual Benefit, Responsible Product Stewardship and Good Corporate Conduct, each of which is supported by a series of Core Beliefs, which explain what the Principle means in more detail.

The Principle of Mutual Benefit

The principle of Mutual Benefit is the basis on which we build our 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.

Core Beliefs:

- We believe in creating long-term shareholder value
- We believe in engaging constructively with our stakeholders
- We believe in creating inspiring working environments for our people
- We believe in adding value to the communities in which we operate
- We believe that suppliers and other business partners should have the opportunity to benefit from their relationship with us

The Principle of Responsible Product Stewardship

The principle of Responsible Product Stewardship is the basis on which we meet consumer demand for a legal product that is generally accepted as a cause of serious diseases.

Core Beliefs:

- We believe in the provision of accurate, clear health messages about the risks of tobacco consumption
- We believe the health impact of tobacco consumption should be reduced whilst respecting the right of informed adults to choose the products they prefer
- We believe that relevant and meaningful information about our products should continue to be available
- We believe that underage people should not consume tobacco products
- We believe that our brands and products should be marketed responsibly and directed at adult consumers
- We believe in the appropriate taxation of tobacco products and the elimination of illicit trade
- We believe in regulation that balances the interests of all sections of society, including tobacco consumers and the tobacco industry
- We believe that public smoking should be approached in a way that balances the interests of smokers and non-smokers

The Principle of Good Corporate Conduct

The principle of Good Corporate Conduct is the basis on which all our businesses should be managed. Business success brings with it an obligation for 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.

Core Beliefs:

- We believe our businesses should uphold high standards of behaviour and integrity
- We believe that high standards of corporate social responsibility should be promoted within the tobacco industry
- We believe that universally recognised fundamental human rights should be respected
- We believe the tobacco industry should have a voice in the formation of Government policies affecting it
- We believe in achieving world class standards of environmental performance

CARRERAS LIMITED

A Proud Jamaican Company since 1962

13A Ripon Road, Kingston 5
Telephone: 749 9800 | Fax: 906 9284
E-mail: Carreras@bat.com
Website: www.carrerasltd.com