



On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the FIRST QUARTER ended June 30, 2019.

Performance Highlights are:

	3 months ended June 30, 2019 \$M	3 months ended June 30, 2018 \$M	Variance
Operating revenue	3,458.0	3,145.2	10%
Profit from operations	1,220.4	1,110.3	10%
Profit for the period	923.3	821.1	12%
Earnings per stock unit (cents)	19.0	16.9	12%

For the first quarter of the 2019/2020 financial year, Carreras Limited earned operating revenue of \$3,458.0 million and delivered net profit for the period of \$923.3 million. These results show increases in revenues and profits of 10% and 12%, respectively, compared to the corresponding period last year. So too, earnings per share for the period at 19¢ per share is a 12% growth compared to the corresponding period last year. This positive outturn over the prior period is underpinned by the positive volume trend from current market dynamics and the benefits being derived from our investment in the new route to market structure which was implemented on April 1, 2019. As the business continues to focus on recovery of volumes from the expansion of distribution coverage across the island and providing value to consumers, the Company is encouraged by its positive first quarter performance.

On April 1, 2019, we successfully implemented a new route to market structure which included the re-organisation of the sales force and distribution routes with a focus on increasing our distribution coverage. In doing so, the sales team was upgraded and changes were made to the distribution structure and strategies. We are happy to report that the Company has begun to reap the benefits from this re-organisation which has contributed to the increased profitability in this quarter compared to the prior period.

The quarter was also marked by the continued investment in our core brands, particularly, the evolution of the Matterhorn Family. In keeping with our efforts to reinforce the brand proposition value and to excite our consumers, Matterhorn, the menthol authority in Jamaica, is being upgraded, to include a sleek, modern and attractive design. There has also been an upgrade to the product. The Matterhorn core has been upgraded to include a capsule which allows the consumer to boost “freshness”. Matterhorn Click & On has been upgraded to a double capsule, this being the first double capsule to be introduced in Jamaica. This double capsule not only boosts “freshness” but allows the consumer to switch to experience a citrus flavour. The island-wide launch which began with a teaser campaign in June 2019, will be completed in the second quarter of the financial year.

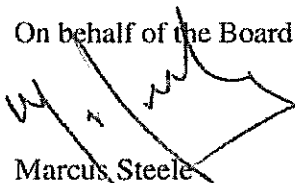
Having recorded revenue growth and increased profitability for the quarter ended June 30, 2019 compared to the same period last year, we remain cautiously optimistic that this trend will continue into the rest of the financial year. This positive trend, along with the investment in our brands, our talented and dedicated team and our continued thrust to satisfy consumer moments, auger well for the long-term sustainability of the business.

During the quarter, the Company continued its call on the Government to implement a sustainable excise strategy in recognition of the direct relationship between frequent and excessive increases in taxes and the proliferation of illicit cigarettes. The illicit trade in cigarettes continues to negatively impact the Government's tax collection and regulation efforts. We therefore remain fully supportive of efforts by the Government and the authorities to stamp out the illicit trade in cigarettes and maintain our call for stronger border protection and port monitoring initiatives.

Administrative, distribution and marketing expenses totalled \$537.6 million (2018: \$489.4 million) for the three-month period ended June 30, 2019. This represents a 9.8% increase in overheads versus the similar period last year and is due mainly to heightened investments in our brands as well as increased route to market costs. The Company remains committed to containing costs and pursuing cost cutting initiatives wherever this is feasible.

Stockholders, I am also pleased to report that the Board of Directors has approved an interim dividend payment of \$0.18 per stock unit, totalling \$873.8 million, to be paid out of accumulated profits on August 29, 2019 to stockholders as shown on the Register of Members as at August 12, 2019. This is in keeping with our dividend policy and demonstrates the Company's continued commitment to enhancing shareholder value.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Marcus Steele', written over a faint rectangular box.

Marcus Steele
Managing Director

CARRERAS LIMITED

Group Statement of Comprehensive Income For the three months ended June 30, 2019

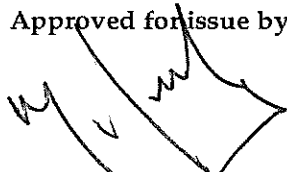
		Unaudited	
		3 months	
		Jun-19	Jun-18
		\$'000	\$'000
	Notes		
Operating revenue	4	3,458,024	3,145,196
Cost of operating revenue		(1,731,240)	(1,567,958)
Gross operating profit		1,726,784	1,577,238
Other operating income		29,231	23,152
		1,756,015	1,600,390
Administrative, distribution and marketing expenses		(537,575)	(489,417)
Impairment gain/(loss) on trade receivables		1,951	(631)
Profit from operations		1,220,391	1,110,342
Interest income		17,136	18,972
Interest expense		(2,820)	-
Net finance income		14,316	18,972
Profit before tax		1,234,707	1,129,314
Taxation	5	(311,413)	(308,227)
Profit for the period		923,294	821,087
Other comprehensive income			
Income tax on other comprehensive income		-	22,010
Other comprehensive income, net of tax		-	22,010
Total comprehensive income for the period		923,294	843,097
Profit attributable to:			
Minority interests		-	53
Stockholders in parent		923,294	821,034
		923,294	821,087
Total comprehensive income attributed to:			
Minority interests		-	53
Stockholders in parent		923,294	843,044
		923,294	843,097
Earnings per ordinary stock unit	6	19.0¢	16.9¢

CARRERAS LIMITED

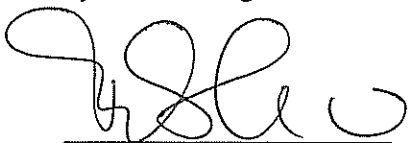
Group Statement of Financial Position As at June 30, 2019

	Notes	Unaudited	Unaudited
		Jun-19	Jun-18
		\$000	\$000
Assets			
Deferred tax asset		35,674	30,523
Retirement benefit asset		138,300	181,900
Property, plant and equipment		516,545	320,502
Non- current assets		690,519	532,925
Cash and cash equivalents		2,018,953	2,142,588
Accounts receivable		1,020,567	975,245
Income tax recoverable		41,097	25,010
Inventories		347,001	278,660
Current Assets		3,427,618	3,421,503
Total Assets		4,118,137	3,954,428
Equity			
Share capital	7	121,360	121,360
Unappropriated profits		1,457,821	1,743,654
Total attributable to stockholders of parent		1,579,181	1,865,014
Liabilities			
Lease liability		119,034	-
Retirement benefit obligation		223,000	253,800
Non-current liabilities		342,034	253,800
Current Liabilities			
Accounts payable		1,312,188	955,563
Income tax payable		855,798	880,051
Current portion of lease liability		28,936	-
		2,196,922	1,835,614
Total Liabilities		2,538,956	2,089,414
Total equity and liabilities		4,118,137	3,954,428

Approved for issue by the Board of Directors on 24 July 2019 and signed on its behalf by:



 Marcus Steele
 Managing Director



 Janene Shaw
 Finance Director

CARRERAS LIMITED

**Group Statement of Changes in Equity
For the three months ended June 30, 2019**

	Share Capital	Unappropriated Profits	Total	Minority Interest	Total
	\$000	\$000	\$000	\$000	\$000
Balances at March 31, 2018	121,360	1,920,034	2,041,394	1,275	2,042,669
Profit for the period	-	821,034	821,034	53	821,087
Deferred tax on reserves of subsidiary in liquidation	-	22,010	22,010		22,010
Total comprehensive income for the period	-	843,044	843,044	53	843,097
Transactions with owners					
Dividends paid, being total transactions with owners (note 8)	-	(1,019,424)	(1,019,424)	(1,328)	(1,020,752)
Total transactions with owners	-	(1,019,424)	(1,019,424)	(1,328)	(1,020,752)
Unaudited Balances at June 30, 2018	121,360	1,743,654	1,865,014	-	1,865,014

	Share Capital	Unappropriated Profits	Total	Minority Interest	Total
	\$000	\$000	\$000	\$000	\$000
Balances at March 31, 2019	121,360	1,214,144	1,335,504	-	1,335,504
Profit for the period	-	923,294	923,294	-	923,294
Total comprehensive income for the period	-	923,294	923,294	-	923,294
Transactions with owners					
Dividends paid, being total transactions with owners (note 8)	-	(679,617)	(679,617)	-	(679,617)
Total transactions with owners	-	(679,617)	(679,617)	-	(679,617)
Unaudited Balances at June 30, 2019	121,360	1,457,821	1,579,181	-	1,579,181

CARRERAS LIMITED

**Company Statement of Changes in Equity
For the three months ended June 30, 2019**

	Share Capital	Revenue Reserves	Total
	\$000	\$000	\$000
Balances at March 31, 2018	121,360	1,512,813	1,634,173
Profit for the period	-	1,369,777	1,369,777
Total comprehensive income for the period	121,360	2,882,590	3,003,950
Dividends paid, being total transactions with owners (note 8)	-	(1,019,424)	(1,019,424)
Unaudited Balances at June 30, 2018	121,360	1,863,166	1,984,526

Balances at March 31, 2019

Profit for the period

Total comprehensive income for the period

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

Unaudited Balances at June 30, 2019

121,360	1,144,810	1,266,170
-	919,067	919,067
121,360	2,063,877	2,185,237
-	(679,617)	(679,617)
121,360	1,384,260	1,505,620

CARRERAS LIMITED

Group Statement of Cash Flows For the three months ended June 30, 2019

	Unaudited	
	3 months	3 months
	Jun-19	Jun-18
	\$'000	\$'000
Cash flows from operating activities:		
Profit for the period	923,294	821,087
Adjustments for:		
Depreciation	33,537	22,257
Gain on disposal of property, plant and	-	(1,115)
Foreign exchange gain/(loss)	25,999	(19,631)
Taxation	311,413	308,227
Interest expense	2,820	-
Investment income earned	(17,136)	(18,972)
Items not affecting cash	1,279,927	1,111,853
Changes in:		
Accounts receivable	(247,464)	(60,899)
Inventories	14,462	(45,481)
Accounts payable	175,694	115,121
Cash generated from operations	1,222,619	1,120,594
Taxation paid	(288,970)	(295,085)
Net cash provided by operating activities	933,649	825,509
Cash provided by investing activities		
Investment income received	23,104	15,621
Additions to property, plant and equipment	(11,486)	(5,533)
Proceeds of disposal of property, plant and equipment	-	1,140
Net cash provided by investing activities	11,618	11,228
Cash used by financing activities		
Payment of lease liabilities	(10,428)	-
Dividends paid, being net cash used by financing activities	(679,617)	(1,020,752)
Net cash utilised by financing activities	(690,045)	(1,020,752)
Net increase/(decrease) in cash and cash equivalents before effect of foreign exchange rate changes	255,222	(184,015)
Effect of exchange rate changes on cash and cash equivalents	(25,999)	19,631
Cash and cash equivalents, at beginning of period	1,789,730	2,306,972
Cash and cash equivalents, at end of period	2,018,953	2,142,588

CARRERAS LIMITED

Notes to the Unaudited Financial Statements Three months ended June 30, 2019

1. General

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

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

2. Statement of compliance and basis of preparation

(a) Basis of preparation

This condensed consolidated interim financial report for the reporting period ended June 30, 2019 has been prepared in accordance with Accounting Standard IAS 34 'Interim Financial Reporting'.

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

The accounting policies followed in these interim financial statements are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standard, being IFRS 16 'Leases.' Changes to significant accounting policies are described below.

(b) Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements. The change in accounting policies are also expected to be reflected in the group's consolidated financial statements as at and for the year ended 31 March 2020.

The group has initially adopted IFRS 16 'Leases' from 1 April 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the group, as a lessee, has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments.

The group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for prior reporting period has not been restated, that is, it is presented, as previously reported, under IAS 17 and related interpretations.

As a lessee, the group previously classified leases as operating leases based on its assessment of whether the lease transferred substantial risks and rewards of ownership. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most leases, that is, these leases are on-balance sheet.

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued) **Three months ended June 30, 2019**

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

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

However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the group classified property leases as operating leases under IAS 17. These leases typically run for a period of 5 years. Some leases include an option to renew the lease for an additional five years after the end of the lease period. Some leases provide for additional rent payments.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate as at 1 April 2019 of 7.25%.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any pre-paid or accrued lease payments.

The group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining lease terms if the contract contains options to extend or terminate the lease.

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued) Three months ended June 30, 2019

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

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

The adoption of IFRS 16 resulted in an increase in the lease liability of \$155,578,000 and a corresponding increase in the right-of-use asset of \$155,578,000 on April 1, 2019.

The table below shows the reconciliation of the operating lease commitments disclosed as at March 31, 2019 to the lease liabilities recognised as at April 1, 2019.

	<u>\$'000</u>
Operating lease commitments disclosed as at March 31, 2019	44,005
Discounted using the incremental borrowing rate as at April 1, 2019	38,006
Adjustments arising from different treatment of extension and termination options and changes in the index or rate affecting variable payments	117,572
<u>Lease liabilities recognised as at April 1, 2019</u>	<u>155,578</u>

(c) Current year disclosures

The recognised right-of-use assets relate to the following asset:

<u>Details</u>	<u>1 April 2019</u>	<u>30 June 2019</u>
	\$'000	\$'000
Freehold land, buildings and leaseholds	<u>155,578</u>	<u>146,648</u>

The group incurred depreciation charges of \$8,930,000 on the right-of-use assets and interest expense of \$2,820,000 on the lease liability during the period.

(d) Accounting estimates and judgments:

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

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued) **Three months ended June 30, 2019**

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

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

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

In particular, except for the impact of the application of IFRS 16 which is described under note 2 (b), the significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustments in the next period are as follows:

(i) Key source of estimation uncertainty

Employee benefits:

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

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

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

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

3. Significant Accounting Policies

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

4. Operating Revenue

Operating revenue for the group and the company represents the invoiced value of products and services sold and includes special consumption tax aggregating \$1,495,979,000 (2018: \$1,357,201,000).

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued) Three months ended June 30, 2019

5. Taxation

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

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Current:		
Provision for charge on current period's profit at 25%	308,543	279,256
Tax arising on capital distribution at 5%	<u>-</u>	<u>28,384</u>
	308,543	307,640
Deferred:		
Origination and reversal of temporary differences	<u>2,870</u>	<u>587</u>
Taxation expense for the period	<u>311,413</u>	<u>308,277</u>

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

6. Earnings per stock unit

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

7. Share capital

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Authorised:		
4,854,400,000 (2018: 4,854,400,000) ordinary shares of no par value		
Stated:		
Issued and fully paid:		
4,854,400,000 (2018: 4,854,400,000) stock units of no par value	<u>121,360</u>	<u>121,360</u>

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued) Three months ended June 30, 2019

8. Dividends and Distributions

	<u>2019</u> \$'000	<u>2018</u> \$'000
Declared and paid:		
First quarter ended June 30, 2019		
Ordinary – 14¢ (2018: 21¢)	679,617	1,019,424
Distribution to non-controlling interests, net	<u>-</u>	<u>1,328</u>
	<u>679,617</u>	<u>1,020,752</u>

9. Subsidiary Companies

The subsidiary companies, all of which are incorporated in Jamaica, are as follows:

<u>Name of company</u>	<u>Principal activity</u>	Percentage of ordinary shares held by			
		<u>Company</u>		<u>Subsidiary</u>	
		<u>2019</u> %	<u>2018</u> %	<u>2019</u> %	<u>2018</u> %
* Cigarette Company of Jamaica Limited (In Voluntary Liquidation)	Inactive (voluntary liquidation in process)	-	99.99	-	-
Sans Souci Development Limited and its subsidiary, Sans Souci Limited	Dormant	100.00	100.00	-	-
	Dormant	<u>-</u>	<u>-</u>	<u>100.00</u>	<u>100.00</u>

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

CARRERAS LIMITED

For Quarter as at June 30, 2019

SHARE CAPITAL:

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

CONTROLLING PERSONS

Rothmans Holdings (Caricom) Limited	2,446,508,260
Sagicor Pooled Equity Fund	279,484,650
National Insurance Fund	214,184,690
SJIML A/C 3119	121,781,360
JCSD Trustee Services Ltd. – SIGMA Equity	107,617,151
L.B.J. Overseas Ltd.	102,117,115
GraceKennedy Limited Pension Scheme	74,337,030
ATL Group Pension Fund Trustees Nominee Ltd.	56,726,740
NCB Insurance Co. Ltd. A/C WT 109	47,500,000
SJLIC for Scotiabridge Retirement Scheme	<u>41,255,790</u>
Total	<u>3,491,512,786</u>

DIRECTORS & CONNECTED PERSONS

	<u>Stock Units Held</u>
Mr. Michael Bernard	Nil
Mr. Arturo Campero	Nil
Mr. Matthew Hogarth	Nil
“ (Lisa M. Bell - Spouse)	8,000
Mr. Oliver Holmes	Nil
Mr. Rafael Marquez	Nil
Mrs. Janene Shaw	Nil
Mr. Marcus Steele	Nil

Executive & Senior Management:

Mr. Marcus Steele	Nil
Mrs. Janene Shaw	Nil
Mrs. Ashleigh Arnold	Nil
Mr. Jason Fournillier	Nil
Miss Portia Darsoo	Nil
Mr. Rohan Campbell	Nil