



CARRERAS LIMITED

On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the FIRST QUARTER ended June 30, 2018.

Performance Highlights are:

	3 months ended June 30, 2018	3 months ended June 30, 2017	Variance
	\$M	\$M	
Operating revenue	3,145.2	2,816.6	12%
Total operating revenue	3,168.4	2,911.0	9%
Interest and other investment income	19.0	27.0	-30%
Net income	821.1	758.3	8%
EPS (cents)*	16.9	15.6	8%

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

For the first quarter of the 2018/19 financial year, Carreras Limited earned total operating revenue of \$3,168.4 million and returned net income of \$821.1 million, recording increases of 12% and 8% respectively, compared to the corresponding period last year. This increase over the prior period is due mainly to an increase in sales volumes albeit over a lower volume base as well as effective management of costs.

Based on the improved performance for the quarter, we remain cautious though optimistic regarding the outlook for the rest of the financial year. The Company continues to reap the reward of continuous investment in our brands, particularly our core brands, Craven “A” and Matterhorn. The strength of our brands, people and relationships continue to position us for the future.

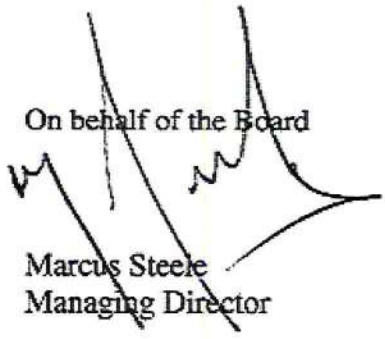
It should be noted that the increase in sales for the period is on a lower volume base as a result of the excise increase implemented last year. Overall, we continue to be negatively impacted by excise increases implemented in prior periods, which in turn has unintendedly resulted in the increased illicit trade in cigarettes. We note the authorities’ recent success in two seizures approximating to 1,000 cases or 10 million sticks of various illicit cigarette brands with a value of almost \$600 million. This augers well for the overall tobacco industry, the consumers and the government’s revenue and we encourage the government to continue its fight against the illicit trade in cigarettes and as a matter of urgency to strengthen its port monitoring of transshipment containers coming into the island.

Administrative, distribution and marketing expenses for the three months ended June 30, 2018, totalled \$490.0 million (2017: \$529.4 million). Management’s continued cost cutting, and containment initiatives are being reflected in the 7% reduction in overheads over the prior period. It is noteworthy, that this reduction was achieved despite a 2.8% increase in inflation. Interest and other investment income decreased by 30% to \$19.0 million for the period due mainly to lower market interest rates and investment balances compared to the prior period.

Stockholders, I am also pleased to report that the Board of Directors has approved an interim dividend payment of \$0.16 per stock unit and a special dividend of \$0.11 per stock unit both to be paid on August 30, 2018 out of accumulated profits.

This total payment to stockholders, which includes the final distribution from Cigarette Company of Jamaica (In Voluntary Liquidation), will amount to \$1,310.7 million or \$0.27 per share (2017: \$728.2 million or \$0.15 per share), a \$582.5 million or 80% increase over the dividends paid for the corresponding period last year. This is in keeping with our dividend policy and demonstrates the Company's continued commitment to enhancing shareholder value.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Marcus Steele', is written over the printed name and title. The signature is stylized and somewhat cursive.

Marcus Steele
Managing Director

CARRERAS LIMITED

Group Statement of Comprehensive Income For the three months ended June 30, 2018

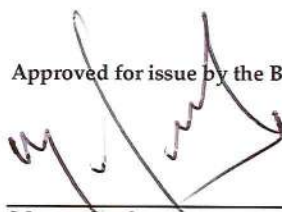
	Notes	Unaudited		Audited
		3 months		12 months
		Jun-18	Jun-17	Mar-18
		\$'000	\$'000	\$'000
Operating revenue	4	3,145,196	2,816,628	12,550,132
Cost of operating revenue		(1,567,958)	(1,394,619)	(6,249,282)
Gross operating profit		1,577,238	1,422,009	6,300,850
Other operating income		42,124	121,373	233,721
		1,619,362	1,543,382	6,524,571
Administrative, distribution and marketing expenses		(490,048)	(529,405)	(1,847,945)
Employee benefits expense		-	-	(39,300)
Profit before taxation		1,129,314	1,013,977	4,637,326
Taxation	5	(308,227)	(255,635)	(1,152,696)
Profit for the period		821,087	758,342	3,484,630
Other comprehensive income				
Items that will never be reclassified to profit or loss:				
Remeasurement gain on obligation		-	-	(101,600)
Remeasurement gain on plan assets		-	-	317,000
Change in effect of asset ceiling		-	-	(186,700)
Income tax on other comprehensive income		22,010	(216)	(7,761)
Other comprehensive income, net of tax		22,010	(216)	20,939
Total comprehensive income for the period		843,097	758,126	3,505,569
Profit attributable to:				
Minority interests		53	13	34
Stockholders in parent		821,034	758,329	3,484,596
		821,087	758,342	3,484,630
Total comprehensive income attributed to:				
Minority interests		53	13	34
Stockholders in parent		843,044	758,113	3,505,535
		843,097	758,126	3,505,569
Earnings per ordinary stock unit	6	16.9¢	15.6¢	71.8¢

CARRERAS LIMITED

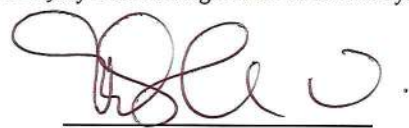
**Group Statement of Financial Position
As at June 30, 2018**

	Notes	Unaudited	Unaudited	Audited
		Jun-18	Jun-17	Mar-18
		\$000	\$000	\$000
Assets				
Deferred tax asset		30,523	-	6,916
Retirement benefit asset		181,900	200,800	181,900
Property, plant and equipment		320,502	302,475	337,251
		532,925	503,275	526,067
Cash and cash equivalents		2,142,588	2,412,903	2,306,972
Accounts receivable		975,245	704,982	910,995
Income tax recoverable		25,010	6,962	10,957
Inventories		278,660	323,935	233,179
		3,421,503	3,448,782	3,462,103
Total Assets		3,954,428	3,952,057	3,988,170
Equity:				
Share capital	7	121,360	121,360	121,360
Unappropriated profits		1,743,654	1,745,444	1,920,034
Total attributable to stockholders of parent		1,865,014	1,866,804	2,041,394
Non-Controlling Interest		-	1,254	1,275
Total equity		1,865,014	1,868,058	2,042,669
Liabilities				
Deferred taxation liability		-	331	-
Retirement benefit obligation		253,800	273,800	253,800
Non-current liabilities		253,800	274,131	253,800
Current Liabilities				
Accounts payable		955,563	811,202	840,442
Income tax payable		880,051	998,666	851,259
		1,835,614	1,809,868	1,691,701
Total Liabilities		2,089,414	2,083,999	1,945,501
Total equity and liabilities		3,954,428	3,952,057	3,988,170

Approved for issue by the Board of Directors on 25 July 2018 and signed on its behalf by:



Marcus Steele
Managing Director



Janene Shaw
Finance Director

CARRERAS LIMITED

Group Statement of Changes in Equity For the three months ended June 30, 2018

	Share Capital	Unappropriated Profits	Total	Minority Interest	Total
	\$000	\$000	\$000	\$000	\$000
Balances at March 31, 2017	121,360	2,006,755	2,128,115	1,241	2,129,356
Profit for the period	-	758,329	758,329	13	758,342
Deferred tax on reserves of subsidiary in liquidation	-	(216)	(216)		(216)
Total comprehensive income for the period	-	758,113	758,113	13	758,126
Transactions with owners					
Dividends paid, being total transactions with owners (note 8)	-	(1,019,424)	(1,019,424)	-	(1,019,424)
Total transactions with owners	-	(1,019,424)	(1,019,424)	-	(1,019,424)
Unaudited Balances at June 30, 2017	121,360	1,745,444	1,866,804	1,254	1,868,058

Balances at March 31, 2018	121,360	1,920,034	2,041,394	1,275	2,042,669
Profit for the period	-	821,034	821,034	53	821,087
Deferred tax on reserves of subsidiary in liquidation	-	22,010	22,010		22,010
Total comprehensive income for the period	-	843,044	843,044	53	843,097
Transactions with owners					
Dividends paid, being total transactions with owners (note 8)	-	(1,019,424)	(1,019,424)	(1,328)	(1,020,752)
Total transactions with owners	-	(1,019,424)	(1,019,424)	(1,328)	(1,020,752)
Unaudited Balances at June 30, 2018	121,360	1,743,654	1,865,014	-	1,865,014

CARRERAS LIMITED

Company Statement of Changes in Equity For the three months ended June 30, 2018

	Share Capital \$'000	Revenue Reserves \$'000	Total \$'000
Balances at March 31, 2017	121,360	1,611,795	1,733,155
Profit for the period	-	752,346	752,346
Total comprehensive income for the period	-	752,346	752,346
Dividends paid, being total transactions with owners (note 8)	-	(1,019,424)	(1,019,424)
Unaudited Balances at June 30, 2017	121,360	1,344,717	1,466,077

Balances at March 31, 2018	121,360	1,512,813	1,634,173
Profit for the period	-	1,369,777	1,369,777
Total comprehensive income for the period	121,360	2,882,590	3,003,950
Dividends paid, being total transactions with owners (note 8)	-	(1,019,424)	(1,019,424)
Unaudited Balances at June 30, 2018	121,360	1,863,166	1,984,526

CARRERAS LIMITED

Group Statement of Cash Flows For the three months ended June 30, 2018

	Unaudited		Audited
	3 months		12 months
	Jun-18	Jun-17	Mar-18
	\$'000	\$'000	\$'000
Cash flows from operating activities:			
Profit for the period	821,087	758,342	3,484,630
Adjustments for:			
Depreciation	22,257	19,994	77,084
Employee benefits		-	27,600
Gain on disposal of property, plant and	(1,115)	(4,010)	(7,186)
Foreign exchange (loss)/gain	(19,631)	(2,351)	7,632
Taxation	308,227	255,635	1,152,696
Investment income earned	(18,972)	(26,926)	(89,326)
Items not affecting cash			
	1,111,853	1,000,684	4,653,130
Changes in:			
Accounts receivable	(60,899)	(98,621)	(298,362)
Inventories	(45,481)	148,784	239,539
Accounts payable	115,121	15,021	44,261
Cash generated from operations	1,120,594	1,065,867	4,638,568
Taxation paid	(295,085)	(232,683)	(1,295,936)
Net cash provided by operating activities	825,509	833,184	3,342,632
Cash provided by investing activities			
Investment income received	15,621	32,558	88,685
Additions to property, plant and equipment	(5,533)	(22,408)	(114,275)
Proceeds of disposal of property, plant and equipment	1,140	4,100	7,276
Net cash provided by investing activities	11,228	14,250	(18,314)
Cash used by financing activities			
Dividends paid, being net cash used by financing activities	(1,020,752)	(1,019,424)	(3,592,256)
Net (decrease)/increase in cash and cash equivalents			
before effect of foreign exchange rate changes	(184,015)	(171,990)	(267,938)
Effect of exchange rate changes on cash and cash equivalents	19,631	2,351	(7,632)
Cash and cash equivalents, at beginning of period	2,306,972	2,582,542	2,582,542
Cash and cash equivalents, at end of period	2,142,588	2,412,903	2,306,972

CARRERAS LIMITED

Notes to the Unaudited Financial Statements Three months ended June 30, 2018

1. General

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

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

2. Statement of compliance and basis of preparation

(a) Basis of preparation

This condensed consolidated interim financial report for the reporting period ended June 30, 2018 has been prepared in accordance with Accounting Standard IAS 34 'Interim Financial Reporting'.

These financial statements are presented in Jamaican dollars unless otherwise indicated.

The accounting policies followed in these interim financial statements are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standards, being IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. The impact of both standards is not considered material to the group for disclosure, hence the immateriality exemption under IAS 1 'Presentation of Financial Statements', has been applied.

(b) Changes in significant accounting policies

(i) IFRS 9, 'Financial instruments',

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, and impairment of financial assets.

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.

Application of Simplified Approach

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilized in determining the lifetime ECLs for trade receivables.

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued) Three months ended June 30, 2018

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

(b) Changes in significant accounting policies (cont'd)

Application of Simplified Approach (cont'd)

The lifetime ECL's are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

The adoption of IFRS 9 from April 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IAS 8 [7.2.15] comparative figures have not been restated. Further, as stated above, the immateriality exemption under IAS 1 'Presentation of Financial Statements', has been applied.

(i) IFRS 15 'Revenue from contracts with customers',

IFRS 15 replaces the provisions of IAS 18 that relate to the recognition of revenue. 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. Also, the standard has changed the way the Group accounts for rebates, discounts or other consideration payable to customers. Certain payments to indirect customers, previously shown as marketing expenses under IAS 18, is currently shown as a deduction from revenues.

The adoption of IFRS 15 from April 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15 [C3(b)], comparative figures have not been restated. Further, as stated above, the immateriality exemption under IAS 1 'Presentation of Financial Statements', has been applied.

(c) Accounting estimates and judgments:

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

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

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued) Three months ended June 30, 2018

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

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

In particular, except for the impact of the application of IFRS 9 which is described under note 2 (b), the significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustments in the next period are as follows:

(i) Key source of estimation uncertainty

Employee benefits:

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

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

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

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

3. Significant Accounting Policies

Except as highlighted in note 2, the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual audited financial statements.

4. Operating Revenue

Operating revenue for the group and the company represents the invoiced value of products and services sold and includes special consumption tax aggregating \$1,357,200,081 (2017: \$1,209,681,750).

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued) Three months ended June 30, 2018

5. Taxation

Taxation on profit for the period is made up as follows:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Current:		
Provision for charge on current period's profit at 25%	279,256	256,571
Tax arising on capital distribution at 5%	<u>28,384</u>	<u>-</u>
	307,640	256,571
Deferred:		
Origination and reversal of temporary differences	<u>587</u>	<u>(936)</u>
Taxation expense for the period	<u>308,227</u>	<u>255,635</u>

A provision had been made in the financial statements for deferred transfer tax on undistributed reserves of the subsidiary in liquidation. On May 30, 2018, the subsidiary in liquidation declared a final distribution to its shareholders, as a result derecognizing the deferred transfer tax in the financial statements.

6. Earnings per stock unit

The calculation of earnings per stock unit is based on the net profit for the period attributable to stockholders and the 4,854,400,000 issued and fully paid ordinary stock units.

7. Share capital

	<u>2018</u> \$'000	<u>2017</u> \$'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	<u>121,360</u>	<u>121,360</u>

On September 20, 2017 at the Annual General Meeting of the company, a resolution was passed that each ordinary share 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.

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued)
Three months ended June 30, 2018

8. Dividends and Distributions

	<u>2018</u> \$'000	<u>2017</u> \$'000
Declared and paid:		
First quarter ended June 30, 2018		
Ordinary - 21¢ (2017: 21¢)	1,019,424	1,019,424
Distribution to non-controlling interests, net	<u>1,328</u>	<u>-</u>
	<u>1,020,752</u>	<u>1,019,424</u>

The dividend per stock unit has been restated to reflect the 10-for-1 stock split, which was effective September 20, 2017 (see note 7).

CARRERAS LIMITED

For Quarter as at June 30, 2018

SHARE CAPITAL:

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

CONTROLLING PERSONS

Rothmans Holdings (Caricom) Limited	2,446,508,260
Sagicor PIF Equity Fund	279,484,650
National Insurance Fund	214,184,690
SJIML A/C 3119	124,474,360
L.B.J. Overseas Ltd.	102,117,115
Grace Kennedy Limited Pension Scheme	71,187,030
ATL Group Pension Fund Trustee Nominee	62,726,740
JCSD Trustee Services Ltd. – SIGMA OPTIMA	57,861,492
NCB Insurance Co. Ltd. A/C WT 109	47,500,000
Krohne Fund LP	<u>45,456,605</u>
Total	<u>3,451,500,942</u>

DIRECTORS & CONNECTED PERSONS

	<u>Stock Units Held</u>
Mr. Michael Bernard	Nil
Mr. Matthew Hogarth	Nil
“ (Lisa M. Bell - Spouse)	8,000
Mr. Oliver Holmes	Nil
Mrs. Maria Gabriela Rincon	Nil
Mrs. Janene Shaw	Nil
Mrs. Rosa Pereira Sigala	Nil
Mr. Marcus Steele	Nil
Mrs. Brenda Wilbert	Nil

Executive & Senior Management:

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