



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

**Performance Highlights are:**

	6 months ended September 30, 2018	6 months ended September 30, 2017	Variance
	\$M	\$M	
Operating Revenue	6,308.6	6,063.4	4%
Total operating revenue	6,352.4	6,177.1	3%
Interest and other investment income	33.4	48.3	-31%
Net Income	1,742.6	1,672.7	4%
EPS (cents)	35.9	34.5	4%

For the six months ended September 30, 2018, Carreras Limited earned operating revenue of \$6,308.6 million and delivered net income of \$1,742.6 million, both recording similar increases of 4% compared to the corresponding period last year. The effective management of the cost base and to a lesser extent the recovery in volumes, which were evident in the first quarter, have continued into the second quarter.

Results for the first half of the financial year continue to show improvement over same period last year and we remain cautiously optimistic that this trend will continue for the second half of the financial year. We continue to invest in our core brands, Craven "A" and Matterhorn and aim to ensure that we exceed the expectations of all stakeholders.

Our financial results are tempered by the continued presence and growth in the illicit trade in cigarettes which gained momentum after the 21.4% excise increase on March 13, 2017 and resulted in an erosion of the legal volume base. Additionally, we have noted that sales volumes have been negatively impacted in our entertainment channel as heightened security measures are employed by the Government. For the areas of the island where States of Public Emergency and Zones of Special Operation are in effect, bars, restaurants, cafes and other establishments are mandated to close their businesses at an earlier time. This earlier closure restricts consumption moments.

Notwithstanding, it is expected that the anticipated volume decline will be somewhat mitigated provided that the Government's initiatives to reduce crime and their continuation of efforts to vigorously pursue measures towards stemming the influx and growth of illicit cigarettes in the market are successful. We reiterate the point that there is a direct relationship between high taxes and its impact on legal volumes, Government's revenues and the rise of the illicit trade.

Administrative, distribution and marketing expenses totalled \$906.9 million (2017: \$989.7 million) for the six months period ended 30 September 2018. This 8% decline in overheads versus the similar period last year, is as a result of continued cost management and cost reduction initiatives implemented to achieve significant savings in the short and long term.

Interest and other investment income declined by 31% to \$33.4 million (2017: \$48.3 million) during the period due mainly to reductions in market interest rates and a lower investment balance compared to the prior period last year.

Stockholders, I am also pleased to report that the Board of Directors has approved an interim dividend of \$0.19 per stock unit to be paid out of accumulated profits on December 13, 2018 to stockholders as shown by the Register of Members on November 22, 2018. Dividends to be paid total \$922.3 million, representing a 5.6% improvement over dividends of \$873.8 million paid for the corresponding period last year.

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 with a large, sweeping initial "M".

Marcus Steele  
Managing Director

# **CARRERAS LIMITED**

## **Group Statement of Comprehensive Income For the six months ended September 30, 2018**

	Notes	UNAUDITED		UNAUDITED		AUDITED
		6 months		3 months to		12 months
		Sep-18 \$'000	Sep-17 \$'000	Sep-18 \$'000	Sep-17 \$'000	Mar-18 \$'000
Operating revenue	4	6,308,575	6,063,402	3,163,379	3,246,774	12,550,132
Cost of operating revenue		(3,156,509)	(3,004,809)	(1,588,551)	(1,610,190)	(6,249,282)
<b>Gross operating profit</b>		<b>3,152,066</b>	<b>3,058,593</b>	<b>1,574,828</b>	<b>1,636,584</b>	<b>6,300,850</b>
Other operating income		77,258	162,035	35,134	40,662	233,721
		3,229,324	3,220,628	1,609,962	1,677,246	6,524,571
Administrative, distribution and marketing expenses		(906,895)	(989,681)	(416,846)	(460,276)	(1,847,945)
Employee benefits expense		-	-	-	-	(39,300)
<b>Profit before income tax</b>		<b>2,322,429</b>	<b>2,230,947</b>	<b>1,193,115</b>	<b>1,216,970</b>	<b>4,637,326</b>
Income tax	5	(579,799)	(558,220)	(271,572)	(302,585)	(1,152,696)
<b>Profit for the period</b>		<b>1,742,630</b>	<b>1,672,727</b>	<b>921,543</b>	<b>914,385</b>	<b>3,484,630</b>
<b>Other comprehensive income</b>						
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		22,011	(596)	-	(380)	(7,761)
<b>Other comprehensive income, net of tax</b>		<b>22,011</b>	<b>(596)</b>	<b>-</b>	<b>(380)</b>	<b>20,939</b>
<b>Total comprehensive income for the period</b>		<b>1,764,641</b>	<b>1,672,131</b>	<b>921,543</b>	<b>914,005</b>	<b>3,505,569</b>
<b>Profit attributable to:</b>						
Minority interests		53	35	-	22	34
Stockholders in parent		1,742,577	1,672,692	921,543	914,363	3,484,596
		<b>1,742,630</b>	<b>1,672,727</b>	<b>921,543</b>	<b>914,385</b>	<b>3,484,630</b>
<b>Total comprehensive income attributed to:</b>						
Minority interests		53	35	-	22	34
Stockholders in parent		1,764,588	1,672,096	921,543	913,983	3,505,535
		<b>1,764,641</b>	<b>1,672,131</b>	<b>921,543</b>	<b>914,005</b>	<b>3,505,569</b>
<b>Earnings per ordinary stock unit</b>	6	<b>35.90¢</b>	<b>34.46¢</b>	<b>18.98¢</b>	<b>18.84¢</b>	<b>71.80¢</b>

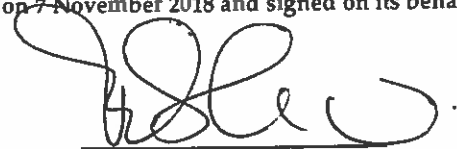
# CARRERAS LIMITED

## Group Statement of Financial Position As at September 30, 2018

	Notes	Unaudited Sep-18 \$000	Unaudited Sep-17 \$000	Audited Mar-18 \$000
<b>Assets</b>				
Deferred tax asset		29,240	1,288	6,916
Retirement benefit asset		181,900	200,800	181,900
Property, plant and equipment		299,687	288,850	337,251
		510,827	490,938	526,067
Cash and cash equivalents		1,738,756	2,680,967	2,306,972
Accounts receivable		1,017,652	767,891	910,995
Income tax recoverable		27,792	13,755	10,957
Inventories		247,495	284,544	233,179
		3,031,695	3,747,157	3,462,103
<b>Total Assets</b>		<b>3,542,522</b>	<b>4,238,095</b>	<b>3,988,170</b>
<b>Equity:</b>				
Share capital	7	121,360	121,360	121,360
Reserves:				
Unappropriated profits		1,326,126	1,931,267	1,920,034
		1,326,126	1,931,267	2,041,394
<b>Total attributable to stockholders of parent</b>		<b>1,447,486</b>	<b>2,052,627</b>	<b>2,041,394</b>
Non-Controlling Interest		-	1,276	1,275
<b>Total equity</b>		<b>1,447,486</b>	<b>2,053,903</b>	<b>2,042,669</b>
<b>Liabilities</b>				
Retirement benefit obligation		253,800	273,800	253,800
<b>Non-current liability</b>		<b>253,800</b>	<b>273,800</b>	<b>253,800</b>
<b>Current Liabilities</b>				
Accounts payable		942,578	835,431	840,442
Income tax payable		898,658	1,074,961	851,259
		1,841,236	1,910,392	1,691,701
<b>Total Liabilities</b>		<b>2,095,036</b>	<b>2,184,192</b>	<b>1,945,501</b>
<b>Total equity and liabilities</b>		<b>3,542,522</b>	<b>4,238,095</b>	<b>3,988,170</b>

Approved for issue by the Board of Directors on 7 November 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 six months ended September 30, 2018**

	Share Capital	Unappropriated Profits	Total	Minority Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balances at March 31, 2017</b>	121,360	2,006,755	2,128,115	1,241	2,129,356
Profit for the period	-	1,672,692	1,672,692	35	1,672,727
Deferred tax on reserves of subsidiary in liquidation	-	(596)	(596)	-	(596)
<b>Total comprehensive income for the period</b>	-	1,672,096	1,672,096	35	1,672,131
<b>Transactions with owners</b>					
Dividends paid, being total transactions with owners (note 8)	-	(1,747,584)	(1,747,584)	-	(1,747,584)
Total transactions with owners	-	(1,747,584)	(1,747,584)	-	(1,747,584)
<b>Unaudited Balances at September 30, 2017</b>	121,360	1,931,267	2,052,627	1,276	2,053,903

<b>Balances at March 31, 2018</b>	121,360	1,920,034	2,041,394	1,275	2,042,669
Profit for the period	-	1,742,577	1,742,577	53	1,742,630
Deferred tax on reserves of subsidiary in liquidation	-	22,011	22,011	-	22,011
<b>Total comprehensive income for the period</b>	-	1,764,588	1,764,588	53	1,764,641
<b>Transactions with owners</b>					
Transfer tax paid on intra-group distributions	-	(28,384)	(28,384)	-	(28,384)
Dividends paid, being total transactions with owners (note 8)	-	(2,330,112)	(2,330,112)	(1,328)	(2,331,440)
Total transactions with owners	-	(2,358,496)	(2,358,496)	(1,328)	(2,359,824)
<b>Unaudited Balances at September 30, 2018</b>	121,360	1,326,126	1,447,486	-	1,447,486

## **CARRERAS LIMITED**

### **Company Statement of Changes in Equity** **For the six months ended September 30, 2018**

**Balances at March 31, 2017**

Profit for the period

**Total comprehensive income for the period**

Dividends paid, being total transactions with owners (note 8)

**Unaudited Balances at September 30, 2017**

Share Capital	Revenue Reserves	Total
\$'000	\$'000	\$'000
121,360	1,611,795	1,733,155
-	1,656,504	1,656,504
-	1,656,504	1,656,504
-	(1,747,584)	(1,747,584)
121,360	1,520,715	1,642,075

**Balances at March 31, 2018**

Profit for the period

**Total comprehensive income for the period**

Dividends paid, being total transactions with owners (note 8)

**Unaudited Balances at September 30, 2018**

121,360	1,512,813	1,634,173
-	2,259,500	2,259,500
121,360	2,259,500	2,259,500
-	(2,330,112)	(2,330,112)
121,360	1,442,201	1,563,561

## **CARRERAS LIMITED**

### **Group Statement of Cash Flows For the six months ended September 30, 2018**

	Unaudited		Audited
	6 months		12 months
	Sep-18 \$'000	Sep-17 \$'000	Mar-18 \$'000
<b>Cash flows from operating activities:</b>			
Profit for the period	1,714,246	1,672,727	3,484,630
Adjustments for:			
Depreciation	44,414	38,903	77,084
Employee benefits		-	27,600
(Gain) on disposal of property, plant and equipment	(1,115)	(5,636)	(7,186)
Foreign exchange gain	(36,864)	(14,125)	7,632
Income tax provision	608,183	558,220	1,152,696
Investment income earned	(33,440)	(48,258)	(89,326)
Items not affecting cash	2,295,424	2,201,830	4,653,130
Changes in:			
Accounts receivable	(100,216)	(162,130)	(298,362)
Inventories	(14,316)	188,174	239,539
Accounts payable	102,136	39,250	44,261
Cash generated from operations	2,283,028	2,267,125	4,638,568
Income tax paid	(577,931)	(467,765)	(1,295,936)
Net cash provided by operating activities	1,705,097	1,799,360	3,342,632
<b>Cash provided by investing activities</b>			
Investment income received	26,998	54,489	88,685
Additions to property, plant and equipment	(6,875)	(27,693)	(114,275)
Proceeds of disposal of property, plant and equipment	1,140	5,728	7,276
Net cash provided by investing activities	21,263	32,524	(18,314)
<b>Cash used by financing activities</b>			
Dividends paid, being net cash used by financing activities	(2,331,440)	(1,747,584)	(3,592,256)
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes	(605,080)	84,300	(267,938)
Effect of exchange rate changes on cash and cash equivalents	36,864	14,125	(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	1,738,756	2,680,967	2,306,972

## **CARRERAS LIMITED**

### **Notes to the Unaudited Financial Statements Six months ended September 30, 2018**

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#### **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 September 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)** **Six months ended September 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)** **Six months ended September 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 \$2,728,334,000 (2017: \$2,608,275,000).

**CARRERAS LIMITED****Notes to the Unaudited Financial Statements (Continued)**  
**Six months ended September 30, 2018****5. Taxation**

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

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Current:		
Provision for charge on current period's profit at 25%	577,928	558,483
Deferred:		
Origination and reversal of temporary differences	<u>1,871</u>	<u>( 263)</u>
Taxation expense for the period	<u>579,799</u>	<u>558,220</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>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Authorised:		
4,854,400,000 (2017: 4,854,400,000) ordinary shares of no par value		
Stated:		
Issued and fully paid:		
4,854,400,000 (2017: 4,854,400,000) 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)**  
**Six months ended September 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
Second quarter ended September 30, 2018		
Ordinary – 16¢ (2017: 15¢)	776,704	728,160
Special interim distribution – 11¢ (2017: Nil)	<u>533,984</u>	<u>-</u>
Total dividends to shareholders	2,330,112	1,747,584
Distribution to non-controlling interests, net	<u>1,328</u>	<u>-</u>
	<u>2,331,440</u>	<u>1,747,584</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).