CARRERAS LIMITED

A proud Jamaican Company since 1962

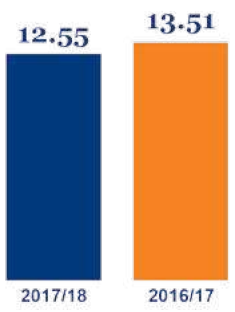
Annual Report 2018

Contents

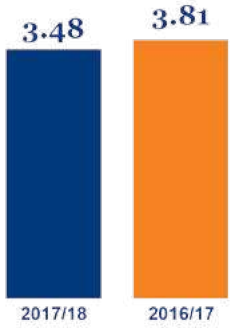
Performance Highlights

The Company returned a creditable financial performance for the year ended March 31, 2018, delivering Operating Revenues of $12.6 billion and a Profit After Tax of $3.5 billion.

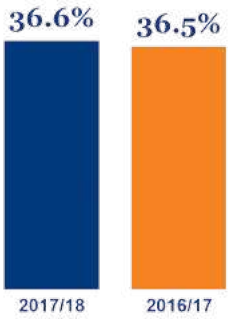
GROSS OPERATING REVENUE (J$BILLION)



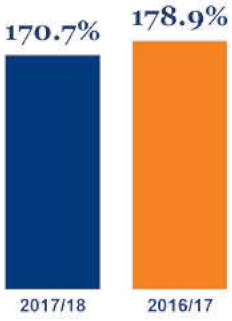
NET PROFIT (J$BILLION)



TRADING PROFIT MARGIN

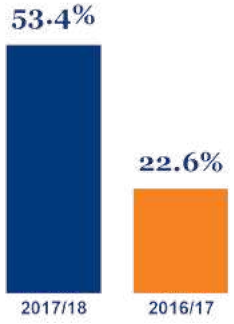


STOCKHOLDERS' RETURN ON EQUITY



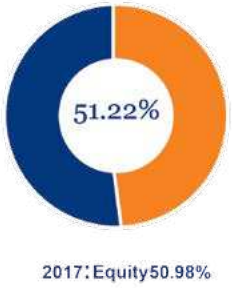
SHARE PRICE ($)

TOTAL SHAREHOLDER RETURN

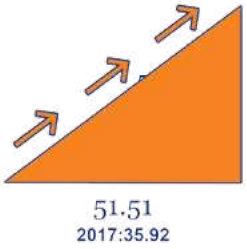


DIVIDEND PAID PER STOCK UNIT (¢)

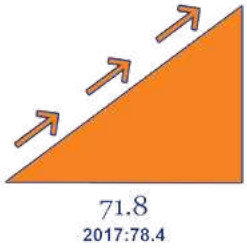
SHAREHOLDERS' EQUITY TO TOTAL ASSETS RATIO



MARKET CAPITALIZATION (J$BILLION)



EARNINGS PER STOCK UNIT(¢)



Our Vision & **Strategy**

Our Vision & Mission

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

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, focus 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.

Notice of Annual **General Meeting**

Notice is hereby given that the Fifty-Sixth 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 5, 2018 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, 2018**

   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, 2018 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 101 of the Articles of Incorporation are Mr. Michael Bernard and Mr. Matthew Hogarth and, being eligible, offer themselves for re-election.

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

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

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

   (b) Mrs. Rosa Pereira Sigala was appointed as a Director since the last Annual General Meeting of the Company and, being eligible, offers herself for election.

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

   "THAT Mrs. Rosa Pereira Sigala 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, 2018 for emoluments received by the Non-Executive Directors for their services as Directors be and is hereby approved."

5. **To approve and ratify dividends**

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

   "THAT the interim dividends of $0.21 paid on June 28, 2017; $0.15 paid on August 30, 2017; $0.18 paid on Dec. 13, 2017 and $0.20 paid on March 14, 2018, making a total of $0.74 for the Year, 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, 2018

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 Jamaica Limited, Group Legal Trust & Corporate Services, 28 – 48 Barbados Avenue, Kingston 5, not less than forty-eight (48) hours before the time appointed for holding the meeting.

Corporate **Data**

Board of Directors

Oliver Holmes - Chairman
Michael Bernard
Matthew Hogarth
Maria Gabriela Rincon
Janene Shaw
Marcus Steele
Brenda Wilbert
Rosa Pereira Sigala

Management Team

NAME	DESIGNATION
Marcus Steele	Managing Director
Janene Shaw	Finance Director
Ashleigh Arnold	Legal and External Affairs Manager
Monique Blake	Human Resource Business Partner
Heather Bulgin Williams	Trade Marketing & Distribution Manager
Rohan Campbell	Marketing Deployment Manager

Location

CARRERAS LIMITED
13A Ripon Road
Kingston 5

Telephone: +1 (876) 749 9800
Fax: +1 (876) 906 9284

E-Mail: Carreras@bat.com
Website: www.carrerasltd.com

Depots

35½ Hagley Park Road, Kingston 10
6 Allan Avenue, Port Antonio, Portland
1-2 Villa Road, Mandeville, Manchester
74 Main Street, Ocho Rios, St Ann
26 Humber Avenue, Montego Bay, St James

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 Jamaica Limited** Group Legal Trust & Corporate Services R. Danny Williams Building 28 – 48 Barbados Avenue Kingston 5

Oliver Holmes
Chairman

Chairman's Report to **Stockholders**

In a continually challenging macro-economic climate, coupled with growing competition for consumer spending and challenges such as increasing tobacco excise and illicit cigarette trading, your Company delivered a strong performance for the fiscal year 2017/2018.

The strength of your Company's brands, dedication to efficiency and an important focus on innovation, have led to reliable and sustainable results.

Profit After Tax was $3.5 Billion, a decrease of 8.4% against last year. This result reflects the impact on sales volume of the $3 per stick or 21.4% increase in the Special Consumption Tax on tobacco, implemented on March 13, 2017. Notwithstanding, your Company distributed $3.59 billion to shareholders this year, representing a dividend of 74¢ per stock unit, an increase of 4% over the prior year. Total Shareholder Return amounted to 53.4% compared to 22.6% in the previous year, again demonstrating that creating and enhancing shareholder value is your Company's top priority.

At the end of the fiscal year, Carreras' share price on the Jamaica Stock Exchange closed at $10.61, reflecting an upward movement over the prior year's $7.40. In the immediate period after the stock split decided at the last Annual meeting, the share price gained 37%, demonstrating the unwavering belief of shareholders in the stewardship and future of the Company.

As a marketing and distribution Company, the availability of our brands in the right place at the right time remains paramount to the success of the Company. As such, our trade marketing efforts revolve around giving value to our customers who sell our brands, thereby ensuring that our adult consumers consistently have their preferred brands available in the outlets where they shop. We also continue to benefit from the efficiencies derived from our new Route to Market structure. Taking into account a 4% inflation rate this year, the 0.43% increase in operating expenses represents a success as the management team continues to focus on reducing operating costs and increasing efficiency. The value of the restructuring initiative will become even more visible in the medium to long-term. Overall, your Company is developing a more integrated, cross-functional and efficient approach to business.

We continue to emphatically state that the illicit trade of cigarettes remains a challenge to a safe and profitable Carreras. Over the past year, there has been a significant increase in the prevalence of illicit cigarettes, leading to a reduction in legal sales. We continue to highlight to the Government, the delicate and direct link between an increasing excise rate and the growth and sustenance of the illicit cigarette trade. We are wholeheartedly committed to working closely with the Jamaican government in order to disrupt, stem and eventually minimize this illicit trade, which it is estimated have led to loss of government revenues of approximately $5 billion over the past fiscal year. The challenges these illicit cigarettes pose are far-reaching, not only in terms of revenue loss, but as well to the Government's current health and tobacco control agenda, particularly as it relates to regulating the product, which as per the pronouncements of the Minister of Health, are geared towards protecting minors and restricting the advertising and promotion of tobacco. The illicit cigarette trade severely stymies such regulatory efforts, and as such, we continue to call on the Government to strengthen initiatives that will effectively counteract this illicit trade as well as to ensure that the proposed regulations are balanced and practical.

This year, we continued to demonstrate that our commitment to being a responsible tobacco company is not only reflected in our careful marketing and distribution activities, but in our commitment to the social and economic development of Jamaica. Education empowerment through our scholarships programme continues to be at the forefront of our efforts in that regard and we also continued to give back to the communities in which we operate through recruiting and empowering those who have been economically disadvantaged and in supporting various initiatives that enhance civic life.

During the year, our parent Company, British American Tobacco (BAT), simplified its regional structures globally which resulted in the formation of a new cluster within the Americas region called SANCAR. This new area is comprised of markets within South America and the Caribbean, including Jamaica, reporting into BAT's Americas and Sub-Saharan Africa region. As a result of this regional restructuring, the cluster known as British American Tobacco Caribbean and Central America (BATCCA) ceased to exist effective December 31, 2017. The SANCAR Area Office is located in Bogota, Colombia and provides the same level of business support services to Carreras previously provided by BATCCA.

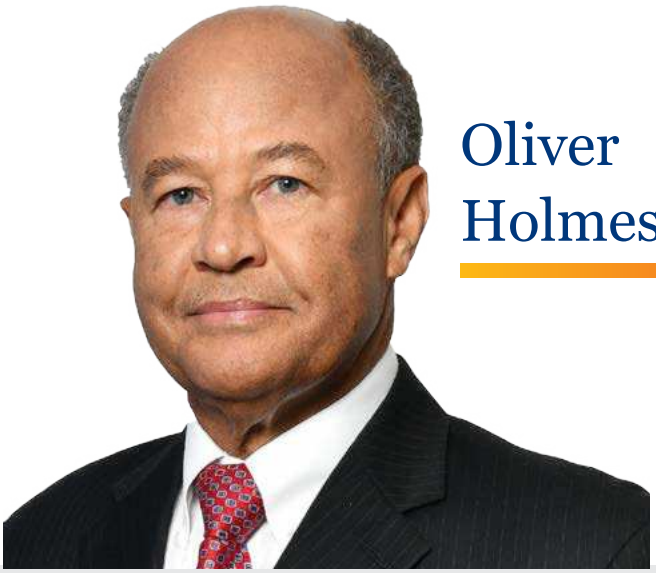
On behalf of the board, I would like to thank Mr. Cabrera and Mr. Long, who have resigned as directors. We wish them the best and thank them for their contributions. Mrs. Rosa Pereira Sigala was appointed to the board on February 7, 2018. We extend a warm welcome to Mrs. Sigala and look forward to her contribution as we work together to keep the organization on the path of sustainability. I would like to thank my fellow directors, on your behalf, for their insight, expertise, continued service and guidance.

Shareholders, your Company is strong, fortified by a powerful mix of a clear and consistent strategy, good corporate governance and excellent management, led by Managing Director, Marcus Steele. I would like to take the opportunity to sincerely thank the Carreras management and staff for their remarkable work, and in demonstrating dedication and focus despite the challenges. They continue to ensure superior returns for our shareholders, which was again recognized by the Jamaica Stock Exchange with our win of the Best Performing Company Award for a record eighth time. I also wish to thank our customers for their support and loyalty within the uncertain economic climate of Jamaica and an increasingly competitive market place. We appreciate your business.

As our country rebounds, with continued economic stability expected in the year ahead, Carreras is also forecasting improvement in our 2018/2019 performance. The team of the Board of Directors and the management of the Company are implementing strategies to recover lost sales volumes while continuing to provide quality products to adult customers. Confident in the successful execution of such strategies, we know your Company's future is assured.

Oliver W. Holmes
Chairman

Board of **Directors**



Oliver Holmes

Nationality: Jamaican

Position: Chairman of the Board of Directors of Carreras Limited since November 2015; Non-Executive and Independent Director since February 2007; Chairman of the Nomination and Compensation since January 2016; appointed to the Corporate Governance Committee since June 2017.

Other Appointments: Founder and Managing Director of Capital Options, Chairman of the Board of Allied Insurance Brokers.

Skills & Experience: Mr. Holmes is the 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 at Citibank, he led or participated in many notable transactions in the Jamaican and international markets, and, at Capital Options, has continued to close notable transactions in the areas of capital raising, mergers & acquisitions and financial advisory in the Jamaican and Caribbean Markets.

Qualifications: B.Sc. Management Studies (Hons.); M.Sc. Accounting, University of the West Indies.

Marcus Steele

Nationality: Jamaican

Position: Managing Director of Carreras Limited since March 2013; appointed to the Board of Directors since October 2007.

Other Appointments: Director of Proven Wealth Transition Limited and Non-Executive Director at Peak Bottling Company Limited; Chairman of the Board of Directors of Demerara Tobacco Company since February 2018.

Skills & Experience: Mr. Steele first joined Carreras Group Limited in the Company's Tobacco division, Cigarette Company of Jamaica Limited, in the capacity of Management Accountant in April 1998. In June 1999, he was promoted to Finance Planning Manager and Marketing Finance Manager in June 2001. In May 2002, he was appointed Finance Planning Manager with overall responsibility for management of Marketing and Operations Finance. In March 2004, Mr. Steele was seconded to British American Tobacco (BAT) Caribbean and Central America's Area Office in Costa Rica as the Country Readiness Manager for the Caribbean with 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.

Qualifications: Graduate of St. Jago High School. Chartered Accountant; B.Sc. Accounting, University of the West Indies; MBA, Florida International University. Executive Programme in General Management, Harvard Business School.

Michael Bernard

Nationality: Jamaican

Position: Non-Executive and independent Director since 2010. Executive Director (as Managing Director)from 2005 to 2010. Appointed to the Audit Committee on May 17, 2011 and has been Chairman since February 3, 2016.

Other Appointments: Executive Chairman of Peak Bottling Company Limited and Chairman of Spike Industries Limited. He is a Non-Executive Director of Salada Foods Limited, GK General Insurance Company Limited, New Transport Group Limited, Sterling Investments Limited and Hardware & Lumber Limited. Chairman of the Board of Management of Jamaica College.

Skills & Experience: Mr. 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.

Qualifications: BA; B.Sc. summa cum laude Business Administration, Forest Management respectively, Washington State University; MBA, the Harvard Graduate School of Business Administration. 2010 recipient of the Carlton Alexander Award for Excellence; Fellow of the Jamaica Institute of Management.

Janene Shaw

Nationality: Jamaican

Position: Finance Director and Company Secretary. Appointed to the Board of Directors since May 2015.

Skills & Experience: Mrs. Shaw has over 25 years' experience and a proven track record in financial management, accounting and auditing. Janene is responsible for the Strategic Financial Management of the Company and also performs the role of Company Secretary.

Prior to joining Carreras, Janene was 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.

Qualifications: Chartered Accountant; B.Sc. Accounting , University of the West Indies, Mona. Member of the Institute of Chartered Accountants of Jamaica; Member of the Association of Certified Chartered Accountants in the U.K.

Matthew Hogarth

Nationality: Jamaican

Position: Non-Executive and independent Director, appointed to the Board of Directors on February 4, 2016; member of the Audit Committee since February 4, 2016 and the Nomination and Compensation Committee since May 25, 2016; Chairman of the Corporate Governance Committee since February 2, 2017.

Other Appointments: Managing Partner at MH&CO., Attorneys- at-Law. Non-Executive Director of IronRock Insurance Company Limited, Jamaica Stock Exchange and Heave-Ho Properties Limited (Century-21); CAC 2000 Limited; Marander Industries Limited.

Skills & Experience: Mr. Hogarth is an Attorney-at-Law. .Over his years in practice, he 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), stock exchange listings, 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.

Qualifications: LL.B (with Honours), University of Liverpool. Called to the bar in multiple jurisdictions including Jamaica, New York State, The British Virgin Islands, Saint Lucia and Barbados. 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. Legal member of the Private Sector Organization of Jamaica's Listed Company's Committee.

Rosa Periera Sigala

Nationality: Venezuelan

Position: Non-Executive Director. Appointed to the Board of Directors on February 7, 2018.

Other Appointments: Legal and External Affairs (LEX) Director for British American Tobacco (BAT) SANCAR (South American North and Caribbean).

Skills & Experience: After a successful career in private practice with international tax firms, Rosa Carolina joined BAT Venezuela in 2001. In 2008, she was assigned to BAT Central offices - Globe House as legal counsel for BAT Trade Marks office (BAT-Mark) where she gained experience managing the Americas and Asia Pacific (ASPAC) regions' trademark portfolio matters and the respective teams. In 2012, Rosa Carolina was promoted as Director of Corporate Affairs for Bigott, BAT´s Venezuelan operating company, having responsibility for its public relations and public and private stakeholder relations across a very complex political and economic environment. She was then promoted as Legal and External Affairs (LEX) Director for Bigott - BAT Venezuela.

In April 2017, Rosa Carolina was appointed as LEX Director for the South American North Cluster (SAN), and most recently, with the addition of the Caribbean markets, Rosa Carolina currently holds the role of LEX Director for SANCAR (South American North and Caribbean).

Throughout her career in BAT, Rosa has played an important role in developing core talent and strengthening the Company's talent pipeline.

Qualifications: Attorney-at-Law; Graduate of the Universidad Católica Andrés Bello in Caracas, Venezuela; Masters in Taxation (Hons), Aix-En- Provence University, France; MBA (Hons), the Instituto de Estudios Superiores de Administración.

Gabriela Rincon

Nationality: Venezuelan

Position: Non-executive Director and Audit Committee member since May 25, 2017.

Other Appointments: Finance Director for British American Tobacco Caribbean and Central America (BATCCA). Finance Director for British American Tobacco Mexico and Central America (MEXCA) since May 2018.

Skills & Experience: Mrs. Rincon is a qualified professional business manager with a proven track record in positioning finance as a value adding business partner. Gaby has over 17 years´ experience in financial and commercial roles internationally within the British American Tobacco (BAT) group. She was the Finance Controller Director at BAT Canada, where she was responsible for Statutory Accounting, Treasury and Financial Planning. She also served as a member of BAT Canada Extended Leadership team being a key driver in business strategic agenda, delivering outstanding and increased profits while going through massive business transformation (PBIT £400millions). Before assuming this position, she held other senior posts within the BAT Group including: Global Commercial Finance Business Partner for Global Trade Marketing & Distribution, Global Customer Investments Manager, both roles at British American Tobacco plc, Head of Commercial Finance for Venezuela, Colombia & Ecuador cluster, Marketing Finance Manager Venezuela, Audit Manager for Venezuela & Colombia, and Supply Chain - Procurement Manager, Operations Finance and HR Finance in Venezuela. In May 2018, Gaby was appointed to the role of Finance Director for British American Tobacco Mexico and Central America (MEXCA).

Qualifications: B.Sc. Business Administration with two majors in General Management and Banking & Finance; Master's degree in Management, IESA Business School.

Brenda Wilbert

Nationality: Brazilian

Position: Non-Executive Director since November 9, 2016 and member of the Nomination and Compensation Committee since May 25, 2017.

Other Appointments: Human Resources Director for British American Tobacco Caribbean and Central America (BATCCA); Area Director of Human Resources, Mexico and Central America (MEXCA) since January 2018.

Skills & Experience: Mrs. Wilbert joined the BAT Group in 2000 and two years later, she moved cross-functionally to Human Resources where she has since had extensive experience in areas such as Talent Acquisition, Leadership Development, Employee Relations and Union Negotiations. In 2008, she was transferred to BAT Americas as Regional Leadership and Development Manager for Canada and Latin America. In 2010, Brenda was promoted to the position of Head of Talent for the Americas Region. Before moving to London, she had a short-term assignment in Canada where she gained valuable on-the ground understanding of the business and was able to later shape and drive a commercially focused Strategic Talent Agenda for the Region. In 2014, Brenda was appointed Senior HR Business Partner for Marketing, Trade Marketing and Corporate Services in Brazil, where she was also responsible for the HR Strategy of the joint venture in Cuba.

Qualifications: BSc Pedagogy, Universidade do Estado do Rio de Janeiro; MBA, Ibmec Business School; IMD Business School, Executive Education High-Performance Leadership; University of Michigan, Advanced Human Resources Programme.

Directors' **Report**

The Directors are pleased to submit their Report and Audited Financial Statements for the year ended March 31, 2018. The following are selected highlights:

Financial Results

	Year ended March 31, 2018 $000s	Year ended March 31, 2017 $000s
Profit before income taxation amounted to:	4,637,326	5,009,889
Income tax for the year	(1,152,696)	(1,203,567)
Total profit after tax	3,484,630	3,806,322
Less: minority interest	(34)	(89)
profit for the year attributable to stockholders	3,484,596	3,806,233
Revenue reserves at beginning of year	2,006,755	1,631,980
Total revenue reserves	5,491,351	5,438,213
Appropriations have been made as follows:		
Dividends and Distributions	(3,592,256)	(3,446,624)
Deferred tax on reserves of subsidiaries in liquidation	(586)	(1,531)
Defined benefit plan actuarial gains/losses, net of tax	21,525	(5,625)
Transfers	-	22,322
	1,920,034	2,006,755
Earnings per stock unit for year:	**71.8¢**	**78.4¢**

The following payments were made during the year:

First quarter ended June 30, 2017	- $0.21 per stock unit (Ordinary)
Second quarter ended September 30, 2017	- $0.15 per stock unit (Ordinary)
Third quarter ended December 31, 2017	- $0.18 per stock unit (Ordinary)
Fourth quarter ended March 31, 2018	- $0.20 per stock unit (Ordinary)

No further final dividend payment is proposed in respect of 2017/2018.

The Directors have approved an interim dividend of $0.21 per stock unit, to be paid on June 28, 2018.

Auditors

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

Directors

Messrs. Andrew Long and Jorge Cabrera resigned and the Board wishes to express its appreciation to them for their invaluable contribution to the Company.

Mrs. Rosa Pereira Sigala was appointed on February 7, 2018 and, being eligible, offers herself for election.

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

ON BEHALF OF THE BOARD

Janene Shaw (Secretary)

Ten Largest Stockholders as at March 31, 2018

	Stock units held
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 Limited	100,534,500
ATL Group Pension Fund Trustee Nominee	62,726,740
JCSD Trustee Services Ltd - SIGMA OPTIMA	59,238,280
GraceKennedy Ltd Pension Scheme	51,271,040
NCB Insurance Co. Ltd. A/C WT 109	47,500,000
Krohne Fund LP	45,456,605
Total	3,431,699,125

Directors & Connected Persons

	Stock Units Held
Mr. Michael Bernard	Nil
Mr. Matthew Hogarth (Connected Party)	8,000
Mr. Oliver Holmes	Nil
Mrs. Maria Gabriela Rincon	Nil
Mrs. Janene Shaw	Nil
Mr. Marcus Steele	Nil
Mrs. Brenda Wilbert	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:

Mr. Marcus Steele	Nil
Mrs. Janene Shaw	Nil
Mrs. Ashleigh Arnold	Nil
Miss Monique Blake	Nil
Mrs. Heather Bulgin Williams	Nil
Mr. Rohan Campbell	Nil

Our Policies and Principles

We are committed to operating at the highest standards of corporate conduct and transparency.

This section provides greater insight into British American Tobacco's (BAT) policies and principles underpinning the Winning Organisation and Sustainability aspects of our strategy. These policies and principles have been endorsed and adopted by the Carreras Leadership Team and support the effective identification, management and mitigation of key risks and issues for our business in these and other areas.

Our Guiding Principles

We continue to live the Guiding Principles of British American Tobacco which form the core of our culture and guide how we deliver our strategy.

Enterprising Spirit We value enterprise from all of our employees, giving us a great breadth of ideas and viewpoints to enhance the way we do business. We have the confidence to passionately pursue growth and new opportunities while accepting the considered entrepreneurial risk that comes with it. We are bold and strive to overcome challenges. This is the cornerstone of our success.

Open Minded Our corporate culture is a great strength of the business and one of the reasons we have been, and will continue to be, successful. We are forward-looking and anticipate consumer needs, winning with innovative, high-quality products. We listen to, and genuinely consider, other perspectives and changing social expectations. We are open to new ways of doing things.

Freedom Through Responsibility We give our people the freedom to operate, providing them with the benefits of our scale but the ability to succeed. We always strive to do the right thing, exercising our responsibility to society and other stakeholders. We use our freedom to take decisions and act in the best interest of consumers.

Strength from Diversity We respect and celebrate each other's differences and enjoy working together. We harness diversity – of our people, cultures, viewpoints, brands, markets and ideas – to strengthen our business. We value what makes each of us unique.

Our Business Principles

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.

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. Accordingly, our products and brands should be developed, manufactured and marketed in a responsible manner.

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.

Our Marketing Principles

We believe in upholding high standards of corporate behaviour. We agree that the tobacco industry should be regulated, but we also think we should be able to communicate in a responsible way with adult tobacco consumers about our products. We are committed to the responsible marketing of all our products to adult consumers aged 18 and over. Our marketing is governed by the BAT International Marketing Principles which provide a consistent and responsible approach to marketing our products. We expect all our suppliers, agents and third-parties to comply with:

- The relevant BAT marketing principles as a minimum standard where they are stricter than local laws; or
- Local laws or other local marketing codes where they are stricter than, or override, BAT marketing principles.

Below are the 4 main principles which guide the way we market and distribute our brands responsibly.

1. *Our marketing will not mislead about the risks of smoking*
2. *We will only market our products to adult smokers*
3. *We will not seek to influence the consumer's decision about whether or not to smoke, nor how much to smoke*
4. *It should always be clear to our consumers that our advertising originates from a tobacco company and that it is intended to promote the same of our tobacco brands.*

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.

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:

- Whistleblowing;
- Personal and Business Integrity;
- Workplace and human Rights;
- Public Contributions;
- Corporate Assets and Financial Integrity;
- 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.

During the year, all employees were required to complete a short training course on the Standards either through the online Standards of Business Conduct e-learning portal or attend presentations conducted by the Legal and External Affairs Department.

Speak Up Campaign

To increase the accessibility of, and strengthen, the long-standing whistleblowing policy and procedures, in early 2018, BAT launched a new third-party managed Speak Up system, following a review of the Group's existing whistleblowing procedures undertaken in 2017. This was cascaded to all Carreras employees.

The system includes a website available in multiple languages, and local language hotlines for all markets, including Jamaica, and enables improved global oversight of all reported issues in real time.

Our Environmental Policy

We are are committed to meeting consumer needs in an environmentally responsible and sustainable way. We are also committed to operating responsibly in both the direct operations that we control, and throughout the wider supply chain that we influence. Responsibility is one of the cornerstones of our strategy, and we believe that good environmental practice is good business practice.

We will comply with all legal and regulatory requirements governing environmental management, implement environmental management practices internally and monitor compliance to them.

Framework for Corporate Social Investment

We are committed to giving back to the communities in which we operate. We also encourage our employees to play an active role both in their local and business communities. Our Corporate Social Investment policy is supported by the BAT Group Strategic Framework for corporate and social initiatives (CSI), which sets out the Group CSI strategy and how local operating companies are to develop, deliver and monitor community investment programmes within three themes: Sustainable Agriculture and Environment; Empowerment and Civic Life.

Our Health and Safety Policy

We recognize the paramount importance of the health, safety and welfare of all employees and non-company personnel in the successful conduct of our business. We are therefore committed to the prevention of injury and ill-health and strive for continual improvement in our health and safety management and performance, through setting clear objectives, including the monitoring and measurement of key performance indicators.

British American Tobacco believes in the active participation of each employee and others as appropriate, in promoting, achieving and maintaining the highest standards of health and safety, in so far as it is reasonably practicable.

Supplier Code of Conduct

The BAT Supplier Code of Conduct sets out the minimum standards, group companies expect of suppliers. Our ultimate goal is to drive the continuous improvement of standards within our supply chain and as such, we are committed to working with such suppliers over time to help them achieve adherence with the requirements of this Code.

Policies/Principles	Summary Areas covered	Key Stakeholder Groups
BAT Standards of Business Conduct	Anti-bribery and corruption, conflicts of interest, and entertainment and gifts. Respect in the workplace, including promoting equality and diversity, preventing harassment and bullying, and safeguarding employee wellbeing. Respect for human rights, including prevention of child labour and exploitation of labour, and respect for freedom of association. Political contributions and charitable contributions. Financial integrity, accurate accounting and record-keeping, and information security. Anti-illicit trade, competition and anti-trust, and sanctions compliance. Whistleblowing	Employees and contractors, Governments and regulators, local communities and society
Health and Safety Policy	Health, safety and welfare of all employees, other members of our workforce and third-party personnel.	Employees and contractors, suppliers, business partners, farmers, local communities and society
Environment Policy	Our commitments to carrying out our business in an environmentally responsible and sustainable way, including agricultural, manufacturing and distribution operations.	Employees and contractors, suppliers, business partners, farmers, local communities and society
Employment Principles	Employment practices, including commitments to diversity, reasonable working hours, family friendly policies, employee wellbeing, talent, performance and equal opportunities, and fair, clear and competitive remuneration and benefits.	Group employees
Supplier Code of Conduct	Standards required of Suppliers of BAT operating Companies worldwide, including business integrity, anti-bribery and corruption, environmental sustainability and respect for human rights (covering equal opportunities and fair treatment, health and safety, prevention of harassment and bullying, child labour, and exploitation of labour, and freedom of association).	Suppliers and business partners, employees and contractors, local communities and society
Strategic Framework for corporate social investment	Sets out BAT's Group strategy and a framework for Corporate Social Investment	NGOs and development agencies, local communities and society
International Marketing Principles	Provides a consistent and responsible approach to marketing our products.	Employees, suppliers, agents and third-parties

For more information on our policies and principles, please visit our website www.carrerasltd.com.

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 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.

In recognition of the increasing importance and relevance of corporate governance and adherence to corporate governance best practices for companies both locally and internationally, the Board formally established a Corporate Governance Committee on February 2, 2017 to provide a focused and structured approach to corporate governance and to align with international best practices.

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

Committee Chairmen

The chairmen of the Committees of the Board are responsible for the leadership of the respective Board Committees and that each respective Board Committee executes on their respective charters and mandates, as approved by the Board. The chairmen of the Committees of the Board are also responsible for:

a. fixing the agenda for the relevant Board Committee meetings and to ensure that all relevant matters are tabled for consideration (as requested by the members of that Committee, the wider Board, or otherwise);

b. reporting to the Board at each Board meeting; and

c. reporting to the shareholders.

Corporate Governance Committee

Chairman, Corporate Governance Committee

The Corporate Governance Committee ("CGC") was quite active over the 2017/2018 financial year executing on a number of projects within its mandate arising from the Board approving the Company's Corporate Governance Charter put forward by the CGC at the Board of Directors Meeting held on May 25th, 2017.

The membership of the CGC during the 2017/2018 financial year were Mr. Matthew Hogarth (Chairman), Mr. Oliver Holmes and Mr. Jorge Cabrera with Mr. Marcus Steele (the Managing Director) and Mrs. Janene Shaw (Finance Director/ Company Secretary) as permanent invitees.

During the 2017/2018 financial year, the CGC convened three (3) meetings and conducted a workshop for the Board of Directors in order to quickly build out the framework of the CGC and commence its work.

Adoption of New Articles of Incorporation

As the fundamental and constitutional document of the Company, its Articles of Incorporation forms the basis for the Company's ability to operate and it is from this document that all of its corporate governance practices, procedures and policies flow.

The first project undertaken by the CGC was to review the Company's Memorandum and Articles of Association (which had been adopted on its incorporation in 1962). The considerations in this review included whether or not the Company's Articles were compliant with all applicable laws and regulations and to also align the Company's Articles with modern business practices and corporate governance best practices. That is, to ensure that they are fully compliant with applicable regulatory requirements and are modern in approach to the internal management of the Company and the relationship with and among its shareholders. The CGC was also anticipating the fact that the Companies (Amendment) Act 2017 was about to be proclaimed into law and which should be

considered in the exercise, as this amendment had potentially far reaching consequences for Jamaican companies in areas including corporate governance and cited the following areas which were being considered:

d. Anti-corruption legislation, in order to comply with international treaty obligations;

e. Conflicts of interest; and

f. Beneficial ownership.

The CGC tabled draft Articles of Incorporation for adoption by Company along with the required documents to assist with the process, such as comparative analysis of the new draft Articles of Incorporation and the then existing Memorandum and Articles of Association and legal advice for the review of the Board. The Board then resolved that the draft Articles of Incorporation should be put before the shareholders at the last AGM for approval and they were so approved and became effective thereafter.

Corporate Governance Tools

To support the new Articles of Incorporation, the CGC also drafted and had the following documents approved by the Board:

g. Conflicts of Interest Policy and Conflicts of Interest Register;

h. Self-audit checklist in order to ensure compliance with the Companies Act (as amended); and

i. Corporate Governance Assessment Tool.

Stock Split

The CGC also lent its support and resources to the stock split that was approved by the shareholders at the last AGM especially with respect to the analysis and the independent advice sought by the Company in the exercise.

JSE Corporate Governance Index ("CGI") Rating

The Company received a letter from the JSE dated November 22nd, 2017 stating that the Company received a CGI rating of 230/279 (or a BB rating) thereby placing the Company amongst the top-nine (9) companies listed on the JSE insofar as the CGI ratings are concerned.

By letter dated January 26th, 2018, the JSE set out the details of the Company's CGI score. Having scrutinized the granular details of this rating the CGC intended to pursue a strategy with management to identify any gaps pursuant to this detailed rating with a view to addressing same, where possible.

The Chairman of the CGC met with the head of Legal and External Affairs and the Company Secretary to scrutinize the Company's detailed CGI scores. In large part, we identified the areas in which some amendments to the content and/or structure of the Company's Annual Report and/or its website would address any gaps identified and thereby allow the Company to score higher on the subsequent CGI ratings.

In another instance, clarification was required from the JSE in relation to two (2) of our scores. By letter dated April 4th, 2018, the Company sought such clarification from the JSE. By letter dated May 18th, 2018 the JSE replied and, agreed that in the two (2) instances, that the Company had received incorrectly low scores (being a score of 1) and agreed to re-score the Company with scores of 3 in those instances, with a score of 3 being the highest score possible in any one (1) category of rating.

Having completed this exercise, the CGC is therefore confident that going forward the Company should be in a position to garner even higher CGI ratings from the JSE.

Looking Forward

Looking forward the CGC shall continue to ensure that the Company is aligned with corporate governance best practices and that it continues its sterling reputation as a leader in this area.

Meetings of the Corporate Governance Committee

The Chairman of the Corporate Governance Committee, in consultation with the Company Secretary decide the frequency and timing of its meetings.

Relationship with the Board and other Committees

The role of the Corporate Governance Committee and its relationship with the Board and other Committees is as set out in the Charter approved by the Board and to the extent that the Corporate Governance Committee undertakes tasks on behalf of the Board, the results are reported to, and considered by, the Board. The corporate governance Committee is charged with a review of the Board, its Committees and their respective functions on an annual basis and to ensure that they execute their responsibilities efficiently and with transparency and accountability.

The Committee members are: Matthew Hogarth (Chairman), Oliver Holmes and Rosa Pereira Sigala. Marcus Steele (Managing Director) and Janene Shaw (Finance Director) are permanent invitees.

Audit Committee

Michael Bernard

Chairman, 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.
- to 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.
- to 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), Matthew Hogarth, and Maria Gabriela Rincon. Marcus Steele (Managing Director) and Janene Shaw (Finance Director) are permanent invitees.

Key activities for financial year included:

Recommendation to the Board for approval:

- Financial statements
- Dividend payments
- Related Party Transactions
- Key Business Risks

The Committee considered the following in making its recommendations:

- Reliability and integrity of the accounting principles and practices, financial statements and other financial reporting;
- Internal audit functions of the Company;
- Risk management functions and processes of the Company;
- Qualifications, independence and performance of the external auditors of the Company;
- System of internal controls and procedures established by management and reviewing their effectiveness;
- The Company's compliance with legal and regulatory requirements.

Nomination and Compensation Committee

Oliver Holmes

Chairman, Nomination & 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 (Chairman), Matthew Hogarth and Brenda Wilbert. Marcus Steele (Managing Director) is a permanent invitee to the meetings.

Key activities during the financial year included:

In line with the mandate given under Section 5 of the Terms of Reference which states that the Committee is to *"be responsible for identifying and nominating candidates for the approval of the Board, to fill vacancies on the Board or senior management team, ensuring that such candidates, as well as fitting the specific profiles, are capable of taking a broad view of the Company's overall interest."*

i. On receipt of resignations from two Directors who had promotions within BAT Group, the Committee reviewed the dossiers of candidates and deliberated on their qualifications and suitability for the roles on the board. Once suitable candidates were agreed among the Committee members, recommendations were made to the Board to fill the vacancies.

ii. The Committee ratified the bonus payment for the year 2017 and offered its congratulations to the management and staff for delivering a good year's results.

iii. The Committee ratified the salary increases which were implemented on April 1, 2018 based on the annual compensation and benefit survey results.

The table below provides details on the Directors' attendance at Board and Committee meetings.

Name of Director	Board	Audit Committee	Nomination & Compensation Committee	Corporate Governance Committee
Michael Bernard	7	4	n/a	n/a
Jorge Cabrera*	6	n/a	n/a	2
Matthew Hogarth	7	4	2	3
Oliver Holmes	7	1	2	2
Andrew Long*	5	n/a	n/a	n/a
Maria Gabriela Rincon **	7	3	n/a	n/a
Janene Shaw	7	4	n/a	3
Marcus Steele	7	4	2	3
Brenda Wilbert	7	n/a	-	n/a
Rosa Pereira Sigala **	1	n/a	n/a	-

* Mr. Andrew Long resigned October 1, 2017

* Mr. Jorge Cabrera resigned December 1, 2017

** Mrs. Maria Gabriela Rincon joined May 25, 2017

** Mrs. Rosa Pereira Sigala joined February 7, 2018

Number of meetings held during the Financial Year

Board	7
Audit Committee	4
Nomination and Compensation Committee	2
Corporate Governance Committee	3

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

Risk Management

The effective management of risks is crucial to the fulfillment of Carreras Limited's Mission and Vision. Our risk management framework supports our strategy for maintaining a long-term sustainable business. Carreras Limited manages its risks on an enterprise-wide basis across core business processes, starting at the strategic planning level, through to execution, evaluation and continuous monitoring.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

During the year, the Directors have carried out a robust assessment of the key risks and uncertainties facing the Company, including those that threaten its business model, future performance, solvency or liquidity.

The key risks facing the Company have remained broadly unchanged over the past year. Our number one risk remains competition from the illicit trade which we observe has increased during the year.

Risk Management Approach

The Carreras Leadership Team (CLT) has responsibility for identifying, assessing, managing and monitoring risks likely to face the Company and implement effective mitigating controls to manage these risks. Clear accountability is attached to each risk through the risk owner.

Carreras believes that its risk appetite and tolerance limits are the foundation of its risk management framework; which ultimately establishes the risk culture for the Company.

Key Business Risks

Currently there are several risks that are identified by the Risk Management Committee (RMC) as significant enough to be monitored. These risks, along with management's mitigation measures are assessed at least on a quarterly basis.

Based on the Company's risk appetite and risk tolerance, the Company actively manages the key business risks covering External Environment, Regulatory, People and Processes and Operational.

Below are some of the key risks that the Directors believe to be the most important after assessment of the likelihood and potential impact on the business. Not all of these risks are within the control of the Company and other factors besides those listed may affect the Company's performance. Some risks may be unknown at the present and other risks, currently regarded as less material could become material in the future.

External Environment Risk:

Competition from illicit trade – either local taxes evaded, smuggled illicit cigarettes or counterfeits

With affordability being a major issue for the Jamaican cigarette consumer, resulting from the macro-economic environment, as well as increasing prices of legal cigarette brands as a result of frequent and excessive excise increases, Illicit cigarettes are becoming more attractive as they do not pay the requisite taxes, and as such, are sold at significant lower prices than legitimate brands. In addition, most of these illicit cigarettes are sold at the lower segment of the market and in contravention of regulatory requirements. This results in lower volumes and profits for legitimate players like Carreras.

Management's Response: Robust Anti-Illicit Trade Strategy, Active engagement with key external stakeholders, Cross-industry and multi-sector cooperation, proactive excise engagement with Government, building brand equity for our low price offer, Strategic engagements and Price campaigns/ consumer engagement activities.

Aggressive competitive environment - Legal (Low Price Offers/Grabba)

The Jamaican tobacco industry is becoming increasingly dynamic with new players offering brands in the low-

priced segment of the market. Other tobacco products (OTP), mainly Grabba, continue to have an increasing presence within the market based on the demand for the product. Consumer affordability issues pose a risk in consumers switching from the Company's value for money brands to these ultra-low price offers.

Management's Response: Expansion of distribution network, Product innovation, Grabba Distribution, strategic engagement with all the tiers of the tobacco retailing universe.

Increase in crime and violence leading to increased volatility on routes

High levels of crime and violence have continued to be a factor in Jamaica. This impact is characterized by possible attacks on our staff members including loss of life, financial losses due to loss of assets, limited access to market and disruption to normal business processes and operations. Overall sustained crime and violence will threaten business sustainability.

Management's Response: Rationalize routes with higher security, increase in security coverage on routes with higher risk profile.

Regulatory Risk:

Significant increase in tobacco excise

The Company is exposed to unexpected and/or significant excise increases. Excise increases over the last three years have proven to be significant and excessive, with increases of $1.50 per stick or 14.3% in March 2015, $2.00 per stick or 16.7% in May 2016 and $3.00 per stick or 21.4% in March 2017. This computes to 61.9% over three years.

Significant increases in tobacco excise affects the ability of consumers to pay for legitimate brands, thus increasing the attractiveness and demand for low priced cigarettes. This ultimately results in reducing legal industry volumes as well as the erosion of the brand value of legitimate brands. Excessive increases over time will erode revenue and profit growth and result in the failure of the Company to meet the expectations of its shareholders.

Management's Response: Proactive stakeholder engagement towards ensuring a sustainable excise strategy by the Government, portfolio reviews to ensure appropriate balance and coverage across price segments, monitoring of economic indicators and Government revenues.

Tobacco regulation that inhibits growth strategy

Tobacco regulation that is unbalanced and impractical, and prohibits the Company's ability to communicate with consumers, key stakeholders including Government, differentiate our products in the marketplace and launch future products poses a risk to the Company's long term sustainability.

Management's response: Proactive and robust stakeholder engagement and litigation strategy for balanced regulations. Ongoing monitoring of marketing plans to ensure compliance with internal self-regulations and local legislation.

Operational Risk:

Concentration of credit risk with large credit customers

The Company has a significant concentration of credit risk with large credit customers with material balances both individually and in aggregate.

Management's Response: Continuous engagement with large customers, on-going assessment of recoverability of balances which may be impacted by changes in the economic and business environment, expansion of the distribution network.

People and Processes Risk:

Losing key talent

Carreras' business objective is to attract, develop and retain the right people to drive and deliver competitive advantage and superior performance. As the market becomes more saturated and globalized, competition for talent has become fiercer. As such, if the value proposition from the organization is not aligned with the demands of these talent, the risk of losing them to other organizations becomes imminent.

Management's Response: Strong retention plan benchmarking against the top ten companies' compensation, focus on succession planning, employee engagement strategy.

Ten-Year **Financial Review**

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

FINANCIAL YEAR	2017/18	2016/17	2015/16	2014/15
PROFIT & LOSS SUMMARY				
GROSS OPERATING REVENUE	12,550,132	13,509,228	11,980,138	11,208,369
TRADING PROFIT	4,587,300	4,933,927	3,736,050	3,804,121
INCOME FROM NON ROUTINE TRANSACTIONS	-	-	-	-
TOTAL TRADING PROFIT	4,587,300	4,933,927	3,736,050	3,804,121
INVESTMENT & INTEREST INCOME	89,326	108,262	176,612	146,141
OPERATING PROFIT	4,676,626	5,042,189	3,912,662	3,950,262
EMPLOYEE BENEFIT INCOME	(39,300)	(32,300)	(9,100)	(11,900)
RESTRUCTURING COSTS	-	-	-	-
PROFIT BEFORE TAXATION	4,637,326	5,009,889	3,903,562	3,938,362
PROFIT AFTER TAXATION	3,484,630	3,806,322	3,011,333	2,942,960
PROFIT ATTRIBUTABLE TO STOCKHOLDERS	3,484,596	3,806,233	3,011,191	2,942,914
BALANCE SHEET SUMMARY				
FIXED ASSETS	337,251	300,150	236,485	248,256
SHARE CAPITAL	121,360	121,360	121,360	121,360
RESERVES	1,920,034	2,006,755	1,654,302	3,050,396
STOCKHOLDERS' EQUITY	2,041,394	2,128,115	1,775,662	3,171,756
FINANCIAL RATIOS				
TRADING PROFIT MARGIN	36.6%	36.5%	31.2%	33.9%
OPERATING PROFIT/OPERATING REVENUE	37.3%	37.3%	32.7%	35.2%
STOCKHOLDERS' RETURN ON EQUITY	170.7%	178.9%	169.6%	92.8%
EARNINGS PER STOCK UNIT (from normal operations) *	71.8¢	78.4¢	62.0¢	60.6¢
EARNINGS PER STOCK UNIT (from non-routine transactions)	-	-	-	-
P/E RATIO	14.8	9.4	10.7	6.6
DISTRIBUTION - PER STOCK UNIT*	74.0¢	71.0¢	89.4¢	80.9¢
OTHER DATA				
SHARE CAPITAL				
- STOCK UNITS IN ISSUE ('000)	4,854,400*	485,440	485,440	485,440
CLOSING STOCK PRICE ($) - MARCH 31	10.61	7.40	6.61	3.99
DIVIDEND PAID	3,592,256	3,446,624	4,342,104	3,930,709
DEPRECIATION CHARGED	77,084	57,407	62,506	65,887
EXCHANGE GAIN / (LOSS)	(7,632)	52,202	30,692	45,591
WEIGHTED AVERAGE BUYING EXCHANGE RATES:				
US$ 1 to J$	124.655	127.766	122.042	115.044

* Each ordinary share was sub-divided into 10 ordinary shares (10:1) at close of business on September 20, 2017

2013/14	Restated 2012/13	2011/12	2010/11	2009/10	Restated 2008/09
10,342,006	12,241,512	11,022,746	12,935,692	10,410,178	10,923,530
3,199,787	3,844,022	3,437,158	4,291,204	3,514,143	4,782,969
1,787,365	5,083,600	-	-	-	-
4,987,152	8,927,622	3,437,158	4,291,204	3,514,143	4,782,969
174,719	158,294	125,672	138,890	269,142	599,027
5,161,871	9,085,916	3,562,830	4,430,094	3,783,285	5,381,996
22,600	(233,100)	363,400	550,400	711,200	694,900
-	-	-	-	-	-
5,184,471	8,852,816	3,926,230	4,980,494	4,494,485	6,076,896
4,003,175	6,234,234	2,597,220	3,314,076	3,001,875	4,093,911
3,999,992	6,234,059	2,597,229	3,314,097	3,001,869	4,093,682
204,632	158,650	145,150	140,190	114,724	101,915
121,360	121,360	121,360	121,360	121,360	121,360
4,073,129	3,562,164	2,818,195	3,210,417	2,669,801	3,472,034
4,194,489	3,683,524	2,939,555	3,331,777	2,791,161	3,593,394
30.9%	31.4%	31.2%	33.2%	33.8%	43.8%
32.6%	32.7%	32.3%	34.2%	36.3%	49.3%
95.4%	169.2%	88.4%	99.5%	107.5%	113.9%
54.7¢	55.1¢	53.5¢	68.2¢	61.8¢	84.3¢
27.6¢	73.3¢	-	-	-	-
4.3	4.1	11.8	8.9	7.8	4.4
70.4¢	117.9¢	56.0¢	50.0¢	70.0¢	163.0¢
485,440	485,440	485,440	485,440	485,440	485,440
3.55	5.29	6.30	6.05	4.85	3.77
3,418,898	5,723,338	2,718,464	2,427,200	3,398,080	7,912,672
50,556	46,616	55,349	48,884	40,833	25,081
88,953	160,582	19,369	(48,911)	4,945	209,967
109.574	98.887	87.300	85.749	89.508	88.816

Leadership Team

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, Ashleigh 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.

Continued...

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.

Continued...

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.

Rohan Campbell

(Marketing Deployment Manager)

BSc. (Hons), MBA (Dist.)

Rohan Campbell was promoted to the role of Marketing Deployment Manager for Carreras in January 2018. He joined the Company in December 2011 as an Area Sales Manager, managing four depots in the Western Region. From November 2014 to June 2015, Rohan was appointed as the Acting Trade Marketing & Distribution Manager. In September 2015, Rohan assumed the role of Project Coordinator for the DX change over, having special responsibility for redesigning the Company's route to market/ distribution structure, leading to a significant reduction in distribution cost.

In April 2017, Rohan was seconded on an International Assignment to BAT's Caribbean and Central American Area Office in the capacity of Area Brand Executive. In this role, Rohan had oversight for brand building for the aspirational premium portfolio in 22 markets across the Caribbean. During this assignment, he also assumed the role of Marketing Deployment Manager, double-hatting to manage the portfolio and marketing efforts for the Caribbean cluster.

Before joining Carreras, Rohan held several marketing and sales management positions including Business Unit Manager at HD Hopwood and Company and Dairy Sales Manager at World Brand Services (a Division of Grace Kennedy).

Continued...

Heather Bulgin Williams

(Trade Marketing & Distribution Manager)

BSc., MBA

Heather joined Carreras in June 2015 as the Trade Marketing and Distribution Manager, coming with over 16 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 also 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.

Continued...

Janene Shaw

(Finance Director & Company Secretary)

FCA, FCCA, BSc

Mrs. Janene Shaw joined Carreras Limited as Finance Director and Company Secretary and was appointed to the Board of Directors on May 27, 2015. Janene 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 is responsible for the Strategic Financial Management of the Company and also performs the role of Company Secretary.

Prior to joining Carreras, Janene was 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 the Association of Certified Chartered Accountants in the U.K.

Continued...

Ashleigh-Ann Arnold

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 is a Director of The Stationery Centre and has served as a Director, Nature Preservation Foundation, since 2009. She 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.

Marcus Steele

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 is also the Chairman of Demerara Tobacco Company Limited. He enjoys reading, dancing, cricket, football and athletics and has two children, son, Marquis and daughter, Sonique.

Rohan Campbell

Throughout his career, Rohan can be credited for successfully launching several new products, resulting in increased market penetration as well as implementing several staff recognition initiatives.

He holds a Bachelor of Science degree (Hons) in Management Studies and an MBA Degree in Marketing (Dist.), both from the University of the West Indies and has served as an Adjunct Lecturer at the University of Technology. Rohan has a passion for travelling, exercising, reading and cooking.

Heather Bulgin Williams

During her tenure at Carreras, Heather has successfully deployed two (2) RTM initiatives in February 2016 and, more recently, in February 2018. She leads a team of over fifty (50) enthusiastic, customer and consumer-driven Sales/Marketing professionals who collectively work towards the achievement of the Company's Trade Marketing and Distribution KPIs.

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

Janene Shaw

Janene 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.

Marcus Steele
Managing Director

Management Discussion & Analysis

Managing Director's Overview

During 2017-2018, Carreras successfully managed to continue the Company's long-standing record of strength and stability, delivering enviable returns to our shareholders and high quality products to customers and consumers.

We also remained the employer of choice, attracting new and talented people to our cadre of hardworking and competent employees.

Our well thought out strategies led to the strengthening of the Company despite lower financial results than last year.

This financial performance is a function of excise increases, the illicit trade and an increasingly competitive environment.

The Company recorded a reduction in sales, driven by unbroken years of excise increases levied by the Government, with the most recent being $3 per stick or 21.4% implemented in March 2017.

Prior to this, there were excise increases in May 2016 and March 2015. Not surprising, therefore, operating revenues declined in 2017/2018 to $12.6 billion, a 7.1% decrease compared to the previous year. Profit After Tax also declined, moving from $3.80 billion in 2016/2017 to $3.48 billion in 2017/2018. The revenue we delivered to the Government was also negatively impacted. Not only did the Government not meet the expected revenue target from the excise increase effected in March 2017, but revenues also declined versus the prior year. The reality is that as the taxation of legitimate cigarettes increases, individuals are less able to afford them and they then participate in the illicit trade, evidenced by the decline in legal sales and the illicit trade's share of market increasing from 19% in 2016 to 24% during 2017.

We have therefore been persistent in our engagement with the Government on the negative effects of this problem in our society. We will continue to make representation in this regard, sparing no effort in supporting the authorities in their efforts to control illicit trade. The Company continues to publicly commend the authorities, in particular the police, on finds and seizures made within the domestic market but the truth is, these illegal cigarettes need to be stopped from entering through our ports in the first place, and so we will continue our call for stronger and more effective port monitoring and border protection initiatives. The Government has to also move quickly in reviewing an appropriate tobacco excise policy as a critical part of the solution to stemming this illicit trade.

In light of the increasingly competitive environment, our focus remained on capitalizing on our Route to Market (RTM) strategy as well as on decreasing costs and increasing productivity. I am therefore pleased to report a decrease of 10.3% in the cost of operating revenue, moving from $6.97 billion to $6.25 billion. Administrative, Distribution and Marketing Expenses increased by $0.01 billion or 0.43%, which after considering a 4% inflation rate, can be regarded as negligible. More investigation of ways to increase distribution efficiency are on the way and we are poised for further improvement next year.

The marketing team continues to lead exciting marketing campaigns, exploiting our tried-and-true brands and making sure that investment in these brands are kept at an optimum level for market leadership. Craven "A" remains at the top as a full-flavoured product and Matterhorn stands as the undisputed menthol authority. Fyah Grabba, which represents a key opportunity in the market was successfully launched during the year and as the first of its kind within BAT's product line-up, continues to be closely monitored and refined to give it the opportunity to achieve its full market potential.

Shareholders, your Company continues to make contributions to the achievement of Jamaica's 2030 Vision of a "place of choice to live, work, raise families and do business" by providing further access to tertiary education through our scholarship programme. This year we awarded 43 scholarships to students from over 400 applicants. Your Company awarded fourteen Bursaries, three SEEK scholarships, seven Teacher's College scholarships, seven scholarships tenable at community colleges, the College of Agriculture, Science and Education, four visual and performing arts scholarships. We also awarded 7 HOPE scholarships, given to the children of officers who have passed on from the Jamaica Defense Force, the Jamaica Constabulary Force and the Jamaican Federation of Corrections. Our premier scholarship, one Post graduate Scholarship, which is awarded biennially, was presented during the year to a student whose objective is to contribute to Jamaica's cultural landscape.

At Carreras, we continue to believe that the Company's performance is strongly correlated with the productivity and welfare of our staff. Our cross-functional, responsive and flexible framework allows our leadership to properly allocate resources to capitalize on opportunities. Alongside recruiting talented, driven and loyal employees, Carreras remains committed to encouraging work-life balance and recognition remains a pillar of our management strategy. By ensuring that employee behaviour flows downward from the Company's vision, those who work for Carreras have enjoyed increased productivity this year.

I would like to thank the staff for their hard work. They have always been, and always will be, at the core of Carreras' success. I would also like to thank the Chairman and the entire board for their guidance, advice and leadership over the past year. Our board of directors is consistently a key contributor to positive outcomes for the Company.

The strength of your Company is still clear, with our market capitalization amounting to $51.5 billion, a significant 43.4% increase from last year. In 2017/2018, as in previous years, in market capitalization, Carreras ranked among the top ten companies on the Jamaica Stock Exchange.

The Carreras management team and staff have demonstrated an unwavering commitment to strengthening the Company. Armed with consistent innovation, an increasingly productive staff and the loyalty of our core customers and consumers, the future is promising. We therefore approach the constantly changing regulatory framework and competitive marketplace with the full confidence that we can continue to deliver value to our shareholders.

Marcus Steele

Managing Director

Financial **Report**

The Operating Environment

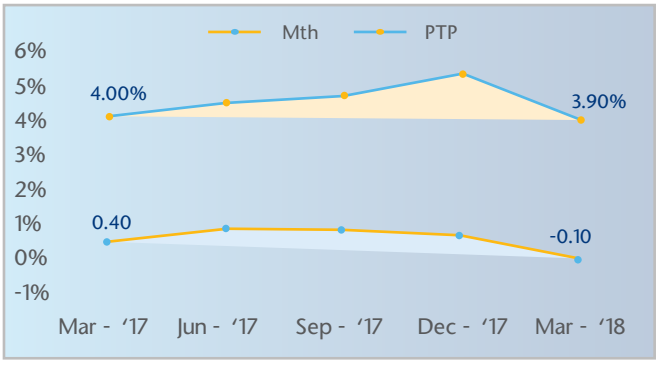
The International Monetary Fund in their World Economic Outlook noted that world growth strengthened in 2017 to 3.8%, with a notable rebound in global trade. This was primarily driven by an investment recovery in advanced economies, continued strong growth in emerging Asia and a notable upswing in emerging Europe. For 2018, global growth is forecasted at 3.9% supported by strong momentum, favourable market sentiment and accommodative financial conditions. There is also an expectation for a partial recovery in commodity prices.

For Jamaica, the macro-economic environment for the past year has been stable with indicators overall trending positively. In fact, over the last few years the Jamaican economy has transformed from one of instability to stable macro-economic indicators being recorded. The economic trend for the year ended March 31, 2018 indicated relatively low inflation, an appreciating Jamaican dollar versus the US dollar, lower interest rates, a decrease in unemployment and sustained increased levels of business and consumer confidence. These positive trends are expected to continue into the next financial year.

Jamaica is currently under a three-year Stand-By Arrangement with the IMF, approved in November 2016, to support the government's growth and employment focused agenda. The country has successfully met its targets under this Agreement. Of note, is the continued reduction in the country's debt profile with the debt-to-gross domestic product (GDP) ratio falling from 115% in 2016 to approximately 105% in 2018. The forecast is for this ratio to fall below 100% at the end of the 2018/19 fiscal year. The Government's commitment to fiscal discipline is evident in its continuation to meet primary balance targets, a necessary component for the reduction in the Country's debt.

The current economic trend indicates low single digit inflation rates which is due in part to continued low commodity prices. At March 31, 2018, point-to-point inflation rate stood at 3.9% compared to 4.0% at March 2017.

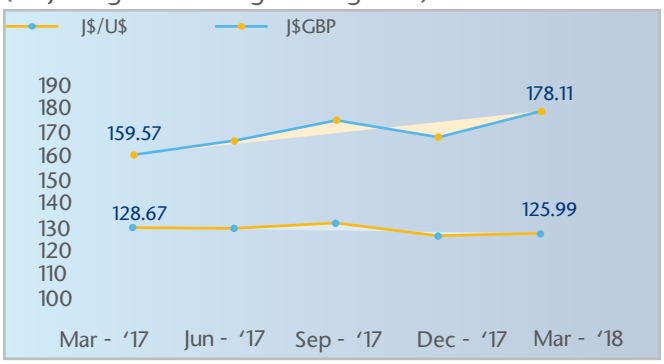
Inflation



Foreign Exchange Rates have been relatively stable over the year. At the end of March 2018, the Jamaican dollar traded at an exchange rate of $125.99 relative to the US dollar. The monthly average value of the Jamaican dollar appreciated by $2.17 or 1.7% relative to the US dollar. The Jamaican dollar depreciated against the Great Britain Pound to end at £1.00 = J$178.11 at March 31, 2018.

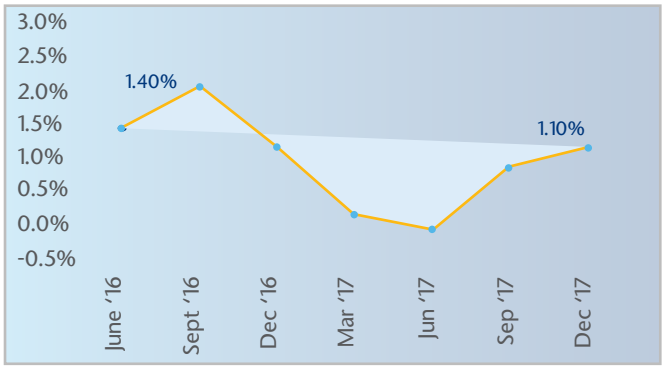
Exchange Rates

(BOJ Weighted Average Selling Rate)



Whilst these positive indicators exist, Jamaica's Annual Gross Domestic Product (GDP) growth continues to be low and is estimated to have been a disappointing 0.5% in 2017, down from 1.6% in 2016, due mainly to severe floods and other adverse weather conditions during the first half of 2017. The economy is expected to rebound in 2018 with a growth of 1.7%. The quarterly GDP rates compared to the similar quarter of the previous year is shown below. The 1.1% shown in the fourth quarter resulted from improved performances in both the Services Industries and the Goods Producing Industries

Quarterly Gross Domestic Product



Unemployment rates fell to 9.6% in January 2018 while youth employment (14-24 years of age) also improved by 7.4% to 23.8%, compared to January 2017. Crime and violence levels remain high emphasizing the need to address issues of youth unemployment, education and anti-social behavior. Despite progress in maintaining macro-economic stability and fostering growth, stronger and more resilient economic growth is needed

to eliminate poverty and boost shared prosperity. High unemployment rates and weak economic growth have continued to impact consumers' purchasing power.

In relation to the tobacco industry, there has been a noticeable increase in the illicit trade in cigarettes over the prior year. This has resulted in a reduction in the sales of legal cigarette volumes. The informal segment of the Jamaican economy which includes small businesses, self-employed individuals and participants in drug-trading and other illegal activities is estimated to be between 40% to 60% of the formal economy. Apart from the fact that revenues generated are not reported to the tax authorities, there is also an element of criminality involved since some areas of the informal economy are crime related.

Financial Results

The Company returned a creditable financial performance for the year ended March 31, 2018, delivering Operating Revenues of $12.6 billion and a Profit After Tax of $3.5 billion. Following successive years of growth and increased profitability, Operating Revenues decreased by 7.1% whilst Profit After Tax declined by 8.4%, both compared to the prior year. The current year's results were driven by the reduction in sales volumes which followed the $3 per stick or 21.4% increase in Special Consumption Tax on tobacco implemented on March 13, 2017.

The Company remains committed to maintaining a sustainable business, and in so doing, satisfying consumer moments and increasing shareholder value. The hall mark of 2018, includes the continuous investment in innovation of our core brands, Craven "A" and Matterhorn and the efficient management of our cost base.

Total Shareholder Return for FY 2017/18, which measures both the returns in the form of dividend income as well as the changes in the share price, amounted to 53.4%. This compares to 22.6% in the 2016/17 financial year, indicating growth over the prior year.

At March 31, 2018, Carreras' share price on the Jamaica Stock Exchange closed at $10.61, reflecting an upward movement over the prior year's $7.40 (restated). At the last Annual General Meeting, shareholders approved a 10:1 stock split with effect from the close of business on September 20, 2017. The share price gained 37% between the announcement of the consideration of a stock split by the Board of Directors and the immediate period that followed the split, reflecting the unquestionable confidence of shareholders in the management and future of the Company.

Market capitalization at March 31, 2018 amounted to $51.5 billion compared to $35.9 billion in the preceding year, representing an increase of 43.4%. In terms of market capitalization, Carreras continues to rank among the top ten companies on the Jamaica Stock Exchange.

Overall, the Company remains "fit for the future" having laid a solid foundation over the years – a talented, highly motivated and committed team, an exceptional portfolio of brands which remain the choice of consumers, and an excellent route to market platform.

Key performance indicators reflecting the Company's results for the 2017 /18 financial year are:

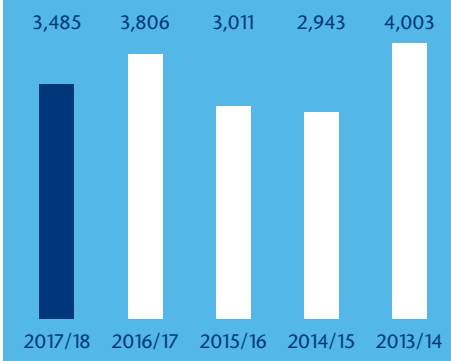
- Trading Profit Margin: 36.6% (2017: 36.5%)
- Operating Profit / Operating Revenue: 37.3% (2017: 37.3%)
- Cash generated from operations: $3.3 billion (2017: $3.3 billion)
- Earnings per stock unit: 71.8¢ (2017: 78.4¢)
- Stockholders' Return on Equity: 170.7% (2017: 178.9%)
- Distribution per stock unit: 74¢ (2017: 71¢)
- Market Capitalization: $51.5 billion (2017: $35.9 billion)

(Note: The performance indicators for the most part show improved efficiency over the prior year. As a result of the decrease in profits compared to the prior year, earnings per share and return on equity also declined.)

Profit After Tax

Profit after Tax (in millions of JMD)

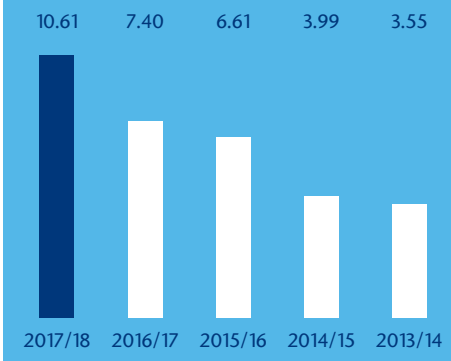
$3,485m



(Note: FY 2013/14 includes income from a non-routine transaction, being $1.79 billion representing interest income in relation to the CCJ tax case.)

Share Price

$10.61



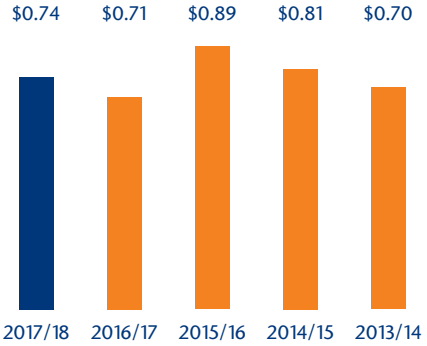
(Note: As a result of the 10:1 stock split which was effective September 20, 2017, the share price for previous years has been restated for comparison purposes. The Company's share price has shown growth, reflecting the confidence of shareholders in the management of the Company as well as the record of performance and profitability over the years.)

Dividends

The Company distributed $3.59 billion (2017: $3.45 billion) to shareholders for the 2017/18 financial year, representing a dividend of 74¢ per stock unit (2017: 71¢ per stock unit), an increase of 4% over the prior year. The current year's distribution, which represents 103% of earnings, is in line with the Company's policy of distribution of all excess cash to shareholders and reflects the continued importance of providing annual distributions to shareholders.

Dividend per share

$0.74



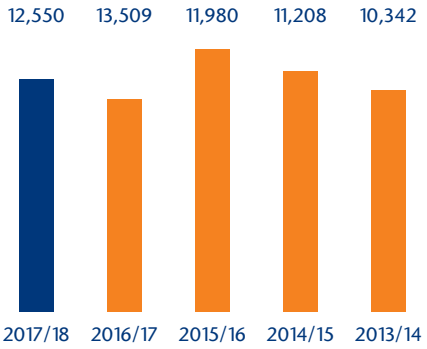
(Note: As a result of the 10:1 stock split which was effective September 20, 2017, dividend per share for previous years have been restated for comparison purposes.)

Profit and Loss Analysis

Operating Revenues

Operating Revenue (in millions of JMD)

$12,550m



Carreras Limited reported Operating Revenues of $12.6 billion for the year ended March 31, 2018. Revenue declined by $0.96 billion or 7.1% compared to the prior year; being impacted by a reduction in sales volumes consequent on consecutive years of excise increases levied by the Government. The last such increase was 21.4% implemented on March 13, 2017. This was preceded by increases in both May 2016 and in March 2015 of 16.7% and 14.3%, respectively.

There is a deep concern that the $3 per stick or 21.4% excise increase in March 2017, represented the "tipping point" for consumers. This increase has further impacted their ability to pay for legitimate brands and as such there has been a marked upsurge in the presence of illicit cigarettes. There is a direct correlation between the imposition of excessive excise increases and unintended consequences such as the growth in the illicit trade in cigarettes. Undoubtedly, the proliferation of the illicit trade in cigarettes, which increased from 19% in 2016 to 24% in 2017, has eroded our volume base.

We will continue to partner with the Government as we encourage their implementation of a sustainable excise strategy. In addition, the continued will and commitment of the authorities to stamp out the illicit trade is critical. Apart from the impact of the illicit trade in cigarettes on the legal industry, the Government stands to lose billions of dollars in revenues. Additionally, as the quality assurance processes of illicit cigarettes are compromised, they pose an even greater risk to the health of its consumers.

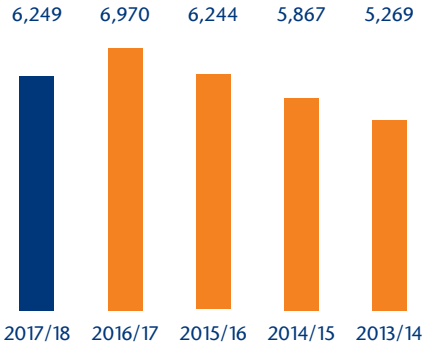
Within this context, the strength of our brands continues to be reflected in the Company's revenue performance. The Company has continued to invest in its core brands, Craven "A" and Matterhorn as well as expanding into the "Other Tobacco Products" segment of the market.

The Company remains resolute in its commitment to consumers – to be best at satisfying consumers moments in tobacco.

Cost of Operating Revenue

Cost of Operating Revenue (in millions of JMD)

$6,249m

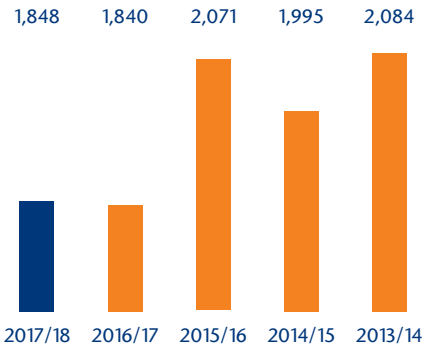


Cost of Operating Revenue which includes mainly Special Consumption Tax (SCT), Customs Administrative Fee (CAF) and product costs amounted to $6.25 billion, a 10.3% decrease compared to the $6.97 billion recorded in prior year. The decrease in the Cost of Operating Revenue is in direct correlation to the decline in operating revenues being impacted mainly by decreases in SCT and CAF. Together, these account for $602.3 million or 83.6% of the total decrease in the Cost of Operating Revenue. Product costs were also positively impacted by efficiency gains and the revaluation of the Jamaican Dollar versus the United States Dollar.

Operating Expenses

Operating Expenses (in millions of JMD)

$1,848m



The Company is proud of its record of effective cost management over the years. Within the context

of a 4% inflation rate for the 2017/18 financial year, this record was maintained as the Company's operating expenses were relatively flat compared to the prior year. Administrative, Distribution and Marketing Expenses totaled $1.85 billion for the current year (2017: $1.84 billion). Management continued to employ various cost containment and cost cutting initiatives.

Other Operating Income

Other Operating Income which is mainly comprised of interest Income, foreign exchange variances and the write back of unclaimed dividends amounted to $223.7 million in current financial year. Compared to the prior year, Other Operating Income declined by $119.2 million or 34.8%. The decline in market interest rates over the period, the revaluation of the Jamaican Dollar versus US Dollar and the reduction in investment balances are the main contributing factors for this outturn. This was reflected in the reduction in interest income over last year and also the foreign exchange losses incurred for the current financial year. Additionally, there was a reduction in the write back of unclaimed dividends compared to the prior year.

The Group continues to strategically manage its cash holdings to maximize returns from investment placements and to ensure that working capital needs are adequately covered.

Income tax

The effective tax rate for the 2017/18 financial year amounted to 24.9% slightly higher than the 24.0% recorded for 2016/17. Income tax for the period totaling $1.15 billion (2016/17: $1.20 billion) remained relatively flat compared to the prior year.

Financial Position Review

The Group's financial position remains strong and the working capital position remains healthy.

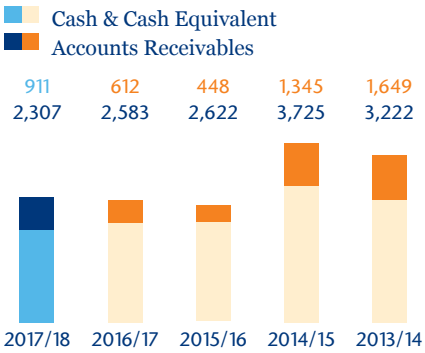
Total assets as at March 31, 2018 amounted to $3.99 billion (2016/17: $4.18 billion). Compared to the prior year, increases were noted in property, plant and equipment and accounts receivable whilst on the other hand, there was a marked reduction in inventories.

The working capital which indicates the Company's short-term liquidity position, amounts to $1.77 billion at March 31, 2018 (2017: $1.90 billion); decreasing by $132.85 million or 6.98% compared to the prior year. The current ratio at March 2018 remains strong at 2.05:1 compared to 2.07:1 at March 2017.

Cash and cash equivalents which accounted for 57.8% of the total assets, amounted to $2.31 billion as at March 31, 2018 (2017: $2.58 billion). For the year in review, the net cash provided by operating activities amounted to $3.34 billion and (net) cash utilized by investing activities, comprised of mainly fleet renewals, totaled $18.3 million.

Accounts Receivables which increased by $299 million or 48.9% compared to the prior year was driven primarily by increases in Trade Receivables. Trade Receivables totaling $863.1 million (net) increased by $320.5 million or 59.4% reflecting increased utilization of credit due to trade demand coupled with the increase in prices over prior year. The allowance for impairment losses totaled $2.7 million or 0.3% of trade receivables for the year.

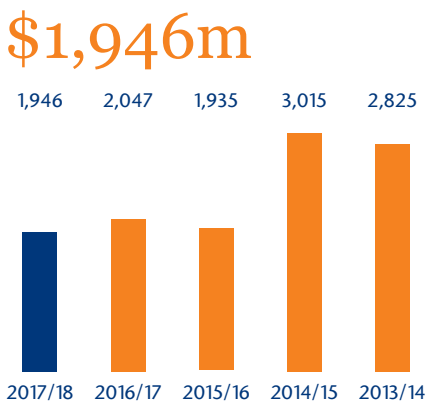
Credit Risk
(in millions of JMD)



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, 2018, the Group's credit risk resulting from receivables and cash and investments totaled $3.2 billion, similar to the prior year. Compared to the prior year, cash and cash equivalents reduced whilst accounts receivable increased. It should be noted that based on the ageing of the trade receivables, approximately 92% is current at the year end.

Management ensures that the credit and investment policies that are in place adequately addresses the counterparty risks and as in previous years, these are continually and rigorously monitored by both Management and the Board of Directors.

Total Liabilities
(in millions of JMD)



Total liabilities as at March 31, 2018 which amounted to $1.95 billion decreased by 5.0% compared to prior year. This was mainly attributable to the decrease in income tax payable consequent upon the reduction in profits.

Shareholders' Equity

Total equity which amounted to $2.0 billion, decreased by $86.7 million over the prior year. Profit for the year of $3.48 billion and distributions to shareholders totaling $3.59 billion were the main components which accounted for the change.

The Company distributed $3.59 billion (2017: $3.45 billion) to shareholders for the 2017/18 financial year, representing a dividend of 74¢ per stock unit (2017: 71¢ per stock unit), an increase of 4% over the prior year.

Marketing

Trade Marketing & Distribution

Over the years, the Trade Marketing and Distribution (TM&D) Team has developed a culture of excellence, resulting in commendable results despite an increasingly challenging operating environment. We have maintained our position as market leaders and responded swiftly and effectively to stem competition, limiting the impact on the business.

Our mettle was especially tested in 2017/2018, given the unprecedented increase in excise of over 20% which further fed the growth of the very active illicit tobacco trade. The domino effect created by high excise, illicit trade and tough socio-economic conditions negatively impacted our sales. Craven A and Matterhorn, however, remained the brands of choice for most of our consumers, providing the proven quality experience for which our brands are known and loved.

During the year, our focus remained on driving sales and unearthing organic growth opportunities to ensure that our products were able to maintain their coveted space at the top of Jamaica's Tobacco market.

To this end we leveraged our robust Route to Market (RTM) structure, complemented by a highly motivated salesforce, to ensure our products are readily available to our consumers, seeking to supply every nook and cranny with our products.

Our fitness for the course continues to show as we remain resilient, proactive and optimistic. This together with our "One Team" approach, passion and drive has enabled us to continue to win regardless of the challenges. We were therefore able to realize several key wins in 2017/2018:

Stabilized Sales Figures

After a significant fall off in our sales numbers in the first few months following the excise increase, while our consumers struggled to match their desire for a quality product with the reality of their pockets, sales rebounded and stabilized. This result is due to the undaunted and determined efforts of the TM&D Team in effectively promoting our brands.

Environment, Health and Safety (EHS) –

The introduction of a robust EHS Agenda in 2016, which saw our salesforce being exposed to defensive driving techniques through training sessions, has borne fruit as there was a major reduction in our reportable accidents. Our salesforce was more alert and ensured safety came first in the execution of their duties, which led to a decrease in the number of reportable accidents of over 50%, and positively impacted downtime and lost workdays (LWDs). The reduction in LWDs boosted the morale of the Field Force (FF) as the Company celebrated these wins and consistently reinforced that the safety and security of each team member was paramount.

Further Route to Market (RTM) Efficiencies

A critical pillar of Trade Marketing and Distribution Excellence is having a robust RTM structure. As a Company, Carreras recognizes the requirements of an ever evolving, ever changing RTM structure – one that effectively meets the needs of a dynamic operating environment. To this end, following the successful RTM implementation in 2016, we again revisited our RTM structure in 2017 and was able to further bolster our EHS Agenda, as well as the security of our team members. An extensive review was done which resulted in the expansion of our customer base, in a safe way.

Poised and Ready! Overcoming the challenges of 2017/2018 has undeniably left us poised and ready for 2018/2019. As a result, we look forward to the upcoming year with renewed hope, optimism and a ready-to-win attitude. We are confident we have the right team with the right people in the right place to make the upcoming year one of growth and achievement.

Brand Marketing

Today's business context is characterized by an environment that is volatile, uncertain, complex and largely ambiguous. Despite the prevalence of illicit competition and a discerning and evolving core consumer base, Carreras continues its winning ways by increasingly creating shareholder value driven primarily by the strong brands we have built and continue to nurture. 2017 represented a challenging but correspondingly rewarding year for Carreras. Our brands remained strong and continued to deliver remarkable results. Our consumers remain at the heart of everything we do and for 2018 we will continue to place every effort into ensuring we not only deepen our understanding of and engagement with our core consumer but that we remain relevant within every consumption moment.

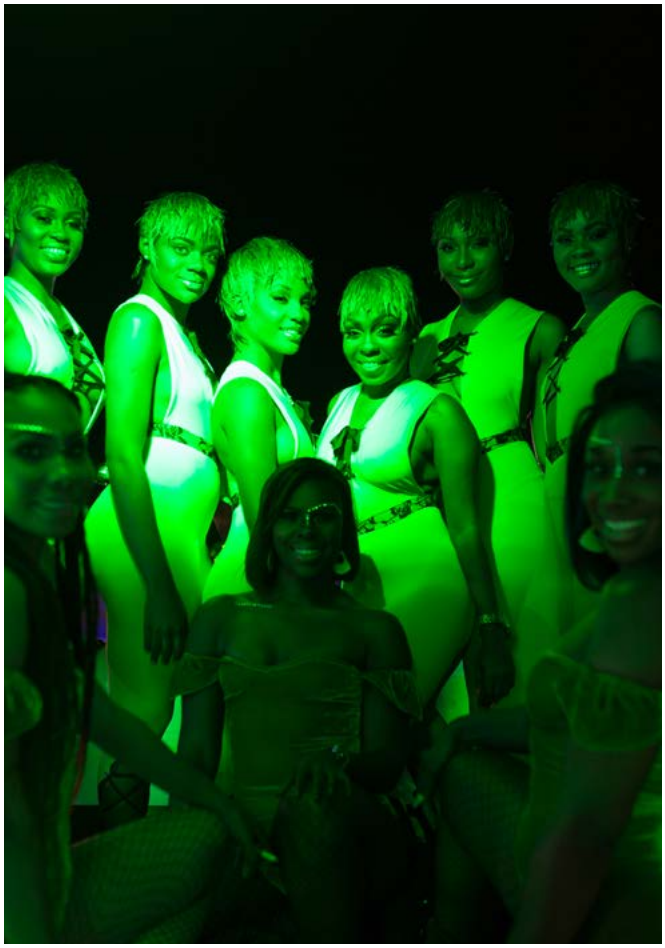
Fortifying our local beauties

Over the years much work has gone into building two truly iconic powerhouse brands. Craven "A" reigns supreme as the real robust full-flavoured product and Matterhorn stands as the undisputed menthol authority. Notwithstanding our past successes, we look boldly to the future to chart a new course for our brands to reinforce our relationship with our consumers. We will look to connect with our consumers by tapping into various elements of our cultural expressions that coincide with consumptions moments. Our partnership with Bacchanal Jamaica has allowed us to execute; creating a fresh innovative experience courtesy of the Matterhorn Family. We look toward a bold, powerful execution as we partner with the greatest reggae show on earth, Reggae Sumfest for this the 25th year celebration of the event. Craven "A" will be creating a real, authentic and potent experience for our consumers as we invite them to enter our zone and tap into the passion of everything that makes us truly Jamaican.

We will continue our investment in further understanding and communicating with our consumers. We recognize that to stay relevant and top of mind for our evolving consumer base we must not only speak their lingua and understand their current lifestyle and consumption dynamics; but also anticipate and proactively meet consumers in the future expressions of their needs. We will be embarking on the crafting of a brand architecture for our two most important brands, through the building of robust brand codes for each. The brand codes will encompass all aspects of our brands' identity and will impact the look and feel, innovation pipeline and style of communication of our brands. All this, to ensure that we stay in touch with our main reason to exist; our consumer.

Reshaping our portfolio destination

To coincide with our efforts to strengthen our main brands, we recognize the need to ensure that we have a complete, balanced and fit for purpose product portfolio. Being mindful of the fact that our consumers are faced with varying choices to include lower priced and even illicit competition, we have seen fit to have an appropriate commercial response. We will seek to address affordability concerns and build a portfolio offering good quality to match all our consumers' socioeconomic realities. Whilst, seeking to assure our continued strong value creation for our shareholders, we will look to defend our core consumer base from competitive threats and ensure that there is a Carreras product to meet the need of every adult consumer of the category.



Expanding understanding and reach of Fyah Grabba

Grabba represents a key opportunity area within the local tobacco marketplace. As leaders within the industry, we have embarked on a journey to better understand and foray into this consumption space. In September 2017, we launched our offering, Fyah Grabba which is a first of its kind within, our parent Company, BAT's repertoire. So far it has been early days and we are taking this opportunity to better understand the space, consumer preferences and consumption dynamics so we can continue to improve the product to meet the demands of our consumers.

Activating in Trade and engaging Consumers

Now more than ever, it is particularly important to draw near to our consumers. For our brands to remain top of mind and the primary choice of our consumers, we must meet them in all spaces and situations of consumption. We commit to deepen our penetration of the core consumption moments and will be activating and engaging with our consumers at events and in the Inner-city spaces to ensure we remain the referent brand. Much of our focus will be on rewarding consumer loyalty and reinforcing the reason to choose our brands. Wherever our consumers are, we will be.

Carreras' brands have a rich heritage of quality, consistency and delivering satisfaction. Our mandate is to ensure that we continue to understand consumers and meet their needs, by strengthening our value equation and remaining relevant. We remain steadfast in our drive to engage in consumption moments and build brands which have an enduring legacy to drive future growth. Brands reminiscent of yesterday, relevant for today and shaped for tomorrow...

Legal and External Affairs

The Regulatory Environment

During the year, the Minister of Health continued to make pronouncements on the Government's intention to introduce comprehensive tobacco control legislation that will prohibit tobacco advertising, promotions and sponsorships, as well as measures to regulate the price and taxation of tobacco products. As a responsible tobacco company, Carreras remains unopposed to tobacco control regulations, and we fully understand the Government's commitment to enacting tobacco control measures as a signatory to the Framework Convention on Tobacco Control (FCTC). We however continued to emphasize publicly, and in our engagement with the Government, that some of the proposed measures announced, if not carefully considered and crafted, will only serve to add greater fuel to the sustenance and expansion of the illicit trade in cigarettes which will then stymie efforts to regulate the product. As such, any regulations introduced, must be balanced and practical, and should recognize the legitimate commercial right of the legal tobacco industry, as well as the decision taken by adult consumers to consume a legal product, whilst meeting the Government's public health objectives.

As we await the introduction of these regulations, the Company continued to observe its own internal code of conduct and self-regulations that guided the responsible marketing and distribution of our products to adult consumers who have taken an informed decision to consume our brands. We also continued to be fully compliant with the Public Health Tobacco Control Regulations which require the graphic health warnings on our cigarette packs and observing the public place indoor smoking ban among other things.

Tobacco Excise

Excessive tobacco taxation continues to pose a threat to the sustainability of the legal tobacco industry and the decline in sales volumes during the year following the implementation of the $3 increase in the Special Consumption Tax on cigarettes in March 2017, and the corresponding increase in the incidence of illicit cigarettes, clearly demonstrated the negative consequences of these excise hikes. The current reality is that after years of successive and excessive levels of increase in tobacco excise, there has been an exponential increase in the presence of illegal cigarettes and a dramatic decline in legal cigarette volumes. In just under 10 years, the legal market has declined significantly, with the volumes lost going directly to the illicit trade. Within this period as well, the Government has been getting significantly less revenues from a declining legal market, and for the 2017/18 fiscal year, not only did the Government not meet the expected revenue target from the excise increase, but revenues from tobacco taxation also declined versus the prior year.

As a result, we continued our engagement with the

Government in highlighting that we are now at a definitive point, where any further increases will result in a precipitous decline in revenues from tobacco, contrary to the view that heavy taxation will bring in greater revenue. We therefore remain willing and ready to give our support in the crafting of a practical excise strategy that will ensure the sustainability of both ours and the Government's revenues for years to come.

The Illicit Trade

The illegal cigarette trade remains as a resilient competitor to the legitimate tobacco industry in Jamaica, fuelled by the frequent and excessive excise increases which have resulted in the prices of legitimate cigarette brands being significantly higher and therefore unable to compete with the prices of illicit brands that evade payment of these taxes. During the year, Illicit cigarettes accounted for almost 25% of the market, resulting in the Government losing billions of dollars in revenues.

We therefore continued to impress upon the Government, that a critical part of the solution in fighting this illegal trade is the adoption of a sustainable excise policy that ensures reasonable levels and timing of excise increases. We also strongly advocated for the Government's vigorous pursuit of the following measures towards stemming the influx and growth of illicit cigarettes in the market:

i. The implementation of stronger border and port monitoring and protection mechanisms.

ii. A review of the monitoring and enforcement process to ensure the payment of taxes by all tobacco players.

iii. Pursue and bring to justice those persons involved in the illicit trade.

iv. Fines, penalties and sanctions reform for dealing in and being caught with illicit cigarettes.

v. Greater enforcement within the marketplace.

We are encouraged by the ongoing enforcement activities of the police, specifically the Counter Terrorism and Organized Crime Investigation Branch (C-TOC) and other relevant agencies, and will continue to provide all the support that we possibly can to the Government in stemming this illegal activity. Our anti-illicit trade media and trade communication campaigns executed throughout the year continues to help raise awareness of the issue, and in identifying and detecting the illegal brands, among the authorities, our trade partners and the general public. We also want to commend Crime Stop Jamaica for their own illegal cigarette trade awareness and anonymous tipping campaign which certainly gave greater visibility of the issue and encouraged the use of that channel to help in the fight against illicit cigarettes.

Some of Carreras' 2017 Scholarship Awardees pose with Managing Director, Marcus Steele (seated, centre, front).

Corporate Social Responsibility

Our corporate social responsibility (CSR) report for 2017/2018 reflects our efforts to inspire and empower people while addressing critical challenges like poverty, crime prevention and inaccessibility to education. Through constant assessment of our CSR framework, each year we are able to prioritize issues and better align our business to society's needs and evolve our CSR strategies and programmes.

Carreras has a rich history of contribution to education for over 50 years, beginning with the first postgraduate scholarship in 1967. This year we continued that tradition by awarding 43 scholarships from a pool of over 300 applicants.

These awards were as follows

- 14 Bursaries
- 3 SEEK scholarships
- 7 Teacher's College scholarships
- 7 scholarships tenable at community colleges, the College of Agriculture, Science and Education
- 4 Edna Manley College of the Visual and Performing Arts
- 7 HOPE scholarships, to the children of officers who have passed on from the Jamaica Defense Force, the Jamaica Constabulary Force and the Jamaican Federation of Corrections
- 1 Post Graduate Scholarship 2017-2019

Our contribution to the communities in which we live and work has been consistently embraced by our employees who have caught the Company's vision of goodwill and good corporate citizenship. As a result, through our 'Volunteers for Jamaica' staff volunteerism programme, they continued to join in the Company's initiatives on enhancing civic life and economic empowerment.

Our support for the community is also demonstrated by our significant support of non-profits. By partnering with these organizations we are able to create long-term positive change, while shaping and extending the reach of our CSR programme. All of our work is underpinned by our culture of integrity and we hope to inspire other organizations to embrace good corporate citizenship and become catalysts of change.

Ashleigh Arnold, Legal & External Affairs Manager receiving the United Way Jupiter Award for Corporate Social Responsibility from Ian Forbes, Chairman of United way of Jamaica. Carreras has been receiving this award since 2011.

Human **Resources**

Another year marked by changes across the organization including our reporting into the new SANCAR (South America North and the Caribbean) cluster, and the HR function continues to evolve in tandem with these changes. We have successfully become more aligned as a Business Partner to Senior Management and all business functions. Key to this role change has been the continued focus on developing and executing human resource strategy in support of the overall business plan and strategic direction of the organization, specifically in the areas of succession planning, talent branding and management, change management, organizational and performance management, training and development, and compensation.

The ability to retain, motivate, develop, and continue to attract employees with the requisite skills and experience continues to be high on our list of priorities to overcome any challenges that may present itself in the business, while making the most of all opportunities that we have. This will help to shape a better Carreras and will foster employees' engagement and motivation throughout the process. It is therefore our aim, through this report, to provide transparency on our employee metrics and how we are translating our strategic priorities into action to achieve the foregoing.

Building the capabilities of Managers and Staff

The proper management of our Human Resource plays a key role in securing the future success of Carreras Limited. Creating an environment where employees can thrive and are enabled to deliver sustainable organizational performance will positively impact current and future business results. Enabling employees to develop the skills necessary to take up new roles within the organization, thereby allowing staff to have a more diverse and fulfilling career, is one such indicator.

Investing in skills and accelerating employees' professional and personal development are essential components in our overarching people agenda. During the year, our investment in talent saw four (4) of our team members occupying Area Roles within the new SANCAR Cluster such as Senior Planning & Reporting Coordinator, Caribbean Brands Manager, Caribbean Business Development Manager and Caribbean Business Development Executive.

Our investment is also reflected in our holistic approach to leadership development, which includes a refocused effort that helps to develop and nurture future leaders. To help managers settle into and grow into their roles we executed training across our Management core in key areas including: Leading Teams, Leading Managers and Adding Shareholder Value. We are pleased to report that 83% of our management core were trained

Talent and leadership capabilities development activities are aligned to three priorities: Building leadership capabilities, developing future leaders and promoting continual professional and personal development for all employees.

83% *Management Core Trained*

Our People Climate Survey – "Your Voice"

In June 2017 we executed our People Climate Survey to assess levels of commitment and engagement in our organization. The survey provided a detailed understanding of how employees experience the Company and their immediate working environment, as well as how they engage with their managers and peers by looking at twelve (12) distinct categories. We had a 99% participation rate in the execution of the survey which was an increase of 26% from our last survey in 2014.

Results vs Americas: BATCCA: Jamaica 2014

12 Out Of 12 Categories Have Improved

Most Improved

Communications 31*

Diversity & Inclusion 30*

Leadership & Strategy 28*

	Americas: BATCCA: Jamaica 2014	Americas: BATCCA: Carib. 2017
93 Sustainable Engagement index	⋀ 5	⋀ 5
91 High Performance Index	⋀ 13*	⋀ 7

Team members pose for a picture following the "What's Up" Staff Meeting.

The results were very positive and reflected improvement in 12 out of 12 categories which were assessed. It also showed improvement of 5 and 13 points respectively in the two-main indices over the last survey conducted in 2014 – the Sustainable Engagement Index and High Performance Index.

All permanent employees who had surpassed their probationary period were invited to participate in this survey.

Fit for Purpose Organizational Design

In February 2018, we executed a revised Route to Market (RTM) structure to ensure we are evolving as required but also building our RTM capabilities with respect to speed and scale, availability, security, efficiency, and effectiveness. This exercise enabled us to leverage the skills and experience already available within the Company and we effected ten (10) promotions by this change, with the introduction of smaller sales vans to be utilized in the Trade for distribution purposes.

The new structure also saw the introduction of two additional management roles to our complement to ensure effective supervision and succession planning.

A Reward System Aligned to Evolving Requirements – Linking Compensation with Performance

Compensation plays an integral role in the successful delivery of our Company's strategic objectives. The cornerstone of this is the concept of pay for performance, with due consideration of market factors and other Key Performance Indicators. As our organisation seeks to align to evolving external and internal expectations, reward structures are regularly reviewed and changed as needed. All changes are communicated in our staff General Meetings, dubbed the "What's Up" meeting, to allow for greater transparency in compensation decisions.

Carreras Limited historically established a close link between employees' compensation and their performance and results across our Region, Area and End Market. A revised compensation framework was rolled out last year to better align pay with performances and drive sustainable performance, which linked all staff, except the Leadership Team, to 100% End Market results which provided clear guidance to the team on anticipated disbursement based on overall performance.

As we continue to build on our pay for performance platform, we continue to monitor and align the weights assigned to each of the key metrics that we use as benchmarks to measure our performance. Key metrics such as volume target, Net Turnover, Cash Flow, Underlying Operating Profit weigh heavily as a consideration for overall performance.

Enabling Strategy while Increasing Engagement and Commitment

Our Strategic Leadership Agenda (SLA) continues to be the foundation on which we continue to grow and achieve success year over year. Annually, this SLA becomes our road map for the successful roll-out of the British American Tobacco (BAT) Line of Sight (LoS) throughout our global organization, by Region, Area and End Market. This year was no different with the entire Carreras team, participating in a weekend of strategic planning, fun and shared achievements. We were able to delve into key priorities by function, enjoy numerous teambuilding

Finance Director, Janene Shaw (Centre) with team members

exercises and we even found some time to enjoy some Karaoke as well. Our team left feeling aligned as to what our key priorities and deliverables for the year would be, engaged and energised as a winning organization with one team and one shared vision.

We also continued to give focus throughout the year to not only past employees at our Annual Pensioners' Luncheon, but also to give recognition to our current employees at various functions including our Staff Party, bi-annual Sales Awards, annual Christmas Breakfast and Long Service Awards. This year we recognized twelve (12) of our employees with Long Service Awards, recognizing 5, 10, 15 and 25 years of service to Carreras Limited. This Recognition Service honoured approximately 12% of our overall complement for their dedication, service and commitment to Carreras Limited. We also reintroduced our Managing Directors Award, which recognized our team member, Mr. Kenrick Layton, as the 2017 recipient for his hard work, resilience, flexibility and fortitude.

Our 2018 Focus:

Notwithstanding the many wins we had in 2017, that continue to epitomize Carreras as a winning organization, we have set out the following key focus areas of priority in 2018 to ensure continued success:

- The benefits to be gained from the Aurora platform, as an employee self-service enabled tool - to lessen the transactional workload of the local HR team.
- Building on our Talent Branding Platform, which recognizes the acquisition and retention of talent as a competitive advantage and key to our continued success.
- Monitoring and exercising our due diligence as it relates to our total rewards package, to ensure we can continue to attract and retain key talent.
- Continued focus on training and development to build capabilities and competencies in an evolving operating environment.
- A strong focus on Strategic Business Partnering for continued alignment and more proactive responses to a rapidly changing business.

Managing Director Marcus Steele, with members of the finance team at the 2017 Strategic Leadership Agenda Roll-out in Montego Bay

INTEGRITY

CARRERAS LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2018

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
CARRERAS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Carreras Limited ("the company") comprising the separate financial statements of the company and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 51 to 90, which comprise the group's and company's statement of financial position as at March 31, 2018, the group's and 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 significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as at March 31, 2018, and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

To the Members of
CARRERAS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Carrying amount of trade receivables

Key audit matter

The group has a significant concentration of credit risk with large credit customers with material balances both individually and in aggregate, which account for 78% of trade receivables at the reporting date.

Recoverability of trade receivables is assessed as a key audit matter as the carrying value may not be recoverable due to changes in the business and economic environment in which these specific customers operate. There is judgment involved in determining the levels of allowance for impairment on these balances, because of the inherent uncertainty involved in estimating the timing and amount of future collections.

How the matter was addressed in our audit

Our audit procedures in response to this matter, included:

- Testing manual and automated controls over the recording of trade receivables, collections and the ageing of invoices. Our testing of automated controls involved using our own Information Technology Audit specialist to test the design, implementation and operating effectiveness of automated controls.
- Testing subsequent receipts for selected customer accounts.
- Conducting discussions with the credit and finance officers regarding customers experiencing financial difficulties, if any, and corroborating by review of minutes of meetings of the credit committee and detailed receivable listings for subsequent periods.
- Evaluating the adequacy of the group's allowance for impairment recognized in respect of the trade receivables by assessing management's assumptions. We also considered the adequacy of the group's disclosures about the degree of estimation involved in arriving at the allowance.

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
CARRERAS LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
CARRERAS LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 49 to 50, forms part of our auditors' report.

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.

The engagement partner on the audit resulting in this independent auditors' report is R. Tarun Handa.

KPMG

CHARTERED ACCOUNTANTS
Kingston, Jamaica

May 25, 2018

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
CARRERAS LIMITED

Appendix to the Independent Auditors' report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Appendix to the Independent Auditors' report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Group Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2018

	Notes	2018 $'000	2017 $'000
Operating revenue	3	12,550,132	13,509,228
Cost of operating revenue	4	(6,249,282)	(6,969,933)
Gross operating profit		6,300,850	6,539,295
Other operating income	5	223,721	342,922
		6,524,571	6,882,217
Administrative, distribution and marketing expenses	6	(1,847,945)	(1,840,028)
Employee benefits expense	9(i)(d),9(ii)(c)	(39,300)	(32,300)
		(1,887,245)	(1,872,328)
Profit before income tax		4,637,326	5,009,889
Income tax	7(a)	(1,152,696)	(1,203,567)
Profit for the year		3,484,630	3,806,322
Other comprehensive income/(loss)			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	9(i)(e)	(186,700)	(453,900)
Remeasurement gain on plan assets	9(i)(e)	317,000	413,200
Remeasurement (loss)/gain on obligation	9(i)(e),9(ii)(d)	(101,600)	33,200
Income tax on other comprehensive income	15(b)	(7,761)	344
Other comprehensive income/(losses), net of tax		20,939	(7,156)
Total comprehensive income for the year		3,505,569	3,799,166
Profit attributable to:			
Non-controlling interests		34	89
Stockholders' interests in parent	8	3,484,596	3,806,233
		3,484,630	3,806,322
Total comprehensive income attributable to:			
Non-controlling interests		34	89
Stockholders' interests in parent		3,505,535	3,799,077
		3,505,569	3,799,166
Earnings per ordinary stock unit	8	71.8¢	78.4¢

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

Group Statement of Financial Position

March 31, 2018

	Notes	2018 $'000	2017 $'000
Assets			
Deferred tax asset	15	6,916	-
Employee benefits asset	9(i)(a)	181,900	200,800
Property, plant and equipment	10	337,251	300,150
Non-current assets		526,067	500,950
Cash and cash equivalents	11	2,306,972	2,582,542
Accounts receivable	12	910,995	611,992
Income tax recoverable		10,957	8,496
Inventories	22(f)	233,179	472,718
Current assets		3,462,103	3,675,748
Total assets		3,988,170	4,176,698
Equity			
Share capital	13	121,360	121,360
Unappropriated profits		1,920,034	2,006,755
Total attributable to stockholders of the parent		2,041,394	2,128,115
Non-controlling interests	22(b)	1,275	1,241
Total equity		2,042,669	2,129,356
Liabilities			
Deferred tax liability	15	-	1,049
Employee benefits obligation	9(ii)(a)	253,800	273,800
Non-current liabilities		253,800	274,849
Accounts payable	16	840,442	796,181
Income tax payable		851,259	976,312
Current liabilities		1,691,701	1,772,493
Total liabilities		1,945,501	2,047,342
Total equity and liabilities		3,988,170	4,176,698

The financial statements on pages 51 to 90, were approved for issue by the Board of Directors on May 25, 2018, and signed on its behalf by:

Director
Michael G. Bernard

Director
Marcus B. Steele

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

Group Statement of Changes in Equity

Year ended March 31, 2018

	Share capital (note 13) $'000	Unappropriated profits $'000
Balances at March 31, 2016	121,360	1,631,980
Profit for the year	-	3,806,233
Remeasurement of employee benefit assets and obligation, net of taxes	-	(5,625)
Transfers	-	22,322
Deferred tax on reserves of subsidiary in liquidation	-	(1,531)
Total comprehensive income for the year	-	3,821,399
Transactions with owners		
Dividends and distributions (note 19)	-	(3,446,624)
Balances at March 31, 2017	121,360	2,006,755
Profit for the year	-	3,484,596
Remeasurement of employee benefit assets and obligation, net of taxes	-	21,525
Deferred tax on reserves of subsidiary in liquidation	-	(586)
Total comprehensive income for the year	-	3,505,535
Transactions with owners		
Dividends and distributions (note 19)	-	(3,592,256)
Balances at March 31, 2018	121,360	1,920,034

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

Capital reserves (note 14) $'000	Total attributable to stockholders $'000	Non-controlling interests [note 22(b)] $'000	Total $'000
22,322	1,775,662	1,152	1,776,814
-	3,806,233	89	3,806,322
-	(5,625)	-	(5,625)
(22,322)	-	-	-
-	(1,531)	-	(1,531)
(22,322)	3,799,077	89	3,799,166
-	(3,446,624)	-	(3,446,624)
-	2,128,115	1,241	2,129,356
-	3,484,596	34	3,484,630
-	21,525	-	21,525
-	(586)	-	(586)
-	3,505,535	34	3,505,569
	(3,592,256)	-	(3,592,256)
-	2,041,394	1,275	2,042,669

Group Statement of Cash Flows

Year ended March 31, 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit for the year		3,484,630	3,806,322
Adjustments for:			
Depreciation	10	77,084	57,407
Employee benefits		27,600	15,000
Income tax expense	7(a)	1,152,696	1,203,567
Foreign exchange loss/(gain)	5	7,632	(52,202)
Gain on disposal of property, plant and equipment	5	(7,186)	(14,195)
Investment income earned	5	(89,326)	(108,262)
		4,653,130	4,907,637
Changes in:			
Accounts receivable		(298,362)	(163,198)
Inventories		239,539	(251,839)
Accounts payable		44,261	(338,882)
Cash generated from operations		4,638,568	4,153,718
Income tax paid		(1,295,936)	(799,497)
Net cash provided by operating activities		3,342,632	3,354,221
Cash flows from investing activities			
Investment income received		88,685	107,473
Additions to property, plant and equipment	10	(114,275)	(122,246)
Proceeds of disposal of property, plant and equipment		7,276	15,369
Net cash (used)/provided by investing activities		(18,314)	596
Cash flows from financing activity			
Dividends paid, being net cash used by financing activity	19	(3,592,256)	(3,446,624)
Net decrease in cash and cash equivalents before effect of foreign exchange rate changes		(267,938)	(91,807)
Effect of exchange rate changes on cash and cash equivalents		(7,632)	52,202
Cash and cash equivalents at beginning of year		2,582,542	2,622,147
Cash and cash equivalents at end of year	11	2,306,972	2,582,542

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, 2018

	Notes	2018 $'000	2017 $'000
Operating revenue	3	12,550,132	13,509,228
Cost of operating revenue	4	(6,249,282)	(6,969,933)
Gross operating profit		6,300,850	6,539,295
Other operating income	5	201,017	350,616
		6,501,867	6,889,911
Administrative, distribution and marketing expenses	6	(1,842,089)	(1,845,419)
Employee benefits expense	9(i)(d),(ii)(c)	(39,300)	(32,300)
Profit before income tax		4,620,478	5,012,192
Income tax	7(d)	(1,148,729)	(1,201,832)
Profit for the year		3,471,749	3,810,360
Other comprehensive income/(loss)			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	9(i)(e)	(186,700)	(453,900)
Remeasurement gain on plan assets	9(i)(e)	317,000	413,200
Remeasurement (loss)/gain on obligation	9(i)(e),9(ii)(d)	(101,600)	33,200
Income tax on other comprehensive income	15(b)	(7,175)	1,875
Other comprehensive income/(losses), net of tax		21,525	(5,625)
Total comprehensive income for the year		3,493,274	3,804,735

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

Company Statement of Financial Position

March 31, 2018

	Notes	2018 $'000	2017 $'000
Assets			
Deferred tax asset	15	32,774	27,385
Employee benefits asset	9(i)(a)	181,900	200,800
Property, plant and equipment	10	337,251	300,150
Investment in subsidiaries	20	206,294	206,294
Non-current assets		758,219	734,629
Cash and cash equivalents	11	1,645,920	1,939,246
Accounts receivable	12	910,050	612,292
Inventories	22(f)	233,179	472,718
Current assets		2,789,149	3,024,256
Total assets		3,547,368	3,758,885
Equity			
Share capital	13	121,360	121,360
Unappropriated profits		1,512,813	1,611,795
Total equity		1,634,173	1,733,155
Liabilities			
Employee benefits obligation	9(ii)(a)	253,800	273,800
Non-current liability		253,800	273,800
Accounts payable	16	828,662	789,047
Income tax payable		830,733	962,883
Current liabilities		1,659,395	1,751,930
Total liabilities		1,913,195	2,025,730
Total equity and liabilities		3,547,368	3,758,885

The financial statements on pages 51 to 90, were approved for issue by the Board of Directors on May 25, 2018, and signed on its behalf by:

Director
Michael G. Bernard

Director
Marcus B. Steele

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

Company Statement of Changes in Equity

Year ended March 31, 2018

	Share capital (note 13) $'000	Unappropriated profits $'000	Capital reserves (note 14) $'000	Total $'000
Balances at March 31, 2016	121,360	1,231,362	22,322	1,375,044
Profit for the year	-	3,810,360	-	3,810,360
Transfers	-	22,322	(22,322)	-
Remeasurement of employee benefit asset and obligation, net of taxes	-	(5,625)	-	(5,625)
Total comprehensive income for the year	-	3,827,057	(22,322)	3,804,735
Dividends paid (note 19), being total transactions with owners	-	(3,446,624)	-	(3,446,624)
Balances at March 31, 2017	121,360	1,611,795	-	1,733,155
Profit for the year	-	3,471,749	-	3,471,749
Remeasurement of employee benefit asset and obligation, net of taxes	-	21,525	-	21,525
Total comprehensive income for the year	-	3,493,274	-	3,493,274
Dividends paid (note 19), being total transactions with owners	-	(3,592,256)	-	(3,592,256)
Balances at March 31, 2018	121,360	1,512,813	-	1,634,173

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

Company Statement of Cash Flows

Year ended March 31, 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit for the year		3,471,749	3,810,360
Adjustments for:			
Depreciation	10	77,084	57,407
Employee benefits		27,600	15,000
Gain on disposal of property, plant and equipment	5	(7,186)	(7,158)
Foreign exchange loss/(gain)		17,686	(27,248)
Income tax expense	7(d)	1,148,729	1,201,832
Investment income earned	5	(76,676)	(95,340)
		4,658,986	4,954,853
Changes in:			
Accounts receivable		(298,506)	(163,500)
Inventories		239,539	(251,839)
Accounts payable		39,615	(384,231)
Cash generated from operations		4,639,634	4,155,283
Income tax paid		(1,293,443)	(796,183)
Net cash provided by operating activities		3,346,191	3,359,100
Cash flows from investing activities			
Investment income received		77,424	94,551
Additions to property, plant and equipment	10	(114,275)	(122,246)
Proceeds from disposal of property, plant and equipment		7,276	15,369
Net cash used by investing activities		(29,575)	(12,326)
Cash flows from financing activity			
Dividends paid, being net cash used by financing activity	19	(3,592,256)	(3,446,624)
Net decrease in cash and cash equivalents before effect of foreign exchange rate changes		(275,640)	(99,850)
Effect of exchange rate changes on cash and cash equivalents		(17,686)	27,248
Cash and cash equivalents at beginning of year		1,939,246	2,011,848
Cash and cash equivalents at end of year	11	1,645,920	1,939,246

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

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 22.

(b) Basis of measurement and functional currency:

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 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 22(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.

Notes to the Financial Statements (Continued)

March 31, 2018

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

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

- Allowance for impairment losses [see notes 12 and 22(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 amounts 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 $5,417,449,000 (2017: $5,906,598,000).

4. **Cost of operating revenue**

	The Group and the Company	
	2018	2017
	$'000	$'000
Special consumption tax	5,417,449	5,906,598
Customs administration fee	321,200	434,410
Material and related costs	510,633	628,925
	6,249,282	6,969,933

5. **Other operating income**

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Interest income	89,326	108,262	76,676	95,340
Exchange (loss)/gains	(7,632)	52,202	(17,686)	27,248
Gain on disposal of property, plant and equipment	7,186	14,195	7,186	7,158
Intra-group distributions, net	-	-	-	53,000
Unclaimed dividends written back (note 16)	17,710	108,435	17,710	108,435
Miscellaneous income	117,131	59,828	117,131	59,435
	223,721	342,922	201,017	350,616

6. **Expense by Nature:**

(a) Administrative Expenses:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Staff costs	151,945	163,423	151,945	163,423
Directors' fees	8,435	9,945	8,435	9,945
Depreciation	24,376	17,976	24,376	17,976
Auditors' remuneration	7,670	7,300	7,670	7,300
Occupancy costs	46,776	39,759	46,776	39,759
Transportation, travel and entertainment	52,324	57,936	52,324	57,936
Security	17,480	22,951	17,480	22,951
Insurance	21,792	24,686	21,792	24,686
Legal, professional and consultancy fees	61,154	55,282	55,646	54,076
Technical and advisory fees	123,406	93,074	123,406	93,074
Business support services	324,034	302,104	324,034	302,104
Shared service centre	35,010	88,890	35,010	88,890
Information technology	108,260	107,053	108,260	107,053
Bank charges	13,914	11,447	13,847	11,408
Public relations	54,526	36,260	54,526	36,260
Other expenses	35,436	32,526	35,155	39,162
	1,086,538	1,070,612	1,080,682	1,076,003

(b) Distribution expenses:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Staff costs	312,758	332,070	312,758	332,070
Depreciation	52,708	39,431	52,708	39,431
Occupancy costs	45,294	44,848	45,294	44,848
Transportation and travel	108,192	100,840	108,192	100,840
Repairs and maintenance	7,063	4,170	7,063	4,170
Security	57,455	57,360	57,455	57,360
Insurance	2,953	3,606	2,953	3,606
Legal, professional and consultancy fees	24,782	18,288	24,782	18,288
Information technology	15,597	17,402	15,597	17,402
Other expenses	6,853	3,597	6,853	3,597
	633,655	621,612	633,655	621,612

(c) Marketing expenses:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Sponsorship	76,204	98,189	76,204	98,189
Promotions	38,837	27,323	38,837	27,323
Product development	12,711	22,292	12,711	22,292
	127,752	147,804	127,752	147,804
Total administrative, distribution and marketing expenses	1,847,945	1,840,028	1,842,089	1,845,419

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:

	2018 $'000	2017 $'000
Current:		
Provision for charge on current year's profit	1,168,422	1,235,260
Prior years' over provision	-	(21,030)
	1,168,422	1,214,230
Deferred:		
Origination and reversal of temporary differences [note 15(b)]	(15,726)	(10,663)
Income tax expense for the year	1,152,696	1,203,567

(b) Reconciliation of actual tax charge and effective tax rate:

	2018 $'000	2017 $'000
Profit before income tax	4,637,326	5,009,889
Computed "expected" tax charge at 25%	1,159,332	1,252,472
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	7,353	1,628
Foreign exchange gains	(5,808)	(352)
Adjustment in respect of prior years' provision	-	(21,030)
Effect of income taxed at other than standard rate	(6,571)	(28,899)
Other adjustments	(1,610)	(252)
Actual tax charge	1,152,696	1,203,567
Effective tax rate	24.86%	24.02%

(c) At March 31, 2018, taxation losses in subsidiaries, subject to agreement by Tax Administration Jamaica, amounted to approximately $777,478,000 (2017: $777,478,000). 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:

	2018 $'000	2017 $'000
Current:		
Provision for charge on current year's profit	1,161,293	1,224,844
Prior years' over provision	-	(12,759)
	1,161,293	1,212,085
Deferred:		
Origination and reversal of temporary differences [note 15(b)]	(12,564)	(10,253)
Income tax expense for the year	1,148,729	1,201,832

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

The Company (cont'd):

(e) Reconciliation of actual tax charge and effective tax rate:

	2018 $'000	2017 $'000
Profit before income tax	4,620,478	5,012,192
Computed "expected" tax charge at 25%	1,155,120	1,253,048
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	7,353	1,628
Foreign exchange gains	(2,693)	(352)
Adjustment in respect of prior years' provision	-	(12,759)
Effect of income taxed at other than standard rate	(6,224)	(42,149)
Other adjustments	(4,827)	2,416
Actual tax charge	1,148,729	1,201,832
Effective tax rate	24.86%	23.98%

8. **Earnings per ordinary stock unit**

Earnings per ordinary stock unit is calculated as follows:

	2018	Restated 2017
Profit for the year attributable to stockholders	3,484,596,000	3,806,233,000
Ordinary stock units in issue	4,854,400,000	4,854,400,000
Earnings per stock unit	71.8¢	78.4¢

The issued number of ordinary stock units in the prior period has been restated for comparison purposes due to 10-for-1 stock split, which was effective September 20, 2017 (see note 13).

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	
	2018	2017
	$'000	$'000
Pension benefits	(181,900)	(200,800)
Post employment health and group life insurance benefit	253,800	273,800

The amounts recognised are computed as follows:

(i) Pension benefits:

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

	The Group and the Company	
	2018	2017
	$'000	$'000
Present value of funded obligations	3,486,600	3,205,600
Fair value of plan assets	(5,518,400)	(4,925,300)
Present value of net obligations	(2,031,800)	(1,719,700)
Unrecognised amount due to limitation	1,849,900	1,518,900
Asset recognised in statement of financial position	(181,900)	(200,800)

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

	The Group and the Company	
	2018	2017
	$'000	$'000
Net asset at beginning of the year	(200,800)	(168,200)
Contributions paid	(3,100)	(3,100)
Expense/(income) recognised in the statement of profit or loss and other comprehensive income	22,000	(29,500)
Net asset at end of the year	(181,900)	(200,800)

(c) Movements in plan assets:

	The Group and the Company	
	2018	2017
	$'000	$'000
Fair value of plan assets at beginning of the year	4,925,300	4,338,400
Interest income on plan assets	459,200	381,100
Contributions paid	7,700	7,000
Benefits paid	(190,800)	(214,400)
Remeasurement gain on assets	317,000	413,200
Fair value of plan assets at end of the year	5,518,400	4,925,300

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	
	2018	2017
	$'000	$'000
Plan assets consist of the following:		
Equities	1,839,800	1,420,200
Pooled pension investments	938,900	2,681,800
Real property	589,100	561,900
Resale agreements	471,100	20,000
Government and corporate bonds	1,584,900	152,400
Net current assets	94,600	89,000
	5,518,400	4,925,300

(d) Expense recognised in profit for the year:

	The Group and the Company	
	2018	2017
	$'000	$'000
Current service costs	14,900	19,000
Interest cost on obligation	297,800	279,800
Interest income on assets	(459,200)	(381,100)
Interest on effect of asset ceiling	144,300	87,900
Gain on curtailments and settlements	(5,600)	-
Administrative expenses	14,400	-
	6,600	5,600

(e) Remeasurements recognised in other comprehensive income:

	2018	2017
	$'000	$'000
Change in effect of asset ceiling	186,700	453,900
Remeasurement gain on plan assets	(317,000)	(413,200)
Remeasurement loss/(gain) on obligation	145,700	(75,800)
	15,400	(35,100)

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

	2018	2017
	%	%
Discount rate	7.50	9.50
Future salary increases	5.50	7.50
Future pension increases	4.50	6.00

Assumptions regarding future mortality are based on GAM 94 Tables with ages reduced by five years (2017: five years).

At March 31, 2018, the weighted average duration of the defined benefit obligation was 15 years (2017: 14 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		One percentage point decrease	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Discount rate	(227,700)	(391,100)	131,000	494,600
Salary increases	13,200	27,400	(12,200)	(24,300)
Pension increases	117,800	463,300	(216,600)	(370,400)

(h) Plan assets include ordinary stock units issued by the company with a fair value of $373,372,000 (2017: $254,478,000).

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

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

	The Group and the Company	
	2018 $'000	2017 $'000
Present value of future obligations, being liability recognised in statement of financial position	253,800	273,800

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

	The Group and the Company	
	2018 $'000	2017 $'000
Net liability at the beginning of the year	273,800	218,700
Contributions paid	(8,600)	(14,200)
(Income)/expense recognised in the statement of profit or loss and other comprehensive income	(11,400)	69,300
Net liability at the end of the year	253,800	273,800

(c) Expense recognised in profit for the year:

	The Group and the Company	
	2018 $'000	2017 $'000
Current service costs	11,200	7,000
Interest on obligation	26,600	19,700
Gain on curtailment and settlements	(5,100)	-
	32,700	26,700

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	
	2018	2017
	$'000	$'000
Remeasurement (gain)/loss on obligation	(44,100)	42,600

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

	2018	2017
	%	%
Discount rate	7.50	9.50
Annual increase in health-care costs	6.50	8.50

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		One percentage point decrease	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Discount rate	(17,800)	(35,700)	20,800	45,500
Health-care cost increases	20,600	44,700	(17,600)	(35,100)
Salary increases	100	500	(100)	(400)

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

The post-employment obligation would increase by about $8,400,000 (2017: $9,000,000) or decrease by about $8,300,000 (2017: $8,900,000).

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, 2016	157,554	755	354,655	512,964
Additions	5,347	112,490	4,409	122,246
Transfers	16,914	(106,230)	89,316	-
Disposals	(6,216)	-	(59,098)	(65,314)
March 31, 2017	173,599	7,015	389,282	569,896
Additions	-	106,643	7,632	114,275
Transfers	1,345	(104,309)	102,964	-
Disposals	-	-	(27,441)	(27,441)
March 31, 2018	174,944	9,349	472,437	656,730
Depreciation:				
March 31, 2016	28,720	-	240,722	269,442
Charge for the year	16,180	-	41,227	57,407
Eliminated on disposals	(2,102)	-	(55,001)	(57,103)
March 31, 2017	42,798	-	226,948	269,746
Charge for the year	17,099	-	59,985	77,084
Eliminated on disposals	-	-	(27,351)	(27,351)
March 31, 2018	59,897	-	259,582	319,479
Net book values:				
March 31, 2018	115,047	9,349	212,855	337,251
March 31, 2017	130,801	7,015	162,334	300,150

Freehold land, buildings and leaseholds for the group and the company include freehold land in the amount of $700 (2017: $700).

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, 2016	157,554	755	354,655	512,964
Additions	5,347	112,490	4,409	122,246
Transfers	16,914	(106,230)	89,316	-
Disposals	(6,216)	-	(59,098)	(65,314)
March 31, 2017	173,599	7,015	389,282	569,896
Additions		106,643	7,632	114,275
Transfers	1,345	(104,309)	102,964	-
Disposals	-		(27,441)	(27,441)
March 31, 2018	174,944	9,349	472,437	656,730
Depreciation:				
March 31, 2016	28,720	-	240,722	269,442
Charge for the year	16,180	-	41,227	57,407
Eliminated on disposals	(2,102)	-	(55,001)	(57,103)
March 31, 2017	42,798	-	226,948	269,746
Charge for the year	17,099	-	59,985	77,084
Eliminated on disposals	-	-	(27,351)	(27,351)
March 31, 2018	59,897	-	259,582	319,479
Net book values:				
March 31, 2018	115,047	9,349	212,855	337,251
March 31, 2017	130,801	7,015	162,334	300,150

11. **Cash and cash equivalents**

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Demand and call deposits	2,306,972	1,995,717	1,645,920	1,391,084
Short-term fixed deposits	-	586,825	-	548,162
	2,306,972	2,582,542	1,645,920	1,939,246

Notes to the Financial Statements (Continued)

March 31, 2018

12. Accounts receivable

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade accounts receivable	865,738	543,105	865,738	543,105
Interest and other investment income receivable	4,474	3,833	3,085	3,833
Prepayments	27,626	49,053	27,626	49,053
Other receivables and advances:				
Related parties (see also note 17)	-	8,737	-	9,037
Other	15,807	7,819	16,251	7,819
	913,645	612,547	912,700	612,847
Less: Allowance for impairment losses	(2,650)	(555)	(2,650)	(555)
	910,995	611,992	910,050	612,292

During the year, net bad debts recognised in profit or loss aggregated $2,095,000 (2017: $7,972,000) 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

	2018	2017
	$'000	$'000
Authorised:		
4,854,400,000 (2017: 485,440,000) ordinary shares of no par value		
Stated:		
Issued and fully paid:		
4,854,400,000 (2017: 485,440,000) stock units of no par value	121,360	121,360

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 (10:1). 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, issued as stock units.

14. Other reserves

In the prior year, capital reserve for the group and the company of $22,322,000 was transferred to unappropriated profits available for distribution.

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

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

The Group:

	Assets		Liabilities		Net	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred tax on reserves of subsidiary in liquidation	-	-	(22,010)	(21,424)	(22,010)	(21,424)
Accounts payable	2,975	2,374	-	-	2,975	2,374
Property, plant and equipment	12,613	9,873	-	-	12,613	9,873
Employee benefits	63,450	68,450	(45,475)	(50,200)	17,975	18,250
Accounts receivable	-	-	(5,716)	(5,629)	(5,716)	(5,629)
Unrealised foreign exchange gain	1,079	-	-	(4,493)	1,079	(4,493)
Deferred tax asset/(liability)	80,117	80,697	(73,201)	(81,746)	6,916	(1,049)

The Company:

	Assets		Liabilities		Net	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Accounts payable	2,975	2,374	-	-	2,975	2,374
Property, plant and equipment	12,613	9,873	-	-	12,613	9,873
Employee benefits	63,450	68,450	(45,475)	(50,200)	17,975	18,250
Accounts receivable	-	-	(771)	(958)	(771)	(958)
Unrealised foreign exchange gain	-	-	(18)	(2,154)	(18)	(2,154)
Deferred tax asset/(liability)	79,038	80,697	(46,264)	(53,312)	32,774	27,385

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

The Group:

	2018			
	Opening balance $'000	Recognised in equity $'000	Recognised in profit or loss [note 7(a)] $'000	Closing balance $'000
Deferred tax on reserves of subsidiary in liquidation	(21,424)	(586)	-	(22,010)
Accounts payable	2,374	-	601	2,975
Property, plant and equipment	9,873	-	2,740	12,613
Employee benefits	18,250	(7,175)	6,900	17,975
Interest receivable	(5,629)	-	(87)	(5,716)
Unrealised foreign exchange gain	(4,493)	-	5,572	1,079
	(1,049)	(7,761)	15,726	6,916

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

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

The Group:

	2017			
	Opening balance $'000	Recognised in equity $'000	Recognised in profit or loss [note 7(a)] $'000	Closing balance $'000
Deferred tax on reserves of subsidiary in liquidation	(19,893)	(1,531)	-	(21,424)
Accounts payable	2,543	-	(169)	2,374
Property, plant and equipment	8,716	-	1,157	9,873
Employee benefits	12,625	1,875	3,750	18,250
Interest receivable	(5,359)	-	(270)	(5,629)
Unrealised foreign exchange gain	(10,688)	-	6,195	(4,493)
	(12,056)	344	10,663	(1,049)

The Company:

	2018			
	Opening balance $'000	Recognised in equity $'000	Recognised in profit or loss [note 7(d)] $'000	Closing balance $'000
Accounts payable	2,374	-	601	2,975
Property, plant and equipment	9,873	-	2,740	12,613
Employee benefits	18,250	(7,175)	6,900	17,975
Accounts receivable	(958)	-	187	(771)
Unrealised foreign exchange gain	(2,154)	-	2,136	(18)
	27,385	(7,175)	12,564	32,774

	2017			
	Opening balance $'000	Recognised in equity $'000	Recognised in profit or loss [note 7(d)] $'000	Closing balance $'000
Accounts payable	2,543	-	(169)	2,374
Property, plant and equipment	8,716	-	1,157	9,873
Employee benefits	12,625	1,875	3,750	18,250
Accounts receivable	(761)	-	(197)	(958)
Unrealised foreign exchange gain	(7,866)	-	5,712	(2,154)
	15,257	1,875	10,253	27,385

(c) The group has not recognised a deferred tax asset arising in subsidiaries amounting to $194,370,000 (2017: $194,370,000) 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade accounts payable	45,764	49,207	45,764	49,207
General consumption tax payable	64,132	25,153	64,132	25,153
Related parties (see also note 17)	66,969	49,989	66,969	49,989
Employee related	26,579	33,969	26,579	33,969
Unclaimed dividends*	485,694	508,588	485,694	503,342
Other	151,304	129,275	139,524	127,387
	840,442	796,181	828,662	789,047

*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	
	2018	2017
	$'000	$'000
Royalties	7,126	5,451
Purchases from related companies - cigarettes	456,077	579,521
Technical fees paid to ultimate parent company	123,406	93,075
Technical fees and business support services paid to other related company	359,044	390,995
IT support fees paid to other related company	106,586	104,487
Pension schemes:		
Dividends paid	25,222	24,452
Directors' remuneration:		
Fees	8,435	9,945
Management remuneration	58,887	55,619
Key management personnel:		
Short-term employee benefits	111,154	108,210
Post-employment benefits	1,600	1,700

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

Related party balances are shown in notes 12 and 16 and are unsecured, interest free and repayable within 12 months of the reporting date.

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

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

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.

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	
	2018	2017
	$'000	$'000
Wholesale customers	678,740	445,156
Retail customers	186,998	97,949
	865,738	543,105

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

(i) Credit risk (cont'd):

The age of trade receivables at the reporting date was:

	The Group and the Company			
	Gross 2018 $'000	Impairment 2018 $'000	Gross 2017 $'000	Impairment 2017 $'000
Not past due	795,604	-	448,310	-
Past due 7-30 days	67,036	-	93,794	-
Past due 31-120 days	3,098	(2,650)	611	(165)
More than one year	-	-	390	(390)
	865,738	(2,650)	543,105	(555)

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

	The Group and the Company	
	2018 $'000	2017 $'000
Balance at 1 April	555	8,527
Impairment loss recognised	2,609	(4,580)
Bad debts recovered	(514)	(3,392)
Balance at 31 March	2,650	555

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Fixed rate instruments:				
Cash and cash equivalents	2,079,184	2,402,375	1,431,301	1,772,984

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:

	2018		2017	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	5,505	179	9,194	178
Related party receivables	-	-	64	-
Related party payables	(302)	-	(381)	(3)
Other payables	(225)	(11)	(36)	-
Exposure, net	4,978	168	8,841	175

The Company:

	2018		2017	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	4,784	27	4,761	178
Related party receivables	-	-	64	-
Related party payables	(302)	-	(381)	(3)
Other payables	(225)	(11)	(36)	-
Exposure, net	4,257	16	4,408	175

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:

	2018		2017	
	Increase/(decrease) in profit		Increase/(decrease) in profit	
	4% Strengthening $'000	2% Weakening $'000	10% Strengthening $'000	1% Weakening $'000
US ($)	24,821	(12,411)	67,775	(11,296)
GBP (£)	1,179	(590)	1,658	(276)

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

(ii) Market risk (cont'd):

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

The Company:

	2018		2017	
	Increase/(decrease) in profit		Increase/(decrease) in profit	
	4% Strengthening $'000	2% Weakening $'000	10% Strengthening $'000	1% Weakening $'000
US ($)	21,226	(10,613)	33,792	(5,632)
GBP (£)	112	(56)	218	(36)

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

	US$	£
At March 31, 2016:	122.0421	173.4625
At March 31, 2017:	127.7664	157.8634
At March 31, 2018:	124.6545	175.4801

(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, 2018 and 2017 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.

Notes to the Financial Statements (Continued)

March 31, 2018

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

(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**

	2018 $'000	2017 $'000
Declared and paid:		
First quarter ended June 30, 2017		
Ordinary – 21¢ (2017: 17¢)	1,019,424	825,248
Second quarter ended September 30, 2017:		
Ordinary – 15¢ (2017: 15¢)	728,160	728,160
Third quarter ended December 31, 2017:		
Ordinary – 18¢ (2017: 17¢)	873,792	825,248
Fourth quarter ended March 31, 2018:		
Ordinary – 20¢ (2017: 22¢)	970,880	1,067,968
Total dividends to stockholders	3,592,256	3,446,624

The dividend per stock unit has been restated to reflect the 10-for-1 stock split, which was effective September 20, 2017 (see note 13).

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	
		2018 %	2017 %	2018 %	2017 %
Cigarette Company of Jamaica Limited (In Voluntary Liquidation)	Inactive (voluntary liquidation in process)	99.97	99.97	-	-
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	
	2018 $'000	2017 $'000
Within one year	40,844	37,019
Between one year and five years	43,485	91,835
	84,329	128,854

21. **Contractual commitments (cont'd)**

Payments made during the year ended March 31, 2018 aggregated:

	2018 $'000	2017 $'000
The Group and Company	37.138	39,132

22. **Significant accounting policies**

Certain new and amended 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
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. • 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 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.

Notes to the Financial Statements (Continued)

March 31, 2018

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

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

(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, 2018 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 0.03% interest in Cigarette Company of Jamaica Limited, which is in voluntary liquidation, and non-controlling interests are insignificant to the consolidated financial statements.

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

(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 22(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").

(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.

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

(h) Related parties (cont'd):

(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.

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.

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

(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.

(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.

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

(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.

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.

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

(o) Employee benefits (cont'd):

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

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.

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.

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

(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.

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.

23. New and amended standards issued but not yet effective

At the date of approval of the financial statements, a number of new standards and amendments to standards, were in issue but were not yet effective and which the group has not early adopted. Those which management considered may be relevant to the group are as follows:

New or amended standards	Summary of the requirements
IFRS 9, *Financial Instruments*	The group is required to adopt IFRS 9, *Financial Instruments,* effective April 1, 2018. IFRS 9 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 through 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' (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognized. Under IFRS 9, loss allowance will be measured on either of the following basis: – 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and – Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of s financial instrument. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and applies to the company's trade receivables. The estimated ECLs will be calculated based on actual credit loss experienced over the past five years and the calculated ECL rates will be done separately for corporate and individual customers. The group expects that the application of IFRS 9's impairment requirements will likely increase impairment losses. The group is in the process of estimating the initial impact on implementation of the standard.

23. **New and amended standards issued but not yet effective (cont'd)**

New or amended standards	Summary of the requirements
IFRS 15, *Revenue from Contracts with Customers*	The group will be required to adopt IFRS 15, *Revenue From Contracts With Customers*, effective April 1, 2018. IFRS 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.* It 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. Revenue from the sale of goods is currently recognised when the goods are delivered to the customers, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under the IFRS 15, revenue will be recognised when a customer has control of goods. Also, the standard is expected to change the way the group accounts for rebates, discounts or other consideration payable to customers and require certain payments to indirect customers, currently shown as marketing expenses under IAS 18, to be shown as a deduction from revenues.
IFRS 16, *Leases*	Effective for annual reporting periods beginning on or after January 1, 2019, this standard eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less. Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.
IFRIC 22, *Foreign Currency Transactions and Advance Consideration*	Effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income or initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability. An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held. The interpretation clarifies that the transaction date is the date on which the group initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

23. **New and amended standards issued but not yet effective (cont'd)**

New or amended standards	Summary of the requirements
IFRIC 23, *Uncertainty Over Income Tax Treatments*	Effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment, or group of tax treatments, that is adopted in its income tax filing. If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty. If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision shouled be based on which method provides better prediction of the resolution of the uncertainty. If facts and circumstances change, the entity is required to reassess the judgements and estimates applied. IFRIC 23 reinforces the need to comply with existing disclosure requirements regarding: - judgements made in the process of applying accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; - assumptions and other estimates used; and - potential impact of uncertainties that are not reflected in the financial statements.
Amendments to IFRS 9, *Financial Instruments*	Effective retrospectively for annual periods beginning on or after 1 January 2019 clarifies the treatment of: (i) Prepayment features with negative compensation: Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. (ii) Modifications to financial liabilities: If the initial application of IFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified (but not substantially) - these are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The group is assessing the impact that these new standards, amendments and interpretations will have on its 2019 and 2020 financial statements.

NOTES

CARRERAS LIMITED

ANNUAL GENERAL MEETING

Form of Proxy

I/We .....

of .....

being a Member/Members of Carreras Limited hereby appoint

.....

of .....

or failing him/her .....

of .....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on September 5, 2018 at 2 p.m. and at any adjournment thereof.

SIGNED this .....day of ..... 2018.

SIGNATURE OF SHAREHOLDER .....

RESOLUTIONS	FOR	AGAINST
1		
2		
3 a (i)		
3 a (ii)		
3 b		
4		
5		

Place stamp here $100

NOTES:

To be valid, this proxy must be deposited with the Registrar and Transfer Office: Sagicor Bank Jamaica Limited, Group Legal Trust & Corporate Services, 28 – 48 Barbados Avenue, Kingston 5, not less than 48 hours before the time appointed for holding the meeting.

CARRERAS LIMITED

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