<u>CARRERAS LIMITED</u>

<u>FINANCIAL STATEMENTS</u>

<u>MARCH 31, 2019</u>

KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922-6640
firmmail@kpmg.com.jm

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 8 to 52, which comprise the group's and company's statement of financial position as at March 31, 2019, 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, 2019, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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	**How the matter was addressed in our audit**
The group has a significant concentration of credit risk with large credit customers with material balances both individually and in aggregate. 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.	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 the company's recording and ageing of trade receivables. • Using the appropriate KPMG specialist, we reviewed the expected credit loss (ECL) model calculations and agreed the data inputs. • Comparing the definition of default for the ECL measurement, as outlined in the accounting policy, against the definition that management uses for credit risk arrangements. • Evaluating the appropriateness of economic parameters including the use of forward looking information.

To the Members of
CARRERAS LIMITED

Report on the Audit of the Financial Statements (continued)

Carrying amount of trade receivables (continued)

Key audit matter	**How the matter was addressed in our audit**
	Our audit procedures in response to this matter, included (continued): • Testing the accuracy of the ECL calculation. • Evaluating the adequacy of the allowance for impairment recognised in respect of the company's trade receivables by assessing management's assumptions used including determining compliance with the new requirements of IFRS 9, *Financial Instruments*. • Considering the adequacy of the disclosures about the degree of estimation involved in arriving at the allowance for impairment.

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARRERAS LIMITED

Report on the Audit of the Financial Statements (continued)

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.

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 6 to 7, forms part of our auditors' report.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARRERAS LIMITED

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 Nyssa Johnson.

KPMG

CHARTERED ACCOUNTANTS
Kingston, Jamaica

May 22, 2019

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

To the Members of
CARRERAS LIMITED

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.

CARRERAS LIMITED

Group Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2019

	Notes	2019 $'000	2018 $'000
Operating revenue	4	12,906,497	12,550,132
Cost of operating revenue	5	(6,470,125)	(6,249,282)
Gross operating profit		6,436,372	6,300,850
Other operating income	6	149,904	223,721
		6,586,276	6,524,571
Administrative, distribution and marketing expenses	7	(2,013,673)	(1,847,945)
Impairment loss on trade receivables	18	(5,774)	-
Employee benefits expense	10(i)(e),10(ii)(c)	(50,900)	(39,300)
		(2,070,347)	(1,887,245)
Profit before income tax		4,515,929	4,637,326
Income tax	8(a)	(1,109,027)	(1,152,696)
Profit for the year		3,406,902	3,484,630
Other comprehensive income/(loss)			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	10(i)(f)	(749,300)	(186,700)
Remeasurement gain on plan assets	10(i)(f)	232,500	317,000
Remeasurement gain/ (loss) on obligation	10(i)(f),10(ii)(d)	543,300	(101,600)
Income tax on other comprehensive income/(loss)	15(b)	15,385	(7,761)
Other comprehensive income/(losses), net of tax		41,885	20,939
Total comprehensive income for the year		3,448,787	3,505,569
Profit attributable to:			
Non-controlling interests		53	34
Stockholders' interests in parent	9	3,406,849	3,484,596
		3,406,902	3,484,630
Total comprehensive income attributable to:			
Non-controlling interests		53	34
Stockholders' interests in parent		3,448,734	3,505,535
		3,448,787	3,505,569
Earnings per ordinary stock unit	9	70.2¢	71.8¢

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

CARRERAS LIMITED

Group Statement of Financial Position
March 31, 2019

	Notes	2019 $'000	2018 $'000
Assets			
Deferred tax asset	15	38,544	6,916
Employee benefits asset	10(i)(a)	138,300	181,900
Property, plant and equipment	11	383,017	337,251
Non-current assets		559,861	526,067
Cash and cash equivalents	12	1,789,730	2,306,972
Accounts receivable	13	779,071	910,995
Income tax recoverable		2,529	10,957
Inventories	22(f)	361,462	233,179
Current assets		2,932,792	3,462,103
Total assets		3,492,653	3,988,170
Equity			
Share capital	14	121,360	121,360
Unappropriated profits		1,214,144	1,920,034
Total attributable to stockholders of the parent		1,335,504	2,041,394
Non-controlling interests	22(b)	-	1,275
Total equity		1,335,504	2,042,669
Liabilities			
Employee benefits obligation	10(ii)(a)	223,000	253,800
Non-current liability		223,000	253,800
Accounts payable	16	1,136,491	840,442
Income tax payable		797,658	851,259
Current liabilities		1,934,149	1,691,701
Total liabilities		2,157,149	1,945,501
Total equity and liabilities		3,492,653	3,988,170

The financial statements on pages 8 to 52, were approved for issue by the Board of Directors on May 22, 2019, 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.

CARRERAS LIMITED

Group Statement of Changes in Equity
Year ended March 31, 2019

	Share capital (note 14) $'000	Unappropriated profits $'000	Total attributable to stockholders $'000	Non-controlling interests [note 22(b)] $'000	Total $'000
Balances at March 31, 2017	121,360	2,006,755	2,128,115	1,241	2,129,356
Profit for the year	-	3,484,596	3,484,596	34	3,484,630
Other comprehensive income:					
Remeasurement of employee benefit assets and obligation, net of taxes	-	21,525	21,525	-	21,525
Deferred tax on reserves of subsidiary in liquidation	-	(586)	(586)	-	(586)
Total comprehensive income for the year	-	3,505,535	3,505,535	34	3,505,569
Transactions with owners					
Dividends and distributions (note 19)	-	(3,592,256)	(3,592,256)	-	(3,592,256)
Balances at March 31, 2018	121,360	1,920,034	2,041,394	1,275	2,042,669
Profit for the year	-	3,406,849	3,406,849	53	3,406,902
Other comprehensive income:					
Remeasurement of employee benefit assets and obligation, net of taxes	-	19,875	19,875	-	19,875
Deferred tax on reserves of subsidiary in liquidation	-	22,010	22,010	-	22,010
Total comprehensive income for the year	-	3,448,734	3,448,734	53	3,448,787
Transactions with owners					
Transfer tax paid on intra-group distributions	-	(28,384)	(28,384)	-	(28,384)
Dividends and distributions (note 19)	-	(4,126,240)	(4,126,240)	(1,328)	(4,127,568)
Balances at March 31, 2019	121,360	1,214,144	1,335,504	-	1,335,504

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

CARRERAS LIMITED

Group Statement of Cash Flows
Year ended March 31, 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit for the year		3,406,902	3,484,630
Adjustments for:			
Depreciation	11	88,156	77,084
Employee benefits		39,300	27,600
Income tax expense	8(a)	1,109,027	1,152,696
Foreign exchange loss	6	16,705	7,632
Gain on disposal of property, plant and equipment	6	(2,650)	(7,186)
Investment income earned	6	(67,467)	(89,326)
		4,589,973	4,653,130
Changes in:			
Accounts receivable		133,418	(298,362)
Inventories		(128,283)	239,539
Accounts payable		296,049	44,261
Cash generated from operations		4,891,157	4,638,568
Income tax paid		(1,198,827)	(1,295,936)
Net cash provided by operating activities		3,692,330	3,342,632
Cash flows from investing activities			
Investment income received		65,973	88,685
Additions to property, plant and equipment	11	(133,922)	(114,275)
Proceeds of disposal of property, plant and equipment		2,650	7,276
Net cash used by investing activities		(65,299)	(18,314)
Cash flows from financing activity			
Dividends and distributions, being net cash used by financing activity	19	(4,127,568)	(3,592,256)
Net decrease in cash and cash equivalents before effect of foreign exchange rate changes		(500,537)	(267,938)
Effect of exchange rate changes on cash and cash equivalents		(16,705)	(7,632)
Cash and cash equivalents at beginning of year		2,306,972	2,582,542
Cash and cash equivalents at end of year	12	1,789,730	2,306,972

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

CARRERAS LIMITED

Company Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2019

	Notes	2019 $'000	2018 $'000
Operating revenue	4	12,906,497	12,550,132
Cost of operating revenue	5	(6,470,125)	(6,249,282)
Gross operating profit		6,436,372	6,300,850
Other operating income	6	132,411	201,017
		6,568,783	6,501,867
Administrative, distribution and marketing expenses	7	(2,013,264)	(1,842,089)
Impairment loss on trade receivables	18	(5,774)	-
Employee benefits expense	10(i)(e),10(ii)(c)	(50,900)	(39,300)
Gain on liquidation of subsidiary	20	376,928	-
Profit before income tax		4,875,773	4,620,478
Income tax	8(d)	(1,137,411)	(1,148,729)
Profit for the year		3,738,362	3,471,749
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	10(i)(f)	(749,300)	(186,700)
Remeasurement gain on plan assets	10(i)(f)	232,500	317,000
Remeasurement gain/(loss) on obligation	10(i)(f),10(ii)(d)	543,300	(101,600)
Income tax on other comprehensive income	15(b)	(6,625)	(7,175)
Other comprehensive income, net of tax		19,875	21,525
Total comprehensive income for the year		3,758,237	3,493,274

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

CARRERAS LIMITED

Company Statement of Financial Position
March 31, 2019

	Notes	2019 $'000	2018 $'000
Assets			
Deferred tax asset	15	38,544	32,774
Employee benefits asset	10(i)(a)	138,300	181,900
Property, plant and equipment	11	383,017	337,251
Investment in subsidiaries	20	15,549	206,294
Non-current assets		575,410	758,219
Cash and cash equivalents	12	1,706,487	1,645,920
Accounts receivable	13	779,934	910,050
Inventories	22(f)	361,462	233,179
Current assets		2,847,883	2,789,149
Total assets		3,423,293	3,547,368
Equity			
Share capital	14	121,360	121,360
Unappropriated profits		1,144,810	1,512,813
Total equity		1,266,170	1,634,173
Liabilities			
Employee benefits obligation	10(ii)(a)	223,000	253,800
Non-current liability		223,000	253,800
Accounts payable	16	1,136,491	828,662
Income tax payable		797,632	830,733
Current liabilities		1,934,123	1,659,395
Total liabilities		2,157,123	1,913,195
Total equity and liabilities		3,423,293	3,547,368

The financial statements on pages 8 to 52, were approved for issue by the Board of Directors on May 22, 2019, 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.

CARRERAS LIMITED

Company Statement of Changes in Equity
Year ended March 31, 2019

	Share capital (note 14) $'000	Unappropriated profits $'000	Total $'000
Balances at March 31, 2017	121,360	1,611,795	1,733,155
Profit for the year	-	3,471,749	3,471,749
Other comprehensive income:			
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
Transactions with owners			
Dividends paid (note 19)	-	(3,592,256)	(3,592,256)
Balances at March 31, 2018	121,360	1,512,813	1,634,173
Profit for the year	-	3,738,362	3,738,362
Other comprehensive income:			
Remeasurement of employee benefit asset and obligation, net of taxes	-	19,875	19,875
Total comprehensive income for the year	-	3,758,237	3,758,237
Transactions with owners			
Dividends paid (note 19)	-	(4,126,240)	(4,126,240)
Balances at March 31, 2019	121,360	1,144,810	1,266,170

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

CARRERAS LIMITED

Company Statement of Cash Flows
Year ended March 31, 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit for the year		3,738,362	3,471,749
Adjustments for:			
Depreciation	11	88,156	77,084
Employee benefits		39,300	27,600
Gain on disposal of property, plant and equipment	6	(2,650)	(7,186)
Gain on liquidation of subsidiary	20	(376,928)	-
Foreign exchange loss		13,259	17,686
Income tax expense	8(d)	1,137,411	1,148,729
Investment income earned	6	(65,274)	(76,676)
		4,571,636	4,658,986
Changes in:			
Accounts receivable		132,999	(298,506)
Inventories		(128,283)	239,539
Accounts payable		307,829	39,615
Cash generated from operations		4,884,181	4,639,634
Income tax paid		(1,182,907)	(1,293,443)
Net cash provided by operating activities		3,701,274	3,346,191
Cash flows from investing activities			
Capital distribution from liquidated subsidiary	20	567,673	-
Investment income received		62,391	77,424
Additions to property, plant and equipment	11	(133,922)	(114,275)
Proceeds from disposal of property, plant and equipment		2,650	7,276
Net cash used by investing activities		498,792	(29,575)
Cash flows from financing activity			
Dividends and distribution paid, being net cash used by financing activity	19	(4,126,240)	(3,592,256)
Net increase/(decrease) in cash and cash equivalents before effect of foreign exchange rate changes		73,826	(275,640)
Effect of exchange rate changes on cash and cash equivalents		(13,259)	(17,686)
Cash and cash equivalents at beginning of year		1,645,920	1,939,246
Cash and cash equivalents at end of year	12	1,706,487	1,645,920

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.

This is the first set of the group's annual financial statements in which IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, have been applied. Changes to significant accounting polocies are described in note 3.

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 10 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.

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

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

- Allowance for impairment losses [see notes 13 and 22(p)]:

  Allowances for doubtful accounts were established until March 31, 2018, based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to recover accounts receivable. Effective April 1, 2018, such allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") on trade accounts receivable.

  Under the ECL model, the group analyses its accounts receivable in a matrix by days past due and determined for each age bracket an average rate of ECL, considering actual credit loss experience over the last 3 months and analysis of future delinquency, that is applied to the balance of the accounts receivable.

  The average ECL rate increases in each segment of days past due until the rate is 100% for the applicable ageing bracket.

3. **Changes in significant accounting policies**

The group has initially adopted IFRS 15, *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from April 1, 2018.

A number of other new standards were also effective from April 1, 2018 but they do not have a material effect on the group's and company's financial statements.

Due to the transition method chosen by the group and company in applying IFRS 9 and IFRS 15, comparative information throughout these financial statements has not generally been restated to reflect the requirements of these new standards.

The effect of initially applying these standards is mainly attributed to the following:

– additional disclosures related to IFRS 9 [see notes 18(i) and 22 (p)]
– additional disclosures related to IFRS 15 [see note 22 (l)].

Except for the changes below, the company has consistently applied the accounting policies as set out in note 22 to all periods presented in these financial statements.

IFRS 15, *Revenue from Contract with Customers*

Under IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, following a five step model: Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

3. **Changes in significant accounting policies (cont'd)**

IFRS 15, *Revenue from Contract with Customers* (cont'd)

IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 was effective on April 1, 2018, and supersedes all existing guidance on revenue recognition.

The adoption of IFRS 15 did not impact the timing or amount of sales from contracts with customers and the related assets and liabilities recognised by the company. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

IFRS 9, *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented separate in the statement of profit or loss and OCI.

Additionally, the group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019, but have not been applied to the comparative information.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the company classifies and measures financial instruments under IFRS 9, see note 22 (s).

The following table and the accompanying note below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's and company's financial assets as at April 1, 2018.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

3. **Changes in significant accounting policies (cont'd)**

IFRS 9, *Financial Instruments* (cont'd)

Classification and measurement of financial assets and financial liabilities (cont'd)

The Group

	Note	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at March 31, 2018	Remeasurement	IFRS 9 carrying amount at April 1, 2018
Financial assets				**$'000**	**$'000**	**$'000**
Cash and cash equivalents		Loans and receivables	Amortised cost	2,306,972	-	2,306,972
Accounts receivable	(a)	Loans and receivables	Amortised cost	910,995	-	910,995
				3,217,967	-	3,217,967

The Company

	Note	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at March 31, 2018	Remeasurement	IFRS 9 carrying amount at April 1, 2018
Financial assets				**$'000**	**$'000**	**$'000**
Cash and cash equivalents		Loans and receivables	Amortised cost	1,645,920	-	1,645,920
Accounts receivable	(a)	Loans and receivables	Amortised cost	910,050	-	910,050
				2,555,970	-	2,555,970

(a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. No allowance for impairment over these receivables was recognised for transition adjustment on initial application of IFRS 9 as at April 1, 2018 as the amounts were considered immaterial.

Impairment of financial assets

IFRS 9 replace the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39 (see note 18).

Transition

For assets in the scope of the IFRS 9 impairment model, impairment loses are generally expected to increase and become more volatile. The group and company has determined that application of IFRS 9's impairment requirements at April 1, 2018 has not given rise to any material change in the group's and company's impairment allowance.

Additional information about how the company measures allowance for impairment is described in [note 22 (p)].

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

3. **Changes in significant accounting policies (cont'd)**

IFRS 9, *Financial Instruments* (cont'd)

Impairment of financial assets (cont'd)

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at April 1, 2018. Accordingly, the information presented for 2018, does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

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 $5,593,796,000 (2018: $5,417,449,000).

5. **Cost of operating revenue**

	The Group and the Company	
	2019	2018
	$'000	$'000
Special consumption tax	5,593,796	5,417,449
Customs administration fee	333,678	321,200
Material and related costs	542,651	510,633
	6,470,125	6,249,282

6. **Other operating income**

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Interest income	67,467	89,326	65,274	76,676
Exchange loss	(16,705)	(7,632)	(13,259)	(17,686)
Gain on disposal of property, plant and equipment	2,650	7,186	2,650	7,186
Unclaimed dividends written back (note 16)	60,941	17,710	60,941	17,710
Miscellaneous income	35,551	117,131	16,805	117,131
	149,904	223,721	132,411	201,017

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

7. **Expense by Nature:**

(a) Administrative Expenses:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Staff costs	177,136	151,945	177,136	151,945
Directors' fees	8,372	8,435	8,372	8,435
Depreciation	28,523	24,376	28,523	24,376
Auditors' remuneration	8,630	7,670	8,630	7,670
Occupancy costs	39,929	46,776	39,929	46,776
Transportation, travel and entertainment	61,570	52,324	61,570	52,324
Security	26,597	17,480	26,597	17,480
Insurance	23,867	21,792	23,867	21,792
Legal, professional and consultancy fees	43,105	61,154	43,105	55,646
Technical and advisory fees	158,414	123,406	158,414	123,406
Business support services	258,215	324,034	258,215	324,034
Shared service centre	69,987	35,010	69,987	35,010
Information technology	128,893	108,260	128,893	108,260
Bank charges	10,837	13,914	10,797	13,847
Public relations	44,768	54,526	44,768	54,526
Other expenses	11,663	35,436	11,294	35,155
	1,100,506	1,086,538	1,100,097	1,080,682

(b) Distribution expenses:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Staff costs	378,020	312,758	378,020	312,758
Depreciation	59,633	52,708	59,633	52,708
Occupancy costs	51,122	45,294	51,122	45,294
Transportation and travel	116,170	108,192	116,170	108,192
Repairs and maintenance	7,226	7,063	7,226	7,063
Security	96,733	57,455	96,733	57,455
Insurance	3,994	2,953	3,994	2,953
Legal, professional and consultancy fees	36,988	24,782	36,988	24,782
Information technology	18,076	15,597	18,076	15,597
Other expenses	5,451	6,853	5,451	6,853
	773,413	633,655	773,413	633,655

(c) Marketing expenses:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Sponsorship	87,785	76,204	87,785	76,204
Promotions	46,002	38,837	46,002	38,837
Product development	5,967	12,711	5,967	12,711
	139,754	127,752	139,754	127,752
Total administrative, distribution and marketing expenses	2,013,673	1,847,945	2,013,264	1,842,089

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

8. **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:

	2019 $'000	2018 $'000
Current:		
Provision for charge on current year's profit	1,125,270	1,168,422
Deferred:		
Origination and reversal of temporary differences [note 15(b)]	(16,243)	(15,726)
Income tax expense for the year	1,109,027	1,152,696

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

	2019 $'000	2018 $'000
Profit before income tax	4,515,929	4,637,326
Computed "expected" tax charge at 25%	1,128,982	1,159,332
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	503	7,353
Foreign exchange gains	(4,289)	(5,808)
Effect of income taxed at other than standard rate	(15,235)	(6,571)
Other adjustments	(934)	(1,610)
Actual tax charge	1,109,027	1,152,696
Effective tax rate	24.56%	24.86%

(c) At March 31, 2019, taxation losses in subsidiaries, subject to agreement by Tax Administration Jamaica, amounted to approximately $777,748,000 (2018: $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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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

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:

	2019 $'000	2018 $'000
Current:		
Provision for charge on current year's profit	1,121,422	1,161,293
Tax arising on capital distribution at 5%	28,384	-
	1,149,806	1,161,293
Deferred:		
Origination and reversal of temporary differences [note 15(b)]	(12,395)	(12,564)
Income tax expense for the year	1,137,411	1,148,729

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

	2019 $'000	2018 $'000
Profit before income tax	4,875,773	4,620,478
Computed "expected" tax charge at 25%	1,218,943	1,155,120
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	503	7,353
Foreign exchange gains	(843)	(2,693)
Effect of income taxed at other than standard rate	(128,769)	(6,224)
Other adjustments	47,577	(4,827)
Actual tax charge	1,137,411	1,148,729
Effective tax rate	23.33%	24.86%

9. **Earnings per ordinary stock unit**

Earnings per ordinary stock unit is calculated as follows:

	2019	2018
Profit for the year attributable to stockholders	3,406,849,000	3,484,596,000
Ordinary stock units in issue	4,854,400,000	4,854,400,000
Earnings per stock unit	70.2¢	71.8¢

10. **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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

10. **Employee benefits (cont'd)**

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.

The amounts recognised are computed as follows:

	The Group and the Company	
	2019	2018
	$'000	$'000
Pension benefits	(138,300)	(181,900)
Post employment health and group life insurance benefit	223,000	253,800

The amounts recognised are computed as follows:

(i) Pension benefits:

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

	The Group and the Company	
	2019	2018
	$'000	$'000
Present value of funded obligations	3,072,900	3,486,600
Fair value of plan assets	(5,949,100)	(5,518,400)
Present value of net obligations	(2,876,200)	(2,031,800)
Unrecognised amount due to limitation	2,737,900	1,849,900
Asset recognised in statement of financial position	(138,300)	(181,900)

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

	The Group and the Company	
	2019	2018
	$'000	$'000
Net asset at beginning of the year	(181,900)	(200,800)
Contributions paid	(2,900)	(3,100)
Expense recognised in the statement of profit or loss and other comprehensive income	46,500	22,000
Net asset at end of the year	(138,300)	(181,900)

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

10. **Employee benefits (cont'd)**

(i) Pension benefits (cont'd):

(c) Movements in present value of funded obligation:

	The Group and the Company 2019 $'000	2018 $'000
Balance at start of year	3,486,600	3,205,600
Current service cost	18,200	18,000
Interest cost	255,500	297,800
Re-measurements -		
(Gain)/loss from change in financial assumptions	(491,100)	145,700
Members' contributions	2,100	1,500
Benefits paid	(198,400)	(176,400)
Gain on curtailment	-	(5,600)
Balance at end of year	3,072,900	3,486,600

(d) Movements in plan assets:

	The Group and the Company 2019 $'000	2018 $'000
Fair value of plan assets at beginning of the year	5,518,400	4,925,300
Interest income on plan assets	406,100	459,200
Contributions paid	7,900	7,700
Benefits paid	(215,800)	(190,800)
Remeasurement gain on assets	232,500	317,000
Fair value of plan assets at end of the year	5,949,100	5,518,400
Plan assets consist of the following:		
Equities	2,125,800	1,839,800
Pooled pension investments	984,600	938,900
Real property	643,900	589,100
Resale agreements	352,300	471,100
Government and corporate bonds	1,724,900	1,584,900
Net current assets	117,600	94,600
	5,949,100	5,518,400

(e) Expense recognised in profit for the year:

	The Group and the Company 2019 $'000	2018 $'000
Current service costs	15,300	14,900
Interest cost on obligation	255,500	297,800
Interest income on assets	(406,100)	(459,200)
Interest on effect of asset ceiling	138,700	144,300
Gain on curtailments and settlements	-	(5,600)
Administrative expenses	17,400	14,400
	20,800	6,600

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

10. **Employee benefits (cont'd)**

The amounts recognised are computed as follows (cont'd):

(i) Pension benefits (cont'd):

(f) Remeasurements recognised in other comprehensive income:

	2019 $'000	2018 $'000
Change in effect of asset ceiling	749,300	186,700
Remeasurement gain on plan assets	(232,500)	(317,000)
Remeasurement (gain)/loss on obligation	(491,100)	145,700
	25,700	15,400

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

	2019 %	2018 %
Discount rate	7.00	7.50
Future salary increases	4.00	5.50
Future pension increases	5.00	4.50

Assumptions regarding future mortality are based on GAM 94 Tables with ages reduced by five years (2018: five years).

At March 31, 2019, the weighted average duration of the defined benefit obligation was 13 years (2018: 15 years).

(h) Sensitivity analysis of principal actuarial assumptions:

	The Group and the Company			
	One-half percentage point increase		One-half percentage point decrease	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Discount rate	(176,200)	(227,700)	196,000	131,000
Salary increases	9,800	13,200	(9,400)	(12,200)
Pension increases	185,700	117,800	(167,200)	(216,600)

(i) Plan assets include ordinary stock units issued by the company with a fair value of $325,884,000 (2018: $373,372,000).

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

10. **Employee benefits (cont'd)**

The amounts recognised are computed as follows (cont'd):

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

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

	The Group and the Company	
	2019	2018
	$'000	$'000
Present value of future obligations, being liability recognised in statement of financial position	223,000	253,800

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

	The Group and the Company	
	2019	2018
	$'000	$'000
Net liability at the beginning of the year	253,800	273,800
Contributions paid	(8,700)	(8,600)
Income recognised in the statement of profit or loss and other comprehensive income	(22,100)	(11,400)
Net liability at the end of the year	223,000	253,800

(c) Expense recognised in profit for the year:

	The Group and the Company	
	2019	2018
	$'000	$'000
Current service costs	10,600	11,200
Interest on obligation	19,500	26,600
Gain on curtailment and settlements	-	(5,100)
	30,100	32,700

(d) Remeasurements recognised in other comprehensive income:

	The Group and the Company	
	2019	2018
	$'000	$'000
Remeasurement gain on obligation	(52,200)	(44,100)

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

	2019	2018
	%	%
Discount rate	7.00	7.50
Annual increase in health-care costs	5.00	6.50

Actuarial assumptions regarding mortality, inflation, etc., follows the same basis on those outlined in note 10(i)(g).

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

10. **Employee benefits (cont'd)**

The amounts recognised are computed as follows (cont'd):

(f) Sensitivity analysis of principal actuarial assumptions:

	The Group and the Company			
	One-half percentage point increase		One-half percentage point decrease	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Discount rate	(15,600)	(17,800)	17,500	20,800
Health-care cost increases	17,300	20,600	(15,400)	(17,600)
Salary increases	100	100	100	(100)

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

The post-employment obligation would increase by about $74,000,000 (2018: $8,400,000) or decrease by about $74,800,000 (2018: $8,300,000).

11. **Property, plant and equipment**

The Group and The Company:

	Freehold land, buildings and leaseholds $'000	Work-in-progress $'000	Machinery, furniture, equipment and vehicles $'000	Total $'000
Cost:				
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
Additions	-	133,622	300	133,922
Transfers	-	(133,294)	133,294	-
Disposals	-	-	(9,069)	(9,069)
March 31, 2019	174,944	9,677	596,962	781,583
Depreciation:				
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
Charge for the year	16,756	-	71,400	88,156
Eliminated on disposals	-	-	(9,069)	(9,069)
March 31, 2019	76,653	-	321,913	398,566
Net book values:				
March 31, 2019	98,291	9,677	275,049	383,017
March 31, 2018	115,047	9,349	212,855	337,251

Freehold land, buildings and leaseholds for the group and the company include freehold land in the amount of $700 (2018: $700).

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

12. **Cash and cash equivalents**

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Demand and call deposits	1,789,730	2,306,972	1,706,487	1,645,920

13. **Accounts receivable**

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade accounts receivable	582,687	865,738	582,687	865,738
Interest and other investment income receivable	5,968	4,474	5,968	3,085
Prepayments	179,396	27,626	179,396	27,626
Other receivables and advances:				
Other	16,868	15,807	17,731	16,251
	784,919	913,645	785,782	912,700
Less: Allowance for impairment losses	(5,848)	(2,650)	(5,848)	(2,650)
	779,071	910,995	779,934	910,050

During the year, net bad debts recognised in profit or loss aggregated $5,774,000 (2018: $2,095,000) for the group and the company.

Allowances for doubtful accounts were established until March 31, 2018 based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to recover accounts receivable. Effective April 1, 2018 such allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are recognised over their term.

Under this ECL model, the group uses accounts receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable. A weighted average ECL rate is used as at March 31, 2019 to apply against the accounts receivable balance (see note 18).

14. **Share capital**

	2019	2018
	$'000	$'000
Authorised:		
4,854,400,000 ordinary shares of no par value		
Stated:		
Issued and fully paid:		
4,854,400,000 stock units of no par value	121,360	121,360

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

15. Deferred tax asset/(liability)

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

The Group:

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax on reserves of subsidiary in liquidation	-	-	-	(22,010)	-	(22,010)
Accounts payable	3,198	2,975	-	-	3,198	2,975
Property, plant and equipment	15,785	12,613	-	-	15,785	12,613
Employee benefits	55,750	63,450	(34,575)	(45,475)	21,175	17,975
Accounts receivable	-	-	(1,492)	(5,716)	(1,492)	(5,716)
Unrealised foreign exchange gain	-	1,079	(122)	-	(122)	1,079
Deferred tax asset/(liability)	74,733	80,117	(36,189)	(73,201)	38,544	6,916

The Company:

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Accounts payable	3,198	2,975	-	-	3,198	2,975
Property, plant and equipment	15,785	12,613	-	-	15,785	12,613
Employee benefits	55,750	63,450	(34,575)	(45,475)	21,175	17,975
Accounts receivable	-	-	(1,492)	(771)	(1,492)	(771)
Unrealised foreign exchange gain	-	-	(122)	(18)	(122)	(18)
Deferred tax asset/(liability)	74,733	79,038	(36,189)	(46,264)	38,544	32,774

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

The Group:

	2019			
	Opening balance	Recognised in equity	Recognised in profit or loss [note 8(a)]	Closing balance
	$'000	$'000	$'000	$'000
Deferred tax on reserves of subsidiary in liquidation	(22,010)	22,010	-	-
Accounts payable	2,975	-	223	3,198
Property, plant and equipment	12,613	-	3,172	15,785
Employee benefits	17,975	(6,625)	9,825	21,175
Interest receivable	(5,716)	-	4,224	(1,492)
Unrealised foreign exchange gain	1,079	-	(1,201)	(122)
	6,916	15,385	16,243	38,544

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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

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

The Group (cont'd):

	2018			
	Opening balance $'000	Recognised in equity $'000	Recognised in profit or loss [note 8(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

The Company:

	2019			
	Opening balance $'000	Recognised in equity $'000	Recognised in profit or loss [note 8(d)] $'000	Closing balance $'000
Accounts payable	2,975	-	223	3,198
Property, plant and equipment	12,613	-	3,172	15,785
Employee benefits	17,975	(6,625)	9,825	21,175
Accounts receivable	(771)	-	(721)	(1,492)
Unrealised foreign exchange gain	(18)	-	(104)	(122)
	32,774	(6,625)	12,395	38,544

	2018			
	Opening balance $'000	Recognised in equity $'000	Recognised in profit or loss [note 8(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

(c) The group has not recognised a deferred tax asset arising in subsidiaries amounting to $194,370,000 (2018: $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 8(c)].

16. **Accounts payable**

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade accounts payable	39,070	45,764	39,070	45,764
General consumption tax payable	40,877	64,132	40,877	64,132
Related parties (see also note 17)	253,360	66,969	253,360	66,969
Employee related	41,590	26,579	41,590	26,579
Unclaimed dividends*	560,513	485,694	560,513	485,694
Other	201,081	151,304	201,081	139,524
	1,136,491	840,442	1,136,491	828,662

*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 6).

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	
	2019	2018
	$'000	$'000
Royalties	25,282	28,732
Purchases from related companies - cigarettes	500,937	456,077
Technical fees paid to ultimate parent company	158,414	123,406
Technical fees and business support services paid to other related company	328,202	359,044
IT support fees paid to other related company	128,600	106,586
Pension schemes:		
Dividends paid	29,250	25,222
Directors' remuneration:		
Fees	8,372	8,435
Management remuneration	66,562	58,887
Key management personnel:		
Short-term employee benefits	124,237	111,154
Post-employment benefits	1,900	1,600

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

Related party balances are shown in note 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

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.

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

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.

Trade receivables

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.

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. 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 maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	The Group and the Company	
	2019	2018
	$'000	$'000
Wholesale customers	404,824	678,740
Retail customers	177,863	186,998
	582,687	865,738

Expected credit loss assessment as at April 1, 2018

The group uses an allowance matrix to measure expected credit losses (ECLs) in respect of trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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

(i) Credit risk (cont'd):

Expected credit loss assessment as at April 1, 2018 (cont'd)

The following table provides information about the exposure to credit risk and ECL for trade receivables as at March 31, 2019.

Age categories	Weighted average loss rate	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
Current (not past due)	0.05%	470,481	214	No
1 - 30 days	0.04%	101,512	45	No
31-60 days	0.12%	4,852	6	No
61-90 days	12.20%	295	36	No
Over 90 days	100.00%	5,547	5,547	Yes
		582,687	5,848	

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

	The Group and the Company 2019 $'000	2018 $'000
Balance at 1 April	2,650	555
Impairment loss recognised	5,774	2,609
Bad debts recovered	(2,576)	(514)
Balance at 31 March	5,848	2,650

Cash and cash equivalents

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 cash equivalents are held with reputable financial institutions. Credit risk is considered to be low. The allowance for impairment is immaterial.

(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 2019 $'000	The Group 2018 $'000	The Company 2019 $'000	The Company 2018 $'000
Fixed rate instruments:				
Cash and cash equivalents	666,775	2,079,184	583,776	1,431,301

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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:

	2019		2018	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	5,428	22	5,505	179
Related party receivables	32	-	-	-
Related party payables	(477)	(692)	(302)	-
Other payables	(10)	-	(225)	(11)
Exposure, net	4,973	(670)	4,978	168

The Company:

	2019		2018	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	4,757	22	4,784	27
Related party receivables	32	-	-	-
Related party payables	(477)	(692)	(302)	-
Other payables	(10)	-	(225)	(11)
Exposure, net	4,302	(670)	4,257	16

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:

	2019 Increase/(decrease) in profit		2018 Increase/(decrease) in profit	
	4% Strengthening $'000	2% Weakening $'000	10% Strengthening $'000	1% Weakening $'000
US ($)	12,343	(24,686)	24,821	(12,411)
GBP (£)	(2,351)	4,704	1,179	(590)

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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

(ii) Market risk (cont'd):

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

The Company:

	2019 Increase/(decrease) in profit		2018 Increase/(decrease) in profit	
	4% Strengthening $'000	2% Weakening $'000	10% Strengthening $'000	1% Weakening $'000
US ($)	10,668	(21,337)	21,226	(10,613)
GBP (£)	(2,351)	4,704	112	(56)

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

	US$	£
At March 31, 2017:	127.7664	157.8634
At March 31, 2018:	124.6545	175.4801
At March 31, 2019:	123.5735	163.5821

(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, 2019 and 2018 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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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**

	2019 $'000	2018 $'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- 11c (2017-Nil)	533,984	-
Third quarter ended December 31, 2018:		
Ordinary – 19¢ (2017: 18¢)	922,336	873,792
Fourth quarter ended March 31, 2019:		
Ordinary – 18¢ (2018: 20¢)	873,792	970,880
	4,126,240	3,592,256
Distribution to non-controlling interests, net	1,328	-
Total dividends to stockholders	4,127,568	3,592,256

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 2019 %	Company 2018 %	Subsidiary 2019 %	Subsidiary 2018 %
Cigarette Company of Jamaica Limited (In Voluntary Liquidation)	Inactive (voluntary liquidation)	-	99.97	-	-
Sans Souci Development Limited and its subsidiary,	Dormant	100.00	100.00	-	-
Sans Souci Limited	Dormant	-	-	100.00	100.00

The liquidation proceedings for Cigarette Company of Jamaica Limited (CCJ) were completed on November 9, 2018.

The effects of the liquidation are as follows:

	The Group $'000	The Company $'000
Net assets/Investment in subsidiary, disposed	(567,673)	(190,745)
Distribution from CCJ	567,673	567,673
Gain on liquidation of subsidiary	-	376,928

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

21. **Contractual commitments**

Lease commitments under operating leases at March 31, are payable as follows:

	The Group and the Company	
	2019	2018
	$'000	$'000
Within one year	30,808	40,844
Between one year and five years	13,197	43,485
	44,005	84,329

Payments made during the year ended March 31, 2019 aggregated:

	2019	2018
	$'000	$'000
The Group and Company	42,602	37,138

22. **Significant accounting policies**

Certain new and amended standards and interpretations 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**
IFRIC 22, *Foreign Currency Transactions and Advance Consideration*	This interpretation is 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.

The adoption of this interpretation 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.

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 was liquidated, 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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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:

The effect of initially applying IFRS 15 on the company's revenue from contracts is described in note 3.

Revenue recognition under IFRS 15 (applicable from April 1, 2018)

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control over a good or service to a customer.

Nature and timing of satisfaction of performance obligations, including significant payment terms

Revenue is recognised at a point in time in the amount of the price before tax on sales expected to be received by the company for the supply of goods, as contractual performance obligations are fulfilled,when the goods are delivered and have been accepted by the customers.

Invoices are usually payable within 7 to 45 days.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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

(l) Revenue recognition (cont'd):

Revenue recognition under IAS 18 (applicable before April 1, 2018

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.

(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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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

(o) Employee benefits (cont'd):

(i) Pension assets (cont'd):

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.

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:

Financial assets

Policy applicable from April 1, 2018

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The company measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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

(p) Impairment (cont'd):

Financial assets (cont'd)

Policy applicable from April 1, 2018 (cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward looking information.

The company assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

The company recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to action such as realising security if any is held; or

- the financial asset is more than 90 days past due.

Life-time ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

(p) Impairment (cont'd):

Policy applicable from April 1, 2018 (cont'd)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

Policy applicable before April 1, 2018

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.

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

(p) Impairment (cont'd):

Policy applicable before April 1, 2018 (cont'd)

(ii) Reversals of impairment (cont'd):

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.

(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.

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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Notes to the Financial Statements (Continued)
March 31, 2019

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

(s) Financial instruments (cont'd):

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from April 1, 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Amortised cost represents the net present value ("NPV") of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Trade and other receivables

Due to their short-term nature, the company initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from April 1, 2018

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from April 1, 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

(s) Financial instruments (cont'd):

(ii) Classification and subsequent measurement (cont'd)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from April 1, 2018 (cont'd)

The company's objective is to hold financial assets to collect contractual cash flows. In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial liabilities

All financial liabilities are recognised initially at fair value and in the case of borrowings, plus directly attributable transaction costs. The company's financial liabilities, which mainly comprise accounts payables is recognised initially at fair value.

Financial assets and liabilities – Subsequent measurement and gains and losses: Policy applicable from April 1, 2018

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in the individual policy statements associated with each item.

Financial assets and liabilities– Policy applicable before April 1, 2018

The company classified non-derivative financial assets as *Loans and receivables:* measured at amortised cost using the effective interest method.

The company classified non-derivative financial liabilities into the other financial liabilities category. These are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

(s) Financial instruments (cont'd):

(iii) Derecognition (cont'd)

Financial assets (cont'd)

The company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(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.

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Notes to the Financial Statements (Continued)
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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 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.. The Group plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.
Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*	This amendment is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements. *"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*
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.

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Notes to the Financial Statements (Continued)
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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* (cont'd)	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.
Amendments to *References to Conceptual Framework in IFRS Standards*	These amendments are effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting. The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements. – New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself; – A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present. – A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

The group is assessing the impact that these new standards, amendments and interpretations will have on its 2020 and 2021 financial statements.