



On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the THIRD QUARTER ended December 31, 2019.

Performance Highlights are:

	9 months ended December 31, 2019 \$M	9 months ended December 31, 2018 \$M	Variance
Operating revenue	10,282.7	9,861.5	4.3%
Profit from operations	3,234.6	3,358.9	(3.7%)
Profit for the period	2,449.8	2,553.6	(4.1%)
Earnings per stock unit	50.47¢	52.60¢	(4.1%)

Carreras Limited earned operating revenue of \$10,282.7 million and delivered net profit of \$2,449.8 million for the nine months ended December 31, 2019. The revenue performance continues to be encouraging, showing a 4.3% growth compared to the corresponding period last year. This growth in revenue is underpinned by higher sales volumes and is a testament to the continued recovery of the underlying core business. Our portfolio of brands, led by Craven ‘A’ and Matterhorn, the number one brands in their respective categories, continued to perform creditably.

Although there was an increase in revenues compared to the corresponding period last year, the profit performance is showing a decline of 4.1% due to the continued investment in the business – people, brands and processes. For the period under review, we have already begun to reap the benefits of these investments which are expected to continue into future periods. We remain steadfast in our commitment to delivering value to our consumers and ensuring a sustainable business for our shareholders and other stakeholders.

During the quarter ended December 2019, the Company continued to monitor the performance of both the new route to market (RTM) structure, and the upgraded Matterhorn portfolio, the two main priorities for the 2019/20 financial year. In the case of the RTM structure, having revamped the distribution footprint, we have increased our distribution coverage and are more efficient in the delivery of cigarettes to our customers. The Company is on target to achieve the key performance objectives that were established for the first year of operation following the changes. For Matterhorn, we are extremely pleased with the performance of the brand for the quarter ended December 31, 2019, which achieved an increase in the daily sales average compared to the initial period of the launch, July to September. This has contributed to the positive outturn for the overall year to date performance of the brand. Largely, consumers’ feedback continues to be positive, indicating that the new Matterhorn is “better” or “much better” than the previous one. As we aim to exceed consumers’ expectations, we are pleased by their acceptance of the value proposition of the new Matterhorn brand.

Notwithstanding the slight recovery of our volumes, the illicit trade in cigarettes remains a threat to the local legal industry and continues to stymie Government’s tax collection and regulation efforts. Globally, we have seen that in markets where effective action has been taken, such as the implementation of a sustainable tobacco excise policy by the Government in recognition of the direct relationship between

frequent and excessive increases in taxes and the proliferation of illicit cigarettes, there has been a reduction in the prevalence of illegal tobacco and a recovery of legal volumes. In terms of other effective actions to curb the inflow of illicit cigarettes, Carreras continues to impress upon the Government and the relevant agencies to continue their efforts in strengthening monitoring initiatives at our ports and bolstering border protection and enforcement activities within the market.

As we continue to await the introduction of new tobacco control measures, we have sustained our call for balanced and practical regulations that meet the Government's national health objectives, whilst recognizing the legitimate commercial right of the legal tobacco industry to market and distribute its brands, as well as the decision taken by adult consumers to consume a legal product.

Administrative, distribution and marketing expenses totalled \$1,875.4 million (2018: \$1,592.6 million) for the nine-month period ended December 31, 2019. The increase over the prior period relates to the 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 vigilant in seeking opportunities to contain and/or reduce costs wherever possible.

On behalf of the Board, Management and Staff, I wish to thank Mr. Marcus Steele, former Managing Director who demitted office on January 31, 2020, for his insightful leadership and sterling contribution to the Company over 22 years. We also wholeheartedly welcome Mr. Raoul Glynn, who joined the Company as Managing Director on February 1, 2020. We are confident that under the leadership of Mr. Glynn, the Company will grow even stronger.

Stockholders, I am also pleased to report that the Board of Directors has approved an ordinary interim dividend payment of \$0.15 per stock unit, totalling \$728.2 million, to be paid out of accumulated profits on March 12, 2020 to stockholders as shown on the Register of Members as at February 27, 2020. This is in keeping with our dividend policy and demonstrates the Company's continued commitment to enhancing shareholder value.

On behalf of the Board



Oliver Holmes
Chairman

CARRERAS LIMITED

Group Statement of Comprehensive Income
For the nine months ended December 31, 2019

	Notes	Unaudited		Unaudited	
		9 months		3 months	
		Dec-19	Dec-18	Dec-19	Dec-18
		\$'000	\$'000	\$'000	\$'000
Operating revenue	4	10,282,663	9,861,540	3,637,990	3,552,966
Cost of operating revenue		(5,200,901)	(4,956,228)	(1,864,333)	(1,799,719)
Gross operating profit		5,081,762	4,905,312	1,773,657	1,753,247
Other operating income		28,355	48,312	(3,885)	(28,946)
		5,110,117	4,953,624	1,769,772	1,724,301
Administrative, distribution and marketing expenses		(1,875,424)	(1,592,600)	(840,945)	(652,853)
Impairment loss on trade receivables		(67)	(2,116)	(1,929)	(3,717)
Profit from operations		3,234,626	3,358,908	926,898	1,067,731
Interest income		49,488	50,687	15,275	19,435
Interest expense		(8,460)	-	(2,820)	-
Net finance income		41,028	50,687	12,454	19,435
Profit before income tax		3,275,654	3,409,595	939,352	1,087,166
Income tax	5	(825,860)	(856,031)	(235,257)	(276,232)
Profit for the period		2,449,794	2,553,564	704,095	810,934
Other comprehensive income					
Deferred tax on reserves of subsidiary in liquidation		-	-	-	(22,011)
Other comprehensive income, net of tax		-	-	-	(22,011)
Total comprehensive income for the period		2,449,794	2,553,564	704,095	788,923
Profit attributable to:					
Non-controlling interests		-	53	-	-
Stockholders' interests in parent		2,449,794	2,553,511	704,095	810,934
		2,449,794	2,553,564	704,095	810,934
Total comprehensive income attributed to:					
Non-controlling interests		-	53	-	-
Stockholders' interests in parent		2,449,794	2,553,511	704,095	788,923
		2,449,794	2,553,564	704,095	788,923
Earnings per ordinary stock unit	6	50.47¢	52.60¢	14.50¢	16.71¢

CARRERAS LIMITED

Group Statement of Financial Position As at December 31, 2019

	Unaudited		Audited
	Dec-19	Dec-18	Mar-19
	\$000	\$000	\$000
Assets			
Deferred tax asset	32,974	32,285	38,544
Retirement benefit asset	138,300	181,900	138,300
Property, plant and equipment	529,307	386,439	383,017
Non-current assets	700,581	600,624	559,861
Cash and cash equivalents	2,171,314	1,949,541	1,789,730
Accounts receivable	1,010,407	861,289	779,071
Income tax recoverable	49,909	34,678	2,529
Inventories	248,193	164,895	361,462
Current Assets	3,479,823	3,010,403	2,932,792
Total Assets	4,180,404	3,611,027	3,492,653
Equity			
Share capital	121,360	121,360	121,360
Unappropriated profits	1,285,281	1,221,097	1,214,144
Total attributable to stockholders of parent	1,406,641	1,342,457	1,335,504
Liabilities			
Lease liability	103,570	-	-
Retirement benefit obligation	223,000	253,800	223,000
Non-current liabilities	326,570	253,800	223,000
Accounts payable	1,517,524	1,116,030	1,136,491
Income tax payable	901,022	898,740	797,658
Current portion of lease liability	28,647	-	-
Current Liabilities	2,447,193	2,014,770	1,934,149
Total Liabilities	2,773,763	2,268,570	2,157,149
Total equity and liabilities	4,180,404	3,611,027	3,492,653

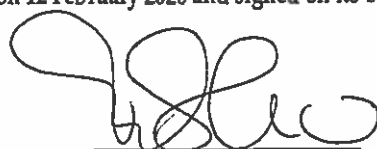
Notes

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Approved for issue by the Board of Directors on 12 February 2020 and signed on its behalf by:



Oliver Holmes
Chairman



Janene Shaw
Finance Director

CARRERAS LIMITED

**Group Statement of Changes in Equity
For the nine months ended December 31, 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	-	2,553,511	2,553,511	53	2,553,564
Total comprehensive income for the period	-	2,553,511	2,553,511	53	2,553,564
Transactions with owners					
Dividends paid, being total transactions with owners (note 8)	-	(3,252,448)	(3,252,448)	(1,328)	(3,253,776)
Total transactions with owners	-	(3,252,448)	(3,252,448)	(1,328)	(3,253,776)
Unaudited Balances at December 31, 2018	121,360	1,221,097	1,342,457	-	1,342,457

	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	-	2,449,794	2,449,794	-	2,449,794
Total comprehensive income for the period	-	2,449,794	2,449,794	-	2,449,794
Transactions with owners					
Dividends paid, being total transactions with owners (note 8)	-	(2,378,657)	(2,378,657)	-	(2,378,657)
Total transactions with owners	-	(2,378,657)	(2,378,657)	-	(2,378,657)
Unaudited Balances at December 31, 2019	121,360	1,285,281	1,406,641	-	1,406,641

CARRERAS LIMITED

Company Statement of Changes in Equity For the nine months ended December 31, 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	-	3,080,282	3,080,282
Total comprehensive income for the period	121,360	3,080,282	3,080,282
Dividends paid, being total transactions with owners (note 8)	-	(3,252,448)	(3,252,448)
Elimination of Investment in Subsidiary (note 9)	-	(190,745)	(190,745)
Unaudited Balances at December 31, 2018	121,360	1,149,902	1,271,262

Balances at March 31, 2019	121,360	1,144,810	1,266,170
Profit for the period	-	2,445,465	2,445,465
Total comprehensive income for the period	121,360	2,445,465	2,445,465
Dividends paid, being total transactions with owners (note 8)	-	(2,378,657)	(2,378,657)
Unaudited Balances at December 31, 2019	121,360	1,211,618	1,332,978

CARRERAS LIMITED

Group Statement of Cash Flows For the nine months ended December 31, 2019

	Unaudited	
	9 months	
	Dec-19	Dec-18
	\$'000	\$'000
Cash flows from operating activities:		
Profit for the period	2,449,794	2,553,564
Adjustments for:		
Depreciation	100,287	65,906
Gain on disposal of property, plant and	13,078	(2,650)
Foreign exchange gain	4,670	15,047
Taxation	825,860	856,031
Interest expense	8,460	-
Investment income earned	(49,488)	(50,687)
	3,352,661	3,437,211
Changes in:		
Accounts receivable	(231,337)	47,900
Inventories	113,269	68,284
Accounts payable	381,033	275,590
Cash generated from operations	3,615,626	3,828,985
Taxation paid	(764,306)	(859,829)
Net cash provided by operating activities	2,851,320	2,969,156
Cash used by investing activities		
Investment income received	49,488	54,679
Additions to property, plant and equipment	(90,999)	(115,093)
Proceeds of disposal of property, plant and equipment	(13,078)	2,650
Net cash utilised by investing activities	(54,589)	(57,764)
Cash used by financing activities		
Payment of lease liabilities	(31,820)	-
Dividends and distribution paid	(2,378,657)	(3,253,776)
Net cash utilised by financing activities	(2,410,477)	(3,253,776)
Net increase/(decrease) in cash and cash equivalents before effect of foreign exchange rate changes	386,254	(342,384)
Effect of exchange rate changes on cash and cash equivalents	(4,670)	(15,047)
Cash and cash equivalents, at beginning of period	1,789,730	2,306,972
Cash and cash equivalents, at end of period	2,171,314	1,949,541

CARRERAS LIMITED

Notes to the Unaudited Financial Statements Nine months ended December 31, 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 December 31, 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) Nine months ended December 31, 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 lessees 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) Nine months ended December 31, 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	<u>44,005</u>
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	<u>117,572</u>
<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>31 Dec 2019</u>
	\$'000	\$'000
Freehold land, buildings and leaseholds	<u>155,578</u>	<u>128,788</u>

The group incurred depreciation charges of \$26,790,000 on the right-of-use assets and interest expense of \$8,460,000 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 nine-month period have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued) Nine months ended December 31, 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 \$4,474,650,000 (2018: \$4,279,839,000).

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (Continued)
Nine months ended December 31, 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%	820,289	855,543
	<u>820,289</u>	<u>855,543</u>
Deferred:		
Origination and reversal of temporary differences	<u>5,571</u>	<u>488</u>
Taxation expense for the period	<u>825,860</u>	<u>856,031</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)**
Nine months ended December 31, 2019**8. Dividends and Distributions**

	<u>2019</u> S'000	<u>2018</u> S'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
Third quarter ended December 31, 2019		
Ordinary -17¢ (2018: 19¢)	<u>825,248</u>	<u>922,336</u>
Total dividends to shareholders	<u>2,378,657</u>	<u>3,252,448</u>
Distribution to non-controlling interests, net	<u>-</u>	<u>1,328</u>
	<u>2,378,657</u>	<u>3,253,776</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.