CARRERAS LIMITED

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

Performance Highlights are:

	6 months ended September 30, 2019 $M	6 months ended September 30, 2018 $M	Variance
Operating revenue	**6,644.7**	**6,308.6**	**5.3%**
Profit from operations	**2,307.7**	**2,289.0**	**0.8%**
Profit for the period	**1,745.7**	**1,742.6**	**0.2%**
Earnings per stock unit	**35.96¢**	**35.90¢**	**0.2%**

For the six months ended September 30, 2019, Carreras Limited earned operating revenue of $6,644.7 million and delivered net profit for the period of $1,745.7 million. These results show increases in revenues and profits of 5.3% and 0.2%, respectively, compared to the corresponding period last year. The Company had a strong first quarter where revenues and profits, underpinned by recovery of volumes, showed double-digit growth. For the second quarter, our volume performance was negatively impacted, primarily in the month of September, by adverse weather conditions. The persistent rains affected the selling in of cigarettes resulting in lost consumption moments. Overall, we remain positive and encouraged by the higher sales volumes for this period compared to the corresponding six months in the prior year and remain cautiously optimistic that this will continue throughout the rest of the financial year.

Two major priorities for the Company for the 2019/2020 financial year, being, the implementation of the new route to market structure, and the upgrade of the Matterhorn portfolio, have both had positive impacts on the business performance to date. In the case of the route to market, in keeping with the mandate to build out routes and thereby increase distribution coverage, several new customers have been added and there has been an improvement in sales volumes over the prior period. Since mid-September 2019, the Matterhorn portfolio upgrade has achieved full distribution island-wide. Innovation often brings resistance to change and although we have experienced some of this, there has been a reassuring acceptance island-wide. Largely, consumers' response is positive, indicating that the new Matterhorn is "better" or "much better" than the previous one. We are confident that the investment in both our new route to market structure and in Matterhorn product innovation augurs well for the long-term sustainability of the business. These are in preparation of the market for the future whilst ensuring that we continue to excite our consumers by transforming our portfolio and providing more choices to satisfy consumer moments.

Administrative, distribution and marketing expenses totalled $1,034.5 million (2018: $905.4 million) for the six-month period ended September 30, 2019. The lion's share of the increase over the prior period related to the priorities outlined above. These have resulted in heightened investments in our brands as well as increased route to market costs, both of which have begun to positively impact our business performance. Management remains committed to implementing cost containment and cost cutting initiatives wherever this is possible.

The Company continues its efforts to engage with the Government, impressing on them the need 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 which continues to shift volumes from the legal trade also negatively impacts the Government's tax collection and regulation efforts. We note the Government's recent announcement to ratify the Framework Convention on Tobacco Control's Protocol on Illicit Trade and welcome this move, as we believe that if implemented effectively, the Illicit Trade Protocol could have a positive and sustained impact in reducing the local incidence of the illicit trade in tobacco. We also believe that to ensure its effectiveness, input is required from all key stakeholders, including the legitimate industry.

Corporate Social Responsibility, and particularly Carreras' contribution to education, continues to be an integral part of our culture. Over the years, Carreras has consistently played a significant role in nation building through increased educational and community building activities. For this period, we made 52 awards to students across the island at a value of just under $11 million, spanning a wide cross section of disciplines at the tertiary level. By providing a vehicle to increased access to education, the Company continues to touch lives in ways that change and influence them positively.

Carreras recognises the importance of family life to our employees and by extension to the nation. As such, with effect from September 1, 2019, the Company implemented Paternity Leave and increased the Maternity Leave period.

Stockholders, I am also pleased to report that the Board of Directors has approved an ordinary interim dividend payment of $0.17 per stock unit, totalling $825.2 million, to be paid out of accumulated profits on December 12, 2019 to stockholders as shown on the Register of Members as at November 21, 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

Marcus Steele
Managing Director

CARRERAS LIMITED

Group Statement of Comprehensive Income
For the six months ended September 30, 2019

	Notes	Unaudited 6 months Sep-19 $'000	Unaudited 6 months Sep-18 $'000	Unaudited 3 months Sep-19 $'000	Unaudited 3 months Sep-18 $'000
Operating revenue	4	6,644,673	6,308,575	3,186,649	3,163,379
Cost of operating revenue		(3,336,568)	(3,156,509)	(1,605,328)	(1,588,551)
Gross operating profit		3,308,105	3,152,066	1,581,321	1,574,828
Other operating income		32,240	43,818	3,009	20,666
		3,340,345	3,195,884	1,584,330	1,595,494
Administrative, distribution and marketing expenses		(1,034,479)	(905,381)	(496,903)	(415,964)
Impairment gain/(loss) on trade receivables		1,863	(1,514)	(88)	(883)
Profit from operations		2,307,729	2,288,989	1,087,339	1,178,647
Interest income		34,213	33,440	17,076	14,468
Interest expense		(5,640)	-	(2,820)	-
Net finance income		28,573	33,440	14,256	14,468
Profit before income tax		2,336,302	2,322,429	1,101,595	1,193,115
Income Taxation	5	(590,603)	(579,799)	(279,190)	(271,572)
Profit for the period		1,745,699	1,742,630	822,405	921,543
Other comprehensive income					
Income tax on other comprehensive income		-	22,011	-	-
Other comprehensive income, net of tax		-	22,011	-	-
Total comprehensive income for the period		1,745,699	1,764,641	822,405	921,543
Profit attributable to:					
Minority interests		-	53	-	-
Stockholders in parent		1,745,699	1,742,577	822,405	921,543
		1,745,699	1,742,630	822,405	921,543
Total comprehensive income attributed to:					
Minority interests		-	53	-	-
Stockholders in parent		1,745,699	1,764,588	822,405	921,543
		1,745,699	1,764,641	822,405	921,543
Earnings per ordinary stock unit	6	35.96¢	35.90¢	16.94¢	18.98¢

CARRERAS LIMITED

Group Statement of Financial Position
As at September 30, 2019

	Notes	Unaudited		Audited
		Sep-19	Sep-18	Mar-19
		$000	$000	$000
Assets				
Deferred tax asset		31,827	29,240	38,544
Retirement benefit asset		138,300	181,900	138,300
Property, plant and equipment		530,148	299,687	383,017
Non- current assets		700,275	510,827	559,861
Cash and cash equivalents		1,780,592	1,738,756	1,789,730
Accounts receivable		915,979	1,017,652	779,071
Income tax recoverable		46,312	27,792	2,529
Inventories		371,487	247,495	361,462
Current Assets		3,114,370	3,031,695	2,932,792
Total Assets		**3,814,645**	**3,542,522**	**3,492,653**
Equity				
Share capital	7	121,360	121,360	121,360
Unappropriated profits		1,406,434	1,326,126	1,214,144
Total attributable to stockholders of parent		1,527,794	1,447,486	1,335,504
Liabilities				
Lease liability		111,712	-	-
Retirement benefit obligation		223,000	253,800	223,000
Non-current liabilities		334,712	253,800	223,000
Current Liabilities				
Accounts payable		1,077,908	942,578	1,136,491
Income tax payable		845,610	898,658	797,658
Current portion of lease liability		28,621	-	-
		1,952,139	1,841,236	1,934,149
Total Liabilities		2,286,851	2,095,036	2,157,149
Total equity and liabilities		3,814,645	3,542,522	3,492,653

Approved for issue by the Board of Directors on 6 November 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 six months ended September 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	-	1,742,577	1,742,577	53	1,742,630
Deferred tax on reserves of subsidiary in liquidation	-	22,011	22,011	-	22,011
Total comprehensive income for the period	-	1,764,588	1,764,588	53	1,764,641
Transactions with owners					
Transfer tax paid on intra-group distributions	-	(28,384)	(28,384)	-	(28,384)
Dividends paid, being total transactions with owners (note 8)	-	(2,330,112)	(2,330,112)	(1,328)	(2,331,440)
Total transactions with owners	-	(2,358,496)	(2,358,496)	(1,328)	(2,359,824)
Unaudited Balances at September 30, 2018	121,360	1,326,126	1,447,486	-	1,447,486
Balances at March 31, 2019	121,360	1,214,144	1,335,504	-	1,335,504
			-		
Profit for the period	-	1,745,699	1,745,699	-	1,745,699
Total comprehensive income for the period	-	1,745,699	1,745,699	-	1,745,699
Transactions with owners					
Dividends paid, being total transactions with owners (note 8)	-	(1,553,409)	(1,553,409)	-	(1,553,409)
Total transactions with owners	-	(1,553,409)	(1,553,409)	-	(1,553,409)
Unaudited Balances at September 30, 2019	121,360	1,406,434	1,527,794	-	1,527,794

CARRERAS LIMITED

Company Statement of Changes in Equity
For the six months ended September 30, 2019

	Share Capital $000	Revenue Reserves $000	Total $000
Balances at March 31, 2018	121,360	1,512,813	1,634,173
Profit for the period	-	2,259,500	2,259,500
Total comprehensive income for the period	121,360	2,259,500	2,259,500
Dividends paid, being total transactions with owners (note 8)	-	(2,330,112)	(2,330,112)
Unaudited Balances at September 30, 2018	121,360	1,442,201	1,563,561
Balances at March 31, 2019	121,360	1,144,810	1,266,170
Profit for the period	-	1,741,472	1,741,472
Total comprehensive income for the period	121,360	1,741,472	1,741,472
Dividends paid, being total transactions with owners (note 8)	-	(1,553,409)	(1,553,409)
Unaudited Balances at September 30, 2019	121,360	1,332,873	1,454,233

CARRERAS LIMITED

Group Statement of Cash Flows
For the six months ended September 30, 2019

	Unaudited 6 months Sep-19 $'000	Unaudited 6 months Sep-18 $'000
Cash flows from operating activities:		
Profit for the period	1,745,699	1,742,630
Adjustments for:		
Depreciation	67,066	44,414
Gain on disposal of property, plant and	-	(1,115)
Foreign exchange gain	(27,910)	(36,864)
Taxation	590,603	579,799
Interest expense	5,640	-
Investment income earned	(34,212)	(33,440)
	2,346,886	2,295,424
Changes in:		
Accounts receivable	(136,909)	(100,216)
Inventories	(10,023)	(14,316)
Accounts payable	(58,583)	102,136
Cash generated from operations	2,141,371	2,283,028
Taxation paid	(579,717)	(577,931)
Net cash provided by operating activities	1,561,654	1,705,097
Cash provided by investing activities		
Investment income received	34,212	26,998
Additions to property, plant and equipment	(58,619)	(6,875)
Proceeds of disposal of property, plant and equipment	-	1,140
Net cash (utilised)/provided by investing activities	(24,407)	21,263
Cash used by financing activities		
Payment of lease liabilities	(20,886)	-
Dividends and distribution paid	(1,553,409)	(2,331,440)
Net cash utilised by financing activities	(1,574,295)	(2,331,440)
Net decrease in cash and cash equivalents before effect of foreign exchange rate changes	(37,048)	(605,080)
Effect of exchange rate changes on cash and cash equivalents	27,910	36,864
Cash and cash equivalents, at beginning of period	1,789,730	2,306,972
Cash and cash equivalents, at end of period	1,780,592	1,738,756

CARRERAS LIMITED

Notes to the Unaudited Financial Statements
Six months ended September 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 September 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.

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 recongise 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 leasee 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 leasees 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.

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.

	$'000
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
Lease liabilities recognised as at April 1, 2019	155,578

(c) Current year disclosures

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

Details	1 April 2019	30 Sept 2019
	$'000	$'000
Freehold land, buildings and leaseholds	155,578	137,718

The group incurred depreciation charges of $17,860,000 on the right-of-use assets and interest expense of $5,640,000 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.

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 $2,875,418,000 (2018: $2,728,334,000).

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued)
Six months ended September 30, 2019

5. Taxation

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

	2019 $'000	2018 $'000
Current:		
Provision for charge on current period's profit at 25%	583,885	577,928
	583,805	577,928
Deferred:		
Origination and reversal of temporary differences	6,718	1,871
Taxation expense for the period	590,603	579,799

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

	2019 $'000	2018 $'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	121,360	121,360

8. Dividends and Distributions

	2019 $'000	2018 $'000
Declared and paid:		
First quarter ended June 30, 2019		
Ordinary – 14¢ (2018: 21¢)	679,617	1,019,424
Second quarter ended September 30, 2019		
Ordinary –18¢ (2018: 16¢)	873,792	776,704
Special interim distribution – Nil (2018: 11¢)	-	533,984
Total dividends to shareholders	1,553,409	2,330,112
Distribution to non-controlling interests, net	-	1,328
	1,553,409	2,331,440

9. 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 in process)	-	99.99	-	-
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.