



CARRERAS LIMITED

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

Performance Highlights are:

	6 months to September 30,2017	6 months ended September 30,2016	Variance
	\$M	\$M	
Gross operating revenue	6,063.4	6,372.4	-5%
Total operating revenue	6,177.1	6,452.9	-4%
Interest and other investment income	48.3	60.8	-21%
Net income	1,672.7	1,687.0	-1%
EPS (cents)*	34.5	34.8	-1%

*Restated for comparison purposes due to the 10-for-1 stock split, which was effective September 20, 2017.

Carreras Limited earned total operating revenue of \$6,177.1 million and delivered net income of \$1,672.7 million for the six months ended September 30, 2017. Total operating revenue and net income show decreases of 4% and 1%, respectively, when compared with the corresponding period in the prior year. The second quarter results showed improvement over the first quarter. For the second quarter, revenue and net income increased by 7% and 11% respectively, over the prior period. These results have positively impacted the year to date results.

Notwithstanding this improvement, overall, there was a lower trade demand for cigarettes for both the first and second quarter of the 2017/18 financial year. This was due mainly to volume decline experienced after the excise price increase which was implemented on March 13, 2017 of \$3 per stick or 21.4%. The recovery of volumes after the excise increase has been at a much slower rate than expected. During the same period, we have noted a significant increase in the illicit trade in cigarettes, particularly in the Kingston Metropolitan Area, St Thomas, St Mary and Clarendon.

We reiterate the point that there is a direct relationship between high taxes and its adverse 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. Notwithstanding, it is expected that the volume decline will be somewhat mitigated, provided that the authorities treat with this matter urgently and are successful in containing the influx of illicit cigarettes into the domestic market.

Administrative, distribution and marketing expenses increased by 2% compared to the corresponding six-month period in the prior year. This was due mainly to one-off expenses associated with the recent stock split and the modernisation of the Articles of Incorporation. Overheads continue to be rigorously monitored and controlled by management.

Interest and other investment income decreased by 21% to \$48.3 million for the period as a result of lower market interest rates compared to the prior period.

The Company in its commitment to strengthen the brand portfolio and presence in the market, has introduced two new variants, one being Craven "A" Wild Rush and other, Matterhorn Mojito Vybz. The brand "Fyah Grabba" was successfully reintroduced in the market during the period, this product is expected to excite our consumers in that segment. The strength of our brands, people and relationships continue to position us to face the challenges facing the industry for the future.

For the six-month period ended September 30, 2017, the Company distributed \$1.7 billion to shareholders representing a \$194.2 million or 13% increase over the comparative period last year. This demonstrates the company's continued commitment in enhancing shareholder value.

Stockholders, I am also pleased to report that the Board of Directors has approved an interim dividend payment of \$0.18 per stock unit to be paid on December 13, 2017 out of accumulated profits.

On behalf of the Board



Marcus Steele
Managing Director

CARRERAS LIMITED & SUBSIDIARIES

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2017

Group Statement of Comprehensive Income						
	Notes	UNAUDITED		UNAUDITED		AUDITED
		6 months		3 months to		12 months
		Sep-17 \$'000	Sep-16 \$'000	Sep-17 \$'000	Sep-16 \$'000	Mar-17 \$'000
Operating revenue	4	6,063,402	6,372,388	3,246,774	3,026,123	13,509,228
Cost of operating revenue		(3,004,809)	(3,270,895)	(1,610,190)	(1,556,224)	(6,969,933)
Gross operating profit		3,058,593	3,101,493	1,636,584	1,469,899	6,539,295
Other operating income		162,035	141,320	40,662	60,403	342,922
		3,220,628	3,242,813	1,677,246	1,530,302	6,882,217
Administrative, distribution and marketing expenses		(989,681)	(970,072)	(460,276)	(413,144)	(1,840,028)
Employee benefits expense		-	-	-	-	(32,300)
Profit before income tax		2,230,947	2,272,741	1,216,970	1,117,158	5,009,889
Income tax	5	(558,220)	(585,712)	(302,585)	(291,041)	(1,203,567)
Profit for the period		1,672,727	1,687,029	914,385	826,117	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		(596)	(1,008)	(380)	(503)	344
Other comprehensive income, net of tax		(596)	(1,008)	(380)	(503)	(7,156)
Total comprehensive income for the year		1,672,131	1,686,021	914,005	825,614	3,799,166
Profit attributable to:						
Minority interests		35	59	22	29	89
Stockholders in parent		1,672,692	1,686,970	914,363	826,088	3,806,233
Total comprehensive income attributed to:		1,672,727	1,687,029	914,385	826,117	3,806,322
Minority interests		35	59	22	29	89
Stockholders in parent		1,672,096	1,685,962	913,983	825,585	3,799,077
Earnings per ordinary stock unit	6	34.46e	34.75e	18.84e	17.02e	78.41e

CARRERAS LIMITED & SUBSIDIARIES

GROUP STATEMENT OF FINANCIAL POSITION

As at September 30, 2017

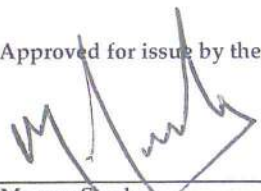
Group Statement of Financial Position			
	Unaudited	Unaudited	Audited
	30-Sep-17	30-Sep-16	31-Mar-17
	\$000	\$000	\$000
Assets			
Deferred tax asset	1,288	-	-
Employee benefits asset	200,800	168,200	200,800
Property, plant and equipment	288,850	223,173	300,150
Non-current assets	490,938	391,373	500,950
Cash and cash equivalents	2,680,967	2,686,339	2,582,542
Accounts receivable	767,891	522,248	611,992
Income tax recoverable	13,755	27,264	8,496
Inventories	284,544	346,441	472,718
Current assets	3,747,157	3,582,292	3,675,748
Total Assets	4,238,095	3,973,665	4,176,698
Equity:			
Share capital	121,360	121,360	121,360
Reserves:			
Unappropriated profits	1,931,267	1,786,856	2,006,755
Total attributable to stockholders of parent	2,052,627	1,908,216	2,128,115
Non-controlling interest	1,276	1,211	1,241
Total equity	2,053,903	1,909,427	2,129,356
Liabilities			
Deferred tax liability	-	10,844	1,049
Employee benefits obligation	273,800	218,700	273,800
Non-current liabilities	273,800	229,544	274,849
Accounts payable	835,431	972,489	796,181
Income tax payable	1,074,961	862,205	976,312
Current Liabilities	1,910,392	1,834,694	1,772,493
Total Liabilities	2,184,192	2,064,238	2,047,342
Total equity and liabilities	4,238,095	3,973,665	4,176,698

Notes

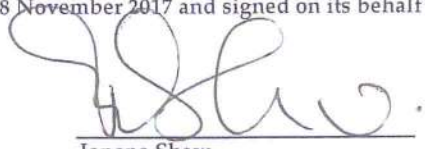
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Approved for issue by the Board of Directors on 8 November 2017 and signed on its behalf by:



 Marcus Steele
 Managing Director



 Janene Shaw
 Finance Director

CARRERAS LIMITED
Group Statement of Changes in Equity

For the six months ended September 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	-	1,686,970	-	1,686,970	59	1,687,029
Transfers	-	22,322	(22,322)	-	-	-
Deferred tax on reserves of subsidiaries in liquidation	-	(1,008)	-	(1,008)	-	(1,008)
Total comprehensive income for the period	-	1,708,284	(22,322)	1,685,962	59	1,686,021
Transactions with owners						
Dividends paid, being total transactions with owners (note 9)	-	(1,553,408)	-	(1,553,408)	-	(1,553,408)
Total transactions with owners	-	(1,553,408)	-	(1,553,408)	-	(1,553,408)
Unaudited Balances at September 30, 2016	121,360	1,786,856	-	1,908,216	1,211	1,909,427

Balances at March 31, 2017	121,360	2,006,755	-	2,128,115	1,241	2,129,356
Profit for the period	-	1,672,692	-	1,672,692	35	1,672,727
Deferred tax on reserves of subsidiaries in liquidation	-	(596)	-	(596)	-	(596)
Total comprehensive income for the period	-	1,672,096	-	1,672,096	35	1,672,131
Transactions with owners						
Transfer tax paid on intra-group distributions	-	-	-	-	-	-
Dividends paid, being total transactions with owners (note 9)	-	(1,747,584)	-	(1,747,584)	-	(1,747,584)
Total transactions with owners	-	(1,747,584)	-	(1,747,584)	-	(1,747,584)
Unaudited Balances at September 30, 2017	121,360	1,931,267	-	2,052,627	1,276	2,053,903

CARRERAS LIMITED
Company Statement of Changes in Equity
For the six months ended September 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	-	1,703,847	-	1,703,847
Transfer	-	22,322	(22,322)	-
Total comprehensive income for the period	-	1,726,169	(22,322)	1,703,847
Dividends paid, being total transactions with owners (note 9)	-	(1,553,408)	-	(1,553,408)
Unaudited Balances at September 30, 2016	121,360	1,404,123	-	1,525,483

Balances at March 31, 2017	121,360	1,611,795	-	1,733,155
Profit for the period	-	1,656,504	-	1,656,504
Total comprehensive income for the period	-	1,656,504	-	1,656,504
Dividends paid, being total transactions with owners (note 9)	-	(1,747,584)	-	(1,747,584)
Unaudited Balances at September 30, 2017	121,360	1,520,715	-	1,642,075

CARRERAS LIMITED & SUBSIDIARIES

GROUP STATEMENT OF CASH FLOWS

For the six months ended September 30, 2017

	UNAUDITED		AUDITED
	6 months		12 months
	30-Sep-17 \$'000	30-Sep-16 \$'000	31-Mar-17 \$'000
Cash flows from operating activities:			
Profit for the period	1,672,727	1,687,029	3,806,322
Adjustments for:			
Depreciation	38,903	27,968	57,407
Employee benefits	-	-	15,000
Gain on disposal of property, plant and and equipment	(5,636)	(4,372)	(14,195)
Foreign exchange gain	(14,125)	(51,308)	(52,202)
Income tax provision	558,220	585,712	1,203,567
Investment income earned	(48,258)	(60,842)	(108,262)
Items not affecting cash	2,201,830	2,184,187	4,907,637
Changes in:			
Accounts receivable	(162,130)	(78,430)	(163,198)
Inventories	188,174	(125,562)	(251,839)
Accounts payable	39,250	(162,570)	(338,882)
Cash generated from operations	2,267,125	1,817,625	4,153,718
Income tax paid	(467,765)	(306,076)	(799,497)
Net cash provided by operating activities	1,799,360	1,511,549	3,354,221
Cash provided by investing activities			
Investment income received	54,489	65,026	107,473
Additions to property, plant and equipment	(27,693)	(15,333)	(122,246)
Proceeds of disposal of property, plant and equipment	5,728	5,050	15,369
Net cash provided by investing activities	32,524	54,743	596
Cash used by financing activities			
Dividends paid, being net cash used by financing activities	(1,747,584)	(1,553,408)	(3,446,624)
Net increase/(decrease) in cash and cash equivalents before effect of foreign exchange rate changes	84,300	12,884	(91,807)
Effect of exchange rate changes on cash and cash equivalents	14,125	51,308	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	2,680,967	2,686,339	2,582,542

CARRERAS LIMITED

Notes to the Unaudited Financial Statements Six months ended September 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 (\$'000), which is the functional currency of the company and the group.

(b) Accounting estimates and judgments:

The preparation of the financial statements in conformity with IFRS 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 six-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 \$2,608,275,000 (2016: \$2,753,823,000).

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (continued) Six months ended September 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 number of issued and fully paid ordinary stock units.

	<u>2017</u>	<u>2016</u> (restated)
Profit for the period (\$'000)	1,672,692	1,686,970
Issued number of ordinary stock units	<u>4,854,400,000</u>	<u>4,854,400,000</u>
Basic earnings per stock unit	\$0.34	\$0.35

The issued number of ordinary stock units in the prior period has been restated for comparison purposes due to the 10-for-1 stock split, which was effective September 20, 2017.

7. Share capital

	<u>2017</u> \$'000	<u>2016</u> \$'000
Authorised: 4,854,400,000 (2016: 485,440,000) ordinary shares of no par value		
Stated: Issued and fully paid: 4,854,400,000 (2016: 485,440,000) stock units of no par value	<u>121,360</u>	<u>121,360</u>

On September 20, 2017, at the Annual General Meeting of the Company, a resolution was passed that each issued ordinary shares in the capital of the Company be sub-divided into 10 ordinary shares. The passing of this resolution resulted in the total issued shares in the capital of the Company increasing from 485,440,000 ordinary shares of no par value to 4,854,400,000 ordinary shares of no par value.

8. Deferred Tax

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

9. Dividends and Distributions

	<u>2017</u> \$'000	<u>2016</u> \$'000
Declared and paid: First quarter ended June 30, 2017 Ordinary – 0.21¢ (2016: 0.17¢)	<u>1,019,424</u>	<u>825,248</u>
Second quarter ended September 30, 2017 Ordinary -0.15¢ (2016: 0.15¢)	<u>728,160</u>	<u>728,160</u>

The dividend per stock unit has been restated to reflect the 10-for-1 stock split, which was effective September 20, 2017.

CARRERAS LIMITED

For Quarter as at September 30, 2017

SHARE CAPITAL:

Authorised	4,854,400,000 Shares
Issued:	4,854,400,000 Shares

CONTROLLING PERSONS

Rothmans Holdings (Caricom) Limited	2,446,508,260
Sagicor PIF Equity Fund	279,484,650
National Insurance Fund	214,184,690
SJIML A/C 3119	124,794,360
L.B.J. Overseas Ltd.	101,937,500
ATL Group Pension Fund Trustee Nominee	62,726,740
Grace Kennedy Limited Pension Scheme	60,530,070
JCSD Trustee Services Ltd. – SIGMA OPTIMA	59,238,180
Krohne Fund LP	48,820,427
NCB Insurance Co. Ltd. A/C WT 109	<u>47,500,000</u>
Total	<u>3,445,724,877</u>

DIRECTORS & CONNECTED PERSONS

	<u>Stock Units Held</u>
Mr. Michael Bernard	Nil
Mr. Jorge Cabrera	Nil
Mr. Matthew Hogarth (Lisa Bell)	8,000
Mr. Oliver Holmes	Nil
Mr. Andrew Long	Nil
Mrs. Maria Gabriela Rincon	Nil
Mrs. Janene Shaw	Nil
Mr. Marcus Steele	Nil
Mrs. Brenda Wilbert	Nil

Executive & Senior Management:

Mr. Marcus Steele	Nil
Mrs. Janene Shaw	Nil
Mrs. Ashleigh Arnold	Nil
Miss Monique Blake	Nil
Mrs. Heather Bulgin Williams	Nil
Miss Camille Robinson	20,470