



CARRERAS LIMITED

On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the FIRST QUARTER ended June 30, 2017.

Performance Highlights are:

	3 Months Ended June 30, 2017 \$'M	3 Months Ended June 30, 2016 \$'M	Variance
Gross operating revenue	2,816.6	3,346.3	(16%)
Total operating revenue	2,911.0	3,398.1	(14%)
Interest and other investment income	27.0	29.1	(7%)
Net income	758.3	860.9	(12%)
Earnings per ordinary stock unit (cents)	156.2	177.3	(12%)
Dividends paid	1,019.4	825.2	24%

Carreras Limited earned total operating revenue of \$2,911.0 million and delivered net income of \$758.3 million for the three months ended June 30, 2017. Compared to the corresponding period in the prior year, these results which show decreases in total operating revenue and net income of 14% and 12% respectively, are the result of the increase in special consumption tax on cigarettes.

For the first quarter of the 2017/18 financial year, there was a lower trade demand for cigarettes than expected. Having been faced with excise increases for three consecutive years, with the latest being a \$3 per stick or 21.4% increase implemented on March 13, 2017, the recovery of volumes after the excise increase has been at a much slower rate than expected.

We continue to reiterate the point that there is a direct relationship between high taxes and its impact on legal volumes, Government's revenues and the rise of the illicit trade. Affordability concerns for consumers are becoming apparent as the increase in excise is outstripping the growth in disposable incomes, and as we have been emphasizing, when prices are too high in comparison with the available incomes and what customers are willing to pay, the opportunity and incentive for the illicit trade in cigarettes increases. We believe this is the current situation, as we have seen a significant upsurge in the presence of illicit cigarettes following the \$3 per stick increase in the excise rate, as well as, an influx of various brands of contraband cigarettes being sold at prices below the minimum tax applied to a pack of cigarettes, which would imply that these brands are not paying the requisite taxes. The Government therefore continues to lose well needed revenues, and as such, we implore the Government to address this growing incidence of illicit cigarettes with great urgency. Not only is the country at risk of not collecting the additional revenues projected to be gained from the excise increase implemented on March 13, 2017, but there is the risk that less revenues will be collected versus the previous fiscal year.

We, however, believe that the volume decline will be somewhat mitigated, providing the domestic market continues to benefit from the authorities' success in stemming the influx of illicit cigarettes, as well as a stepping up its enforcement activities to control the presence of contraband cigarettes in the market, including those being sold below the level of taxes. We also continue to urge the Government to consider crafting a more sustainable tobacco excise strategy as part of its overall plan to fight the illicit trade in cigarettes and protect its revenues.

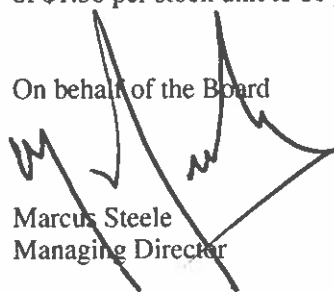
Our optimism for the future is also predicated on the Company's strong brands, our empowered and motivated team as well as our continued commitment to satisfying consumer moments. As leaders in innovation, the Company introduced new variants to the Craven "A" and the Matterhorn family. Craven "A" Wild Rush and Matterhorn Mojito Vybz have been launched this year and are expected to strengthen our brand portfolio and presence in the market. In addition, following a successful pilot project in 2016, Fyah Grabba is projected to be brought to market later this year.

It is worth noting that the Company's ongoing commitment to cost containment and cost reduction has continued into this period with overheads declining by 5% compared to the corresponding period last year.

For the quarter ended June 30, 2017, the Company paid dividends totalling \$1.019.4 million or \$2.10 per share to stockholders: a 24% increase over the corresponding quarter last year.

Stockholders, I am also pleased to report that the Board of Directors has approved an interim dividend payment of \$1.50 per stock unit to be paid on August 30, 2017 out of accumulated profits.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Marcus Steele', is written over a large, stylized, handwritten 'X' mark.

Marcus Steele
Managing Director

CARRERAS LIMITED & SUBSIDIARIES

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the three months ended June 30, 2017

Group Statement of Comprehensive Income				
		UNAUDITED		AUDITED
		3 months		12 months
		Jun-17	Jun-16	Mar-17
		\$'000	\$'000	\$'000
	Notes			
Operating revenue	4	2,816,628	3,346,265	13,509,228
Cost of operating revenue		(1,394,619)	(1,714,671)	(6,969,933)
Gross operating profit		1,422,009	1,631,594	6,539,295
Other operating income		121,373	80,917	342,922
		1,543,382	1,712,511	6,882,217
Administrative, distribution and marketing expenses		(529,405)	(556,928)	(1,840,028)
Employee benefits expense		-	-	(32,300)
Profit before income tax		1,013,977	1,155,583	5,009,889
Income tax	5	(255,635)	(294,671)	(1,203,567)
Profit for the period		758,342	860,912	3,806,322
Other comprehensive income				
Items that will never be reclassified to profit or loss:				
Remeasurement gain on obligation		-	-	33,200
Remeasurement gain on plan assets		-	-	413,200
Change in effect of asset ceiling		-	-	(453,900)
Income tax on other comprehensive income		(216)	(505)	344
Other comprehensive income, net of tax		(216)	(505)	(7,156)
Total comprehensive income for the period		758,126	860,407	3,799,166
Profit attributable to:				
Minority interests		13	30	89
Stockholders in parent		758,329	860,882	3,806,233
		758,342	860,912	3,806,322
Total comprehensive income attributed to:				
Minority interests		13	30	89
Stockholders in parent		758,113	860,377	3,799,077
		758,126	860,407	3,799,166
Earnings per ordinary stock unit	6	156.21¢	177.34¢	784.08¢

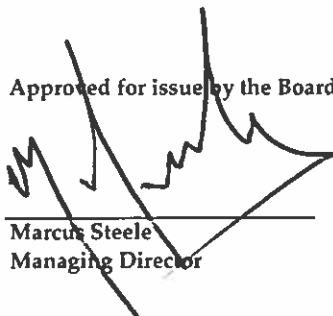
CARRERAS LIMITED & SUBSIDIARIES

GROUP STATEMENT OF FINANCIAL POSITION

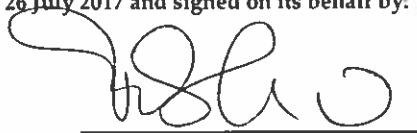
As at June 30, 2017

Group Statement of Financial Position				
	Notes	Unaudited	Unaudited	Audited
		30-Jun-17	30-Jun-16	31-Mar-17
		\$000	\$000	\$000
Assets				
Retirement benefit asset		200,800	168,200	200,800
Property, plant and equipment		302,475	218,868	300,150
		503,275	387,068	500,950
Cash and cash equivalents		2,412,903	2,627,235	2,582,542
Accounts receivable		704,982	500,959	611,992
Income tax recoverable		6,962	21,329	8,496
Inventories		323,935	328,866	472,718
		3,448,782	3,478,389	3,675,748
Total Assets		3,952,057	3,865,457	4,176,698
Equity:				
Share capital	7	121,360	121,360	121,360
Reserves:				
Unappropriated profits		1,745,444	1,667,109	2,006,755
Other		-	22,322	-
		1,745,444	1,689,431	2,006,755
Total attributable to stockholders of parent		1,866,804	1,810,791	2,128,115
Non-Controlling Interest		1,254	1,182	1,241
		1,868,058	1,811,973	2,129,356
Total equity		1,868,058	1,811,973	2,129,356
Liabilities				
Deferred taxation liability	8	331	7,304	1,049
Retirement benefit obligation		273,800	218,700	273,800
Non-current liabilities		274,131	226,004	274,849
Current Liabilities				
Accounts payable		811,202	1,033,938	796,181
Income tax payable		998,666	793,542	976,312
		1,809,868	1,827,480	1,772,493
Total Liabilities		2,083,999	2,053,484	2,047,342
Total equity and liabilities		3,952,057	3,865,457	4,176,698

Approved for issue by the Board of Directors on 26 July 2017 and signed on its behalf by:



 Marcus Steele
 Managing Director



 Janene Shaw
 Finance Director

CARRERAS LIMITED
Group Statement of Changes in Equity

For the three months ended June 30, 2017

	Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Total \$'000	Minority Interest \$'000	Total \$'000
Balances at March 31, 2016	121,360	1,631,980	22,322	1,775,662	1,152	1,776,814
Profit for the period	-	860,882	-	860,882	30	860,912
Deferred tax on reserves of subsidiary in liquidation	-	(505)	-	(505)	-	(505)
Total comprehensive income for the period	-	860,377	-	860,377	30	860,407
Transactions with owners						
Dividends paid, being total transactions with owners (note 9)	-	(825,248)	-	(825,248)	-	(825,248)
Total transactions with owners	-	(825,248)	-	(825,248)	-	(825,248)
Unaudited Balances at June 30, 2016	121,360	1,667,109	22,322	1,810,791	1,182	1,811,973

Balances at March 31, 2017	121,360	2,006,755	-	2,128,115	1,241	2,129,356
Profit for the period	-	758,329	-	758,329	13	758,342
Deferred tax on reserves of subsidiary in liquidation	-	(216)	-	(216)	-	(216)
Total comprehensive income for the period	-	758,113	-	758,113	13	758,126
Transactions with owners						
Dividends paid, being total transactions with owners (note 9)	-	(1,019,424)	-	(1,019,424)	-	(1,019,424)
Total transactions with owners	-	(1,019,424)	-	(1,019,424)	-	(1,019,424)
Unaudited Balances at June 30, 2017	121,360	1,745,444	-	1,866,804	1,254	1,868,058

CARRERAS LIMITED

**Company Statement of Changes in Equity
For the three months ended June 30, 2017**

	Share Capital \$'000	Revenue Reserves \$'000	Capital Reserves \$'000	Total \$'000
Balances at March 31, 2016	121,360	1,231,362	22,322	1,375,044
Profit for the period	-	845,393	-	845,393
Total comprehensive income for the period	-	845,393	-	845,393
Dividends paid, being total transactions with owners (note 9)	-	(825,248)	-	(825,248)
Unaudited Balances at June 30, 2016	121,360	1,251,507	22,322	1,395,189

Balances at March 31, 2017	121,360	1,611,795	-	1,733,155
Profit for the period	-	752,346	-	752,346
Total comprehensive income for the period	-	752,346	-	752,346
Dividends paid, being total transactions with owners (note 9)	-	(1,019,424)	-	(1,019,424)
Unaudited Balances at June 30, 2017	121,360	1,344,717	-	1,466,077

CARRERAS LIMITED & SUBSIDIARIES

GROUP STATEMENT OF CASH FLOWS

For the three months ended June 30, 2017

	UNAUDITED		AUDITED
	3 months		12 months
	30-Jun-17 \$'000	30-Jun-16 \$'000	31-Mar-17 \$'000
Cash flows from operating activities:			
Profit for the period	758,342	860,912	3,806,322
Adjustments for:			
Depreciation	19,994	18,774	57,407
Employee benefits	-	-	15,000
(Gain)/loss on disposal of property, plant and and equipment	(4,010)	(6,957)	(14,195)
Foreign exchange gain	(2,351)	(32,368)	(52,202)
Income tax provision	255,635	294,671	1,203,567
Investment income earned	(26,926)	(29,076)	(108,262)
Items not affecting cash	1,000,684	1,105,956	4,907,637
Changes in:			
Accounts receivable	(98,621)	(58,040)	(163,198)
Inventories	148,784	(107,987)	(251,839)
Accounts payable	15,021	(101,123)	(338,882)
Cash generated from operations	1,065,867	838,806	4,153,718
Income tax paid	(232,683)	(80,797)	(799,497)
Net cash provided by operating activities	833,184	758,009	3,354,221
Cash provided by investing activities			
Investment income received	32,558	34,159	107,473
Additions to property, plant and equipment	(22,408)	-	(122,246)
Proceeds of disposal of property, plant and equipment	4,100	5,800	15,369
Net cash provided by investing activities	14,250	39,959	596
Cash used by financing activities			
Dividends paid, being net cash used by financing activities	(1,019,424)	(825,248)	(3,446,624)
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes	(171,990)	(27,280)	(91,807)
Effect of exchange rate changes on cash and cash equivalents	2,351	32,368	52,202
Cash and cash equivalents, at beginning of period	2,582,542	2,622,147	2,622,147
Cash and cash equivalents, at end of period	2,412,903	2,627,235	2,582,542

CARRERAS LIMITED

Notes to the Unaudited Financial Statements Three months ended June 30, 2017

1. General

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

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

2. (a) Basis of Preparation

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

(b) Accounting estimates and judgments:

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

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

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

(i) Key source of estimation uncertainty

Employee benefits:

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

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

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

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

3. Significant Accounting Policies

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

4. 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 \$1,209,681,750 (2016: \$1,433,261,000).

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (continued) Three months ended June 30, 2017

5. Income tax

Income tax for the period comprises current and deferred tax based upon taxable profits.

6. Earnings per stock unit

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

7. Share capital

	<u>2017</u> S'000	<u>2016</u> S'000
Authorised: 485,440,000 (2016: 485,440,000) ordinary shares of no par value		
Stated: Issued and fully paid: 485,440,000 (2016: 485,440,000) stock units of no par value	<u>121,360</u>	<u>121,360</u>

8. Deferred Tax

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

9. Dividends and Distributions

	<u>2017</u> S'000	<u>2016</u> S'000
Declared and paid: First quarter ended June 30, 2017 Ordinary - 210¢ (2016: 170¢)	<u>1,019,424</u>	<u>825,248</u>