CHANGE ➠ STRENGTH

ANNUAL REPORT 2020

CARRERAS LIMITED

A proud Jamaican Company since 1962

CARRERAS LIMITED

Annual Report 2020

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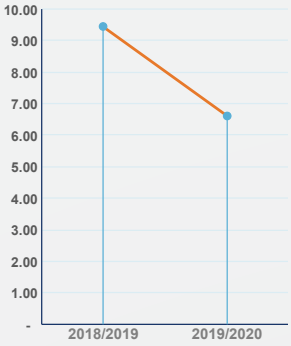
PERFORMANCE
HIGHLIGHTS

CARRERAS LIMITED

Share Price ($)

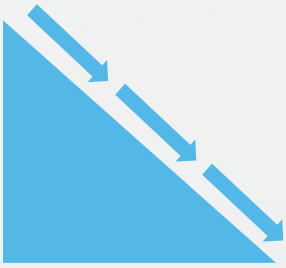
-29.9%



Market Capitalization (J$Billion)

-29.9%

2019: $45.78



2020: $32.09

Dividend Paid Per Stock Unit (¢)

-24.7%

2020: 64¢

2019: 85¢

Earnings per Stock Unit

+5.1%

2020: 73.8¢

2019: 70.2¢

Trading Profit Margin

-1.4pp

Gross Operating Revenue (J$ Billion)

+9.5%

Stockholders' Return on Equity

-52.9pp

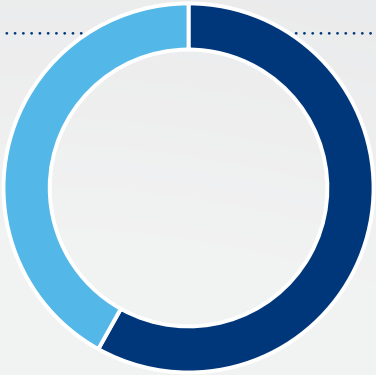
Net Profit (J$ Billion)

+5.2%

Shareholders' Equity to Total Assets Ratio

+3.7pp

Equity
2020: 41.89%
2019: 38.24%



Total Assets:
2020: 58.11%
2019: 61.76%

OUR VISION & STRATEGY

CARRERAS LIMITED

OUR VISION & MISSION

Our vision is to achieve and maintain leadership of the Jamaican Tobacco Industry in order to create long term shareholder value.

OUR STRATEGY

We hold steadfast to the strategy of our parent Company, British American Tobacco, in creating shareholder value, delivering profit growth and long term business sustainability. The four pillars of this strategy are Growth, Productivity, Sustainability and developing a Winning Organization.

GROWTH

British American Tobacco and its subsidiary companies, including Carreras, focus on key strategic segments of the market that offer the best prospects for long term growth, including driving our premium segment. We also believe it is important to continue to develop and utilise innovative, differentiated products and offer our consumers added value from our brands.

PRODUCTIVITY

As a member of the British American Tobacco Group, our overall approach to productivity is about using our global resources to increase profits and generate funds for reinvesting in our business.

SUSTAINABILITY

We will continue to balance our commercial objectives with the expectations of a broad range of stakeholders, thus ensuring a sustainable business.

WINNING ORGANIZATION

We are confident in BAT's strategies for Growth, Productivity and Sustainability but to deliver our vision we must also have the right people and the right working environment. That is the essence of the Winning Organization strategy.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty- Eighth Annual General Meeting of the Stockholders of CARRERAS LIMITED will be held at a venue, date and time to be announced for the following purposes:

1. **To receive the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended March 31, 2020.**

   To consider and (if thought fit) pass the following Resolution:

   "THAT the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended March 31, 2020 be and are hereby adopted."

2. **To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors**

   To consider and (if thought fit) pass the following Resolution:

   "THAT KPMG, Chartered Accountants, having signified their willingness to serve, continue in office as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

3. **To elect Directors**

   (a) The Directors due to retire in accordance with the provisions of Article 101 of the Articles of Incorporation are Messrs. Michael Bernard and Matthew Hogarth and, being eligible, offer themselves for re-election.

   To consider and (if thought fit) pass the following Resolutions:

   (i) "THAT Mr. Michael Bernard be and is hereby re-elected a Director of the Company."

   (ii) "THAT Mr. Matthew Hogarth be and is hereby re-elected a Director of the Company."

   (b) Messrs. Raoul Glynn and Laurent Meffre and Mrs Nirala Singh were appointed as Directors since the last Annual General Meeting of the Company and, being eligible, offer themselves for election.

   To consider and (if thought fit) pass the following Resolutions:

   i) "THAT Mr. Raoul Glynn be and is hereby elected a Director of the Company."

   ii) "THAT Mr. Laurent Meffre be and is hereby elected a Director of the Company."

   iii) "THAT Mrs Nirala Singh be and is hereby elected a Director of the Company."

4. **To approve the remuneration of the Non-Executive Directors**

   To consider and (if thought fit) pass the following Resolution:

   "THAT the amount shown in the Financial Statements of the Company for the year ended March 31, 2020 for emoluments received by the Non-Executive Directors for their services as Directors be and is hereby approved."

5. **To approve and ratify dividends:**

   To consider and (if thought fit) pass the following Resolution:

   "THAT the interim dividends of $0.14 paid on June 27, 2019; $0.18 paid on August 29, 2019; $0.17 paid on December 12, 2019; and $0.15 paid on March 12, 2020, making a total of $0.64 for the Year, be and are hereby ratified."

6. **To consider any other business which may properly be transacted at an Annual General Meeting.**

By Order of the Board

Ashleigh-Ann Arnold (Mrs.)
Company Secretary (Acting)

Registered Office: 13A Ripon Road, Kingston 5

June 18, 2020

Important Notice for Members who are not able to attend:

Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint one or more proxies to attend and vote in his/her stead. Such proxies need not be members of the Company. A suitable Form of Proxy is enclosed.

Form of Proxy must be deposited with the Registrar and Transfer Office: Sagicor Bank Jamaica Limited, Group Legal Trust & Corporate Services, 28 – 48 Barbados Avenue, Kingston 5, not less than forty-eight (48) hours before the time appointed for holding the meeting.

CORPORATE DATA

BOARD OF DIRECTORS

Oliver Holmes - Chairman
Michael Bernard
Raoul Glynn
Matthew Hogarth
Laurent Meffre
Juan Carlos Restrepo Piedrahita
Janene Shaw *(retired March 31, 2020)*
Nirala Singh

LOCATION

CARRERAS LIMITED
13A Ripon Road
Kingston 5

Telephone: +1 (876) 749 9800
Fax: +1 (876) 906 9284

E-Mail: Carreras@bat.com
Website: www.carrerasltd.com

MANAGEMENT TEAM

NAME	DESIGNATION
Raoul Glynn	Managing Director
Janene Shaw	Finance Director *(retired on March 31, 2020)*
Rogelio Paredes Flores	Head of Finance *(joined on April 1, 2020)*
Ashleigh-Ann Arnold	Legal and External Affairs Manager
Portia Darsoo	Human Resource Business Partner
Jason Fournillier	Trade Marketing & Distribution Manager
Rohan Campbell	Marketing Deployment Manager *(resigned on March 31, 2020)*
Dwaine Williams	Marketing Deployment Manager *(joined June 18, 2020)*

DEPOTS

35½ Hagley Park Road, Kingston 10
6 Allan Avenue, Port Antonio, Portland
1-2 Villa Road, Mandeville, Manchester
74 Main Street, Ocho Rios, St Ann
26 Humber Avenue, Montego Bay, St James

COMPANY SECRETARY:	Janene Shaw *(retired on March 31, 2020)* Ashleigh-Ann Arnold *(from April 1, 2020)*
REGISTERED OFFICE:	13A Ripon Road | Kingston 5
AUDITORS:	**KPMG** 6 Duke Street Kingston
BANKERS:	**The Bank of Nova Scotia Jamaica Limited** Scotiabank Centre Cnr. of Duke & Port Royal Streets Kingston
REGISTRAR AND TRANSFER OFFICE:	**Sagicor Bank Jamaica Limited** Group Legal Trust & Corporate Services R. Danny Williams Building 28 – 48 Barbados Avenue Kingston 5

CHAIRMAN'S REPORT TO STOCKHOLDERS

I am pleased to present the Carreras Limited Annual Report for 2019-2020 and assure you that your Company's financial position remains strong. Financial results for the year indicate a solid performance, with a 5.2% growth in Profit After Tax, compared to prior year. This was achieved in an environment characterized by the continued presence of the illicit cigarette trade, high crime and violence levels and a last quarter shaped by weaker demand due to the economic effects of the Covid-19 Pandemic.

Total Profit After Tax amounted $3.58 billion, versus $3.41 billion in 2018-2019. Total assets at the end of the financial year were $4.23 billion, compared to $3.49 billion in the prior year. Your Company's strategic imperatives along with a continued focus on realizing efficiencies throughout its operations, played a significant role in the achievement of these results.

Carreras distributed $3.1 billion to shareholders for the 2019/2020 financial year, compared to $4.1 billion in 2018-2019, representing a dividend of 64¢ per share in 2019/2020 versus 85¢ per share in 2018-2019, 24.7% less than the previous year. The liquidation of Cigarette Company of Jamaica Ltd. in the fiscal year 2018/2019, yielded a special dividend distribution of $534 million, equivalent to 11¢ per stock unit. The absence of this special dividend contributed to the decline in the 2019/2020 payout. Also, your Company's share price declined by 29.9% over the same period, mainly influenced by the uncertainties associated with COVID-19.

During the year, your Company employed several strategies to preserve and drive its sales volumes, including the expansion of our distribution channels through an efficient and effective route-to-market structure, grooming product offerings which addressed the purchasing power of consumers and the continued focus on strong customer relations, while ensuring that the core brands of the Company remained relevant across our consumer base. Notably, the competitive positioning of our low-priced brand, Pall Mall, in areas where there was a noticeable presence of illicit cigarettes, contributed to a 10.2% volume growth versus the previous year. Our stalwart brand Matterhorn was also revamped with a modern look and innovation at its core, ensuring its continued relevance among consumers. Following this revamp, we are pleased to report that the brand continues to perform creditably and remains the leading menthol cigarette in Jamaica.

As mentioned earlier, the illicit trade remained a force to be reckoned with in 2019-2020. The Minister of Health, speaking at the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC) Multi-sectoral Workshop to 'Promote the Protocol to Eliminate Illicit Trade in Tobacco Products', in October 2019, admitted that the growing illicit trade in tobacco products is a clear and present danger to public health in the Caribbean and the rest of the world.

We were heartened by this recognition of the issue, a demonstration of sensitivity to the situation and most importantly, the stated willingness of the Government to address the problem. We also acknowledge the work of the Government in the fight against this trade, led by the Jamaica Customs Agency and the Jamaica Constabulary Force, specifically, the Counter-Terrorism and Organized Crime Investigation Branch (C-TOC), but we believe more can be done. Your Company continues to express its readiness to work with the authorities to bring this illegal trade under control.

We also wish to highlight to the Government, that in addition to a sustainable tobacco excise policy as one part of the solution to addressing the illicit cigarette trade, that in its quest to introduce comprehensive tobacco control legislation, it must ensure that these regulations are balanced and fair as impractical regulations can serve to fuel the illegal trade which does not comply with the law, including

observing the minimum age law for tobacco sales, which would only stymie the Government's tobacco control agenda.

As always, the appreciation of our human resources was demonstrated by your Company's focus on Human Resource policy innovation and employee engagement. Significant effort was placed on creating an environment where employees can continue to thrive and deliver exceptional results. Two notable human resource initiatives during the year attracted admiration from the business and wider Jamaican community - the increase of paid maternity leave from 12 weeks to 16 weeks and the introduction of paternity leave of five days. We are proud of this progressive move which has also been lauded by a wide cross-section of Jamaicans.

Plaques for the 2019 scholarship awards on display

As a Jamaican company, we fully embrace our obligation to ensuring good corporate conduct, and for Carreras, that has consistently meant giving back to the communities in which we operate and playing our part in the social and economic development of Jamaica. Since the award of that first scholarship in 1967, we have remained committed to empowering through education, an acknowledgment of our belief that it is one of the most effective ways to contribute to nation building. This year we increased the value and number of awards (53 in total) to students across the island, spanning a wide cross-section of areas of study.

During the year, we bade farewell to the following Directors; Mr. Arturo Campero, who resigned November 6, 2019, Managing Director, Mr. Marcus Steele, who resigned January 31, 2020, Mr. Rafael Marquez who resigned March 16, 2020, and Finance Director and Company Secretary, Mrs. Janene Shaw who resigned March 31, 2020. We thank them for their service and sterling contributions to the Company and wish them all the best for the future. We were pleased to welcome our new Managing Director, Mr. Raoul Glynn who was appointed to the board on February 1, 2020 as well as Mrs Nirala Singh who was appointed to the board on February 12, 2020, and Mr. Laurent Meffre who was appointed to the board on March 23, 2020. We warmly welcome them and look forward to their contributions.

I would like to give special mention to our former Managing Director, Marcus Steele, who we bade farewell to on January 31, 2020 after 22 years of service, six of which were at the helm of the Company. We owe Marcus a debt of gratitude for having successfully led the Company through some very turbulent times. We extend sincere appreciation for his sterling service and dedication to Carreras and wish him every success in his personal and professional plans for the future.

We were certainly pleased to welcome Raoul Glynn to assume the mantle of leadership in February 2020. Raoul is no stranger to your Company, having worked with the Carreras team during the period 2009-2012 as Trade Marketing and Distribution Manager. Raoul is a strong and results-oriented manager and we are confident that he will perform to your satisfaction during his tenure with Carreras.

Finally, I would like to acknowledge the hard work of the staff of Carreras and affirm that they remain your Company's greatest asset. Their adaptability and co-operation, in addition to their courage, persistence and display of competence in the face of the recent challenges, including the Covid-19 Pandemic, can suitably be described as admirable. Shareholders can rest assured that the entire team remains committed to keeping Carreras as the Best Performing Company, an award which we have received from the Jamaica Stock Exchange for a record 9 times, the most recent award bestowed last December for our 2018 performance in enhancing shareholder value.

Given our strong performance in 2019-2020, your Company's resilience, strategic focus, impressive cadre of management and staff, we can confidently confirm that the future is bright even as we face uncertain times and a dimming economic outlook due to the local and global impact of the Coronavirus. I assure you that your Board of Directors will continue to work together with Management to ensure that Carreras remains a premier institution in Jamaica to the benefit of our shareholders, customers, staff, and wider stakeholders.

Oliver W. Holmes
Chairman

BOARD OF DIRECTORS

Oliver W. Holmes • Chairman

NATIONALITY: Jamaican

POSITION: Chairman of the Board of Directors of Carreras Ltd. since November 2015; Non-Executive and Independent Director since February 2007; Chairman of the Nomination and Compensation Committee since January 2016; appointed to the Corporate Governance Committee since June 2017 and the Audit Committee on November 6, 2019.

OTHER APPOINTMENTS: Founder and Managing Director of Capital Options Ltd., Chairman of the Board of Allied Insurance Brokers Ltd., Chairman of Wigton Windfarm Ltd. and Member of the Board of Barnett Ltd.

SKILLS & EXPERIENCE: Mr. Holmes is the Managing Director of Capital Options Ltd., a financial advisory firm he founded in 1997. Prior to establishing Capital Options, Mr. Holmes was the Chief Operating Officer of Manufacturers Merchant Bank Ltd. and prior to that Vice President of Citibank N. A. He served as a senior manager in virtually all aspects of Citibank and its subsidiaries operations in Jamaica, including Vice President - Corporate Finance, Financial Controller – Citibank Jamaica and its subsidiaries, Corporate Banking Group Head, Managing Director - Citifinance Limited, Manager - Centralized Operations and Chief Inspector for the Caribbean region. During his career at Citibank, he led or participated in many notable transactions in the Jamaican and international markets, and, at Capital Options, has continued to close notable transactions in the areas of capital raising, mergers & acquisitions, financial advisory and private equity in the Jamaican and Caribbean Markets.

QUALIFICATIONS: B.Sc. Management Studies (Hons.); M.Sc. Accounting

COMMITTEES: Chairman, Nomination & Compensation Committee; Member, Corporate Governance Committee and the Audit Committee.

Raoul Glynn • Managing Director

NATIONALITY: Trinidadian

POSITION: Effective February 1, 2020, Raoul Glynn was appointed Managing Director of Carreras Limited. Raoul has over 18 years of experience with the British American Tobacco Group.

OTHER APPOINTMENTS: Member of the Board of Directors of Demerara Tobacco Company since February 2017

SKILLS & EXPERIENCE: Prior, Raoul held the position of Country Manager at Carisma Marketing Services responsible for the general management of 21 markets of the English, French and Dutch speaking Caribbean, the largest volume base in the area. Raoul distinguished himself through his performance in various roles, beginning with that of Executive at West Indian Tobacco Company in Trinidad in 2002; Area Manager, Carisma Marketing Services Unit in January 2004; Trade Marketing and Distribution Manager at Demerara Tobacco (DTC) Guyana, another BAT subsidiary in April 2006. Having earned the opportunity, Raoul was seconded to Carreras in Jamaica where he led a team which achieved positive volume performance in the market. His BAT career continued in February 2012 with the role of Marketing Operations Manager of British American Tobacco Pars in Iran and then, in February 2014, following a short stint in the Middle East Area, Dubai, Raoul assumed the role of Business Development Manager in Costa Rica, with responsibility for the Trade Marketing, Distribution and Activation portfolio for Central America and the Caribbean, leading a strong efficiencies agenda in the region.

QUALIFICATIONS: BA., University of the West Indies, St. Augustine Campus

COMMITTEES: Director, Demerara Tobacco Company, Guyana; Participant- Audit Committee, NOMS Committee, Corporate Governance Committee – Carreras Ltd; Member, Carreras Ltd Superannuation Fund

Matthew Hogarth • Director

NATIONALITY: Jamaican

POSITION: Non-Executive and independent Director, appointed to the Board of Directors on February 4, 2016; member of the Audit Committee since February 4, 2016 and the Nomination and Compensation Committee since May 25, 2016; Chairman of the Corporate Governance Committee since February 2, 2017.

OTHER APPOINTMENTS: Managing Partner at MH&CO., Attorneys- at Law. Non-Executive Director of the Jamaica Stock Exchange and Chairman of its Corporate Governance Committee; Barita Investments Limited and Chairman of its Corporate Governance Committee; Marander Industries Limited and Janus Strategic Marketing Services Limited.

SKILLS & EXPERIENCE: Mr. Hogarth is an Attorney-at-Law. Over his years in practice, he has managed numerous corporate bank loan transactions for numerous international blue chip companies, private equity and debt transactions, mergers and acquisitions, Initial Public Offerings (IPOs), stock exchange listings, private business and legal audits and has acted in numerous cross-border matters including the management and strategy of insolvency and receivership assignments, including advising the Liquidator or Receiver on legal issues. He also has considerable experience with both residential and commercial real estate transactions, including real estate investment vehicles and structures. Mr. Hogarth has a reputation for being solution-oriented, detailed, thorough and for his proficiency at creating practical corporate structures that marry business and the law. He received his LL.B (with Honours) from the University of Liverpool.

QUALIFICATIONS: LL.B (with Honours), University of Liverpool. Admitted to the bar in multiple jurisdictions including Jamaica, New York State, The British Virgin Islands, Saint Lucia and Barbados. Member of the American Bar Association, the Jamaican Bar Association, the BVI Bar Association, INSOL International (International Association of Restructuring, Insolvency & Bankruptcy Professionals) and the American Bankruptcy Institute. Legal member of the Private Sector Organization of Jamaica's Listed Company's Committee and the Jamaica Stock Exchange's representative on the PSOJ's Corporate Governance Sub-Committee.

COMMITTEES: Chairman, Corporate Governance Committee; Member, Audit Committee; Member, Nomination & Compensation Committee

Juan Carlos Restrepo Piedrahita • Director

NATIONALITY: Colombian

POSITION: Non- executive Director, appointed to the Board of Directors on July 24, 2019.

OTHER APPOINTMENTS: non-executive President for a communication and strategy consulting firm

SKILLS & EXPERIENCE: Mr. Juan Carlos Restrepo Piedrahita first joined British American Tobacco in 1996 as a Legal Advisor. Throughout his initial 14-year employment with the company, he held several senior positions including serving as the Regional Counsel in Brazil, the Director of Legal, Corporate and Regulatory Affairs in Colombia, and the Director of Corporate and Regulatory Affairs in Venezuela. Mr. Restrepo went on to work with his home Government of Colombia, serving as Director for the Counter Narcotics National Directorate, the Inspector General of the National Directorate of Intelligence, Director-General of the Prison & Penitentiary Services, as well as National Security Advisor for the President of Colombia, at which time he was also appointed as Presidential Delegate for the implementation of the Peace Agreement with the FARC Guerrilla in Colombia. He was welcomed back to BAT in January 2019 to serve as the Legal & External Affairs Director for the SANCAR area. Mr. Restrepo Piedrahita is fluent in English, Portuguese and Spanish.

QUALIFICATIONS: LLB, a Diploma in Competition Law, and two Masters degrees in National Defence & Security and International Contracting.

COMMITTEES: Member, Corporate Governance Committee

Laurent Meffre • Director

NATIONALITY: French

POSITION: Appointed to the Board of Directors of Carreras on March 23, 2020

OTHER APPOINTMENTS: Managing Director, West Indian Tobacco Company (WITCO)

SKILLS & EXPERIENCE: In his role as Managing Director of WITCO, Mr. Meffre manages 24 Caribbean markets through its British American Tobacco Associates. Previous to his appointment as Managing Director, he served in several senior roles within the British American Tobacco Group, including General Manager, Lagos, Nigeria (West African markets), where he had responsibility for 25 markets. Mr Meffre also held the position of Chairman of the Board of Directors of British American Tobacco Ghana, Benin and Cameroon. Over his 22 years in the British American Tobacco Group, he has amassed a wide range of experience in the key functional areas of Strategic Planning, Marketing, Operations and Human Resource Management. He brings with his experience a proven track record of Talent Management and Human Resource Development which will redound to the efficiency and productivity of the Commercial and Operations side of the business and facilitate continued growth in the local and regional markets.

QUALIFICATIONS: BA (Hons) Business Administration (Business Strategy & Operations Management), French Baccalaureate Economics (Hons), National Dip. Marketing (International Trade & Marketing Finance), National Dip. Sales & Marketing

COMMITTEE: Member, Board Compensation Committee

Nirala Nandini Singh • Director

NATIONALITY: Trinidadian

POSITION: Director

OTHER APPOINTMENTS: Not applicable

SKILLS & EXPERIENCE: Nirala is currently the Commercial Finance Controller for Latin America North and the Caribbean Business Unit of British American Tobacco, based in Mexico. She has more than 15 years experience working with the BAT Group, across a wide range of Finance roles, such as Internal Audit, Commercial Finance and Corporate Finance, as well as Global Shared Services. Nirala has significant experience in working in above market, end market roles, in strategic planning for complex and emerging markets, and also in leading large teams. She has held roles across a number of countries including Trinidad and Tobago, Costa Rica, Vietnam and now Mexico. In her current role, she has the Commercial Finance responsibility for 33 markets which includes pricing and resource allocation strategy. She also leads the Caribbean Finance portfolio. In her current and previous roles Nirala has had to work across multiple geographies, with a wide range of internal and external stakeholders to drive the commercial and finance agenda toward enabling long term market sustainability.

QUALIFICATIONS: MBA, Finance graduated with Honors from Michigan University; Fellow of the Association of Chartered Certified Accountants (ACCA)

COMMITTEE: Member, Audit Committee

Michael Bernard • Director

NATIONALITY: Jamaican

POSITION: Non-Executive and independent Director since 2010. Executive Director (as Managing Director) from 2005 to 2010. Appointed to the Audit Committee on May 17, 2011 and has been Chairman since February 3, 2016.

OTHER APPOINTMENTS: Executive Chairman of Peak Bottling Company Limited. Chairman of Spike Industries Limited, Pioneer Manufacturing and Distribution Limited and One on One Educational Services Limited. He is a Non-Executive Director of Salada Foods Limited, GK General Insurance Company Limited, New Transport Group Limited, Sterling Investments Limited and Hardware & Lumber Limited. Chairman of the Board of Management of Jamaica College.

SKILLS & EXPERIENCE: Mr. Bernard first joined Carreras Group Limited in 1988 and in 1991 he was appointed General Manager of the Jamaica Biscuit Company. In 1995 he assumed concurrently, the positions of Managing Director of two subsidiaries; the Cigarette Company of Jamaica Limited and Agricultural Products of Jamaica Limited. In 1997, he was appointed to the Board of Directors of Carreras Limited until 2000 when he was seconded to the USA subsidiary of British American Tobacco, Brown and Williamson Tobacco Corporation. He regained leadership of the Cigarette Company of Jamaica Limited at the end of 2001 and was re-appointed to the Board of Carreras Group Limited in 2004. In 2005, Michael was appointed Managing Director of Carreras Limited, the role he held until retirement in 2010.

QUALIFICATIONS: BA; B.Sc. summa cum laude Business Administration, Forest Management respectively, Washington State University; MBA, the Harvard Graduate School of Business Administration. 2010 recipient of the Carlton Alexander Award for Excellence; Fellow of the Jamaica Institute of Management.

COMMITTEES: Chairman, Audit Committee

DIRECTORS' REPORT

The Directors are pleased to submit their Report and Audited Financial Statements for the year ended March 31, 2020. The following are selected highlights:

Financial Results

	Year ended March 31, 2020 $000s	Year ended March 31, 2019 $000s
Profit before income tax	4,759,942	4,515,929
Income tax for the year	(1,176,759)	(1,109,027)
Total profit after tax	**3,583,183**	**3,406,902**
Less: minority interest	-	(53)
Net profit for the year attributable to stockholders	3,583,183	3,406,849
Revenue reserves at beginning of year	1,214,144	1,920,034
Total revenue reserves	4,797,327	5,326,883
Appropriations have been made as follows:		
Dividends and Distributions	**(3,106,816)**	**(4,126,240)**
Deferred tax on reserves of subsidiaries in liquidation	-	22,010
Defined benefit plan actuarial gains/losses, net of tax	(39,375)	19,875
Transfer tax paid on intra-group distributions	-	(28,384)
	1,651,136	**1,214,144**
Earnings per stock unit for year:	73.8¢	70.2¢

The following payments were made during the year:

First quarter ended June 30, 2019	- $0.14 per stock unit (Ordinary)
Second quarter ended September 30, 2019	- $0.18 per stock unit (Ordinary)
Third quarter ended December 31, 2019	- $0.17 per stock unit (Ordinary)
Fourth quarter ended March 31, 2020	- $0.15 per stock unit (Ordinary)

No further final dividend payment is proposed in respect of 2019/2020

The Directors have approved an interim dividend of $0.20 per stock unit, to be paid on June 25, 2020.

Auditors

KPMG have expressed their willingness to continue in office and offer themselves for re-appointment.

Directors

Appointments during the year were: Mr. Raoul Glynn on February 1, 2020, Mrs Nirala Singh on February 12, 2020 and Mr. Laurent Meffre on March 23, 2020 and, being eligible, offer themselves for election.

Resignations were received from Messrs. Arturo Campero, Marcus Steele and Rafael Marquez. Mrs. Janene Shaw was granted early retirement and the Board wishes to express its appreciation to them for their invaluable contribution to the Company.

The Directors due to retire in accordance with the provisions of the Articles of Incorporation are Messrs. Michael Bernard and Matthew Hogarth and, being eligible, offer themselves for re-election.

ON BEHALF OF THE BOARD

Ashleigh-Ann Arnold
Acting Secretary

SHAREHOLDINGS

TEN LARGEST STOCKHOLDERS AS AT MARCH 31, 2020

Rothmans Holdings (Caricom) Limited	**2,446,508,260**
National Insurance Fund	214,184,690
Sagicor Pooled Equity Fund	179,484,650
JCSD Trustee Services Ltd. – SIGMA Equity	143,424,693
SJIML A/C 3119	121,781,360
L.B.J. Overseas Ltd.	102,117,115
GraceKennedy Pension Fund Custodian Ltd.	78,648,740
Sagicor Select Funds Ltd. Manufacturing & Distribution	51,556,419
ATL Group Pension Fund Trustees Nominee Ltd.	50,726,740
NCB Insurance Co. Ltd. A/C WT 109	47,500,000
Total	**3,435,932,667**

Directors & Connected Persons

	Stock Units Held
Mr. Oliver Holmes	Nil
Mr. Michael Bernard	Nil
Mr. Raoul Glynn	Nil
Mr. Matthew Hogarth – Connected Party	8,000
Mr. Laurent Meffre	Nil
Mr. Juan Carlos Restrepo Piedrahita	Nil
Mrs. Janene Shaw	Nil
Mrs. Nirala Singh	Nil

There has been no change in the Directors' stockholding interests occurring between the end of the company's financial year and the date of the Notice convening the Annual General Meeting.

At no time during or at the end of the financial year has any Director had any material interest in any contract or arrangement in relation to the business of the company.

Executive & Senior Management:

Mr. Raoul Glynn	Nil
Mrs. Janene Shaw	Nil
Mrs. Ashleigh-Ann Arnold	Nil
Mr. Jason Fournillier	Nil
Miss Portia Darsoo	Nil
Mr. Rohan Campbell	Nil

OUR POLICIES & PRINCIPLES

We are committed to operating at the highest standards of corporate conduct and transparency. This section provides greater insight into British American Tobacco's (BAT) policies and principles underpinning the Winning Organisation and Sustainability aspects of our strategy. These policies and principles have been endorsed and adopted by the Carreras Leadership Team and support the effective identification, management and mitigation of key risks and issues for our business in these and other areas.

Our Guiding Principles

We continue to live the Guiding Principles of British American Tobacco which form the core of our culture and guide how we deliver our strategy.

Enterprising Spirit We value enterprise from all of our employees, giving us a great breadth of ideas and viewpoints to enhance the way we do business. We have the confidence to passionately pursue growth and new opportunities while accepting the considered entrepreneurial risk that comes with it. We are bold and strive to overcome challenges. This is the cornerstone of our success.

Open Minded Our corporate culture is a great strength of the business and one of the reasons we have been, and will continue to be, successful. We are forward-looking and anticipate consumer needs, winning with innovative, high-quality products. We listen to, and genuinely consider, other perspectives and changing social expectations. We are open to new ways of doing things.

Freedom Through Responsibility We give our people the freedom to operate, providing them with the benefits of our scale but the ability to succeed. We always strive to do the right thing, exercising our responsibility to society and other stakeholders. We use our freedom to take decisions and act in the best interest of consumers.

Strength from Diversity We respect and celebrate each other's differences and enjoy working together. We harness diversity – of our people, cultures, viewpoints, brands, markets and ideas – to strengthen our business. We value what makes each of us unique.

Our Business Principles

The Principle of Mutual Benefit

is the basis on which we build our relationships with our stakeholders. We are primarily in business to build long term shareholder value and we believe the best way to do this is to seek to understand and take account of the needs of all our stakeholders.

The Principle of Responsible Product Stewardship

is the basis on which we meet consumer demand for a legal product that is generally accepted as a cause of serious diseases. Accordingly, our products and brands should be developed, manufactured and marketed in a responsible manner.

The Principle of Good Corporate Conduct

is the basis on which all our businesses should be managed. Business success brings with it an obligation for high standards of behaviour and integrity in everything we do and wherever we operate. These standards should not be compromised for the sake of results.

Our Marketing Principles

We believe in upholding high standards of corporate behaviour. We agree that the tobacco industry should be regulated, but we also think we should be able to communicate in a responsible way with adult tobacco consumers about our products. We are committed to the responsible marketing of all our products to adult consumers aged 18 and over. Our marketing is governed by the BAT International Marketing Principles which provide a consistent and responsible approach to marketing our products. We expect all our suppliers, agents and third-parties to comply with:

- The relevant BAT marketing principles as a minimum standard where they are stricter than local laws; or
- Local laws or other local marketing codes where they are stricter than, or override, BAT marketing principles.

Below are the 3 main principles which guide the way we market and distribute our brands responsibly.

Our Standards of Business Conduct

Our Standards of Business Conduct express the high standards of business integrity that British American Tobacco (BAT) requires from employees worldwide.

The Standards of Business Conduct set out specific guidelines which provide support and guidance for employee conduct. Whistle blowing procedures are also put in place so that any employee who suspects wrongdoing can raise his/her concern in confidence.

The Standards cover six broad areas which govern general business conduct, as well as provide guidance for employees in making appropriate decisions and judgements in the course of work. These areas are:

- Whistleblowing;
- Personal and Business Integrity;
- Workplace and human Rights;
- Public Contributions;
- Corporate Assets and Financial Integrity;
- National and International Trade.

Each employee is expected to know, understand and practice the standards, as appropriate, and review and sign in accordance with the policy, on an annual basis.

During the year, as part of the annual employee sign off process, all employees had to complete a short training course on the Standards, either through the Standards of Business Conduct e-learning portal or through presentations shared by their respective line managers.

Anti-Bribery and Corruption Procedure

In 2018, BAT successfully deployed several key initiatives to empower employees and business units across the Group to better identify and mitigate challenges related to key compliance areas such as anti-bribery and anti-corruption (ABAC) laws. To raise awareness of these issues with employees, an e-learning was delivered to a targeted cross-functional global audience selected on the basis of their potential interaction with government officials. To complement this, employee webcasts were also hosted for BAT managers across the world.

Additionally, to assist business units in identifying Standards of Business Conduct related issues (in particular relating to bribery and corruption) in connection with third parties retained by subsidiary Companies like Carreras, a new Third-Party Procedure was launched during the year. This procedure mandates a consistent methodology for pre-contractual due diligence on prospective third-party business partners and is complemented by mandatory mitigation packages (such as training and contractual clauses) for medium and high-risk third parties.

This due diligence also provides a retrospective review of third parties with which the Company did business before the Third-Party Procedure came into effect.

Our Environmental Policy

We are committed to meeting consumer needs in an environmentally responsible and sustainable way. We are also committed to operating responsibly in both the direct operations that we control, and throughout the wider supply chain that we influence. Responsibility is one of the cornerstones of our strategy, and we believe that good environmental practice is good business practice.

We will comply with all legal and regulatory requirements governing environmental management, implement environmental management practices internally and monitor compliance to them.

Our Health and Safety Policy

We recognize the paramount importance of the health, safety and welfare of all employees and non-company personnel in the successful conduct of our business. We are therefore committed to the prevention of injury and ill-health and strive for continual improvement in our health and safety management and performance, through setting clear objectives, including the monitoring and measurement of key performance indicators.
British American Tobacco believes in the active participation of each employee and others as appropriate, in promoting, achieving and maintaining the highest standards of health and safety, in so far as it is reasonably practicable.

Framework for Corporate Social Investment

We are committed to giving back to the communities in which we operate. We also encourage our employees to play an active role both in their local and business communities. Our Corporate Social Investment policy is supported by the BAT Group Strategic Framework for corporate and social initiatives (CSI), which sets out the Group's CSI strategy and how local operating companies are to develop, deliver and monitor community investment programmes within three themes:

- Sustainable Agriculture
- Environment
- Empowerment and Civic Life.

Supplier Code of Conduct

The BAT Supplier Code of Conduct sets out the minimum standards group companies expect of suppliers. Our ultimate goal is to drive the continuous improvement of standards within our supply chain and as such, we are committed to working with such suppliers over time to help them achieve adherence with the requirements of this Code.

Policies/Principles	Summary Areas Covered	Key Stakeholder Groups
BAT Standards of Business Conduct	Anti-bribery and corruption, conflicts of interest, and entertainment and gifts. Respect in the workplace, including promoting equality and diversity, preventing harassment and bullying, and safeguarding employee wellbeing. Respect for human rights, including prevention of child labour and exploitation of labour, and respect for freedom of association. Political contributions and charitable contributions. Financial integrity, accurate accounting and record-keeping, and information security. Anti-illicit trade, competition and anti-trust, and sanctions compliance. Whistleblowing.	Employees and contractors, Governments and regulators, local communities and society
Health and Safety Policy	Health, safety and welfare of all employees, other members of our workforce and third-party personnel.	Employees and contractors, suppliers, business partners, farmers, local communities and society
Environment Policy	Our commitments to carrying out our business in an environmentally responsible and sustainable way, including agricultural, manufacturing and distribution operations.	Employees and contractors, suppliers, business partners, farmers, local communities and society
Employment Principles	Employment practices, including commitments to diversity, reasonable working hours, family friendly policies, employee wellbeing, talent, performance and equal opportunities, and fair, clear and competitive remuneration and benefits.	Group employees
Supplier Code of Conduct	Standards required of Suppliers of BAT operating Companies worldwide, including business integrity, anti-bribery and corruption, environmental sustainability and respect for human rights (covering equal opportunities and fair treatment, health and safety, prevention of harassment and bullying, child labour, and exploitation of labour, and freedom of association).	Suppliers and business partners, employees and contractors, local communities and society
Strategic Framework for corporate social investment	Sets out BAT's Group strategy and a framework for Corporate Social Investment	NGOs and development agencies, local communities and society
International Marketing Principles	Provides a consistent and responsible approach to marketing our products.	Employees, suppliers, agents and third-parties

For more information on our policies and principles, please visit our website www.carrerasltd.com.

CORPORATE GOVERNANCE

As a responsible and transparent listed company, the Board of Directors that provide oversight for Carreras Limited (CL), consider good corporate governance practices an important feature for effective operations.

GOVERNANCE STATEMENT:

a. CL is committed to maintaining the highest level of transparency, accountability and integrity in all its operations and will ensure the maintenance of high ethical standards by all members and employees of the company which are in tandem with the organization's vision & mission "*to achieve and maintain leadership of the Jamaican Tobacco industry in order to create long term shareholder value*".

b. Each Director is required to act honestly and in good faith and to ensure that the organisation carries out its activities within its prescribed mandate or objectives. Additionally, the Directors have collective responsibility for all strategic decisions made by the Board of Directors.

THE BOARD'S MANDATE:

The Board of Directors of CL is collectively responsible for the success of the company. The Board remains committed to providing entrepreneurial leadership of CL within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board is responsible for:

a. Overseeing CL's strategic aims;

b. Ensuring that the necessary financial and human resources are in place for CL to meet its objectives;

c. Reviewing management performance; and

d. Upholding the company's values and standards and ensures that its obligations to the company's shareholders and others are understood and met.

General Comportment:

The Board shall use its best efforts to ensure that:

a. its members can act critically and independently of one another;

b. each Director can assess the broad outline of the Company's overall policy;

c. each Director's expertise is fully utilized in the performance of his or her role as a Director;

d. the Board competencies match the competency profile of the Company; and

e. the Board has adequate independent non-executive and executive Directors.

Independent Board member:

An independent non-executive Director is someone who based on criteria agreed by the Board includes:

a. a Director that has not within the last three years been an employee of the Company or a related company;

b. a Director that has not within the last three years had a material business relationship with the Company either directly or as a shareholder, Director or senior employee of a body that has a relationship with the Company either as a supplier, a customer or competitor of the Company;

c. a Director that has not within the last three years received additional remuneration from the Company (apart from a Director's compensation) nor participated in the Company's performance-related pay scheme;

d. a Director whose spouse, child(ren) or dependent(s) are not advisors, Directors or senior employees of the Company; and

e. a Director who does not represent a **significant** shareholder (holding more than 5% of the issued securities of the issuer).

Appointment of Directors:

There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. Appointments to the Board are made on merit and against objective criteria. Care is also taken to ensure that appointees have enough time available to devote to the job. This is particularly important in the case of chairmanship.

INDUCTION PROGRAMME, ONGOING TRAINING AND EDUCATION:

Director Induction Programme:

a. Upon appointment, each Director shall participate in an induction programme that covers the Company's strategy, general financial and legal affairs, financial and regulatory reporting by the Board, any specific aspects unique to CL and its activities, and the responsibilities and expectations of a Director.

b. The training of Directors is critical to ensure the maintenance of good governance. The Board, through the Corporate Governance Committee, will recommend such ongoing training for Directors as is necessary for them to maintain the knowledge and expertise required to better understand the operations of CL and to properly discharge their roles and functions as Directors. The cost of such training shall be included in the budget for the year.

RESPONSIBILITIES OF THE BOARD

There is a clear division of responsibilities at the head of the company between the running of the Board and the executive responsibility for the running of the company's business. No one individual has unfettered powers of decision.

Chairman of the Board:

The Chairman of the Board is responsible for the leadership of the Board ensuring its effectiveness on all aspects of its role and setting its agenda; and is the principal contact for the Managing Director who shall meet regularly with the Chairman.

The Chairman of the Board is also responsible for maintaining effective communication protocols with shareholders and stakeholders as required.

The Chairman ensures that:

a. Directors, when appointed, participate in an induction programme and, as needed, additional education or training programmes;

b. Directors receive all information necessary for them to perform their duties;

c. Directors receive accurate, timely and clear information:

d. Directors have sufficient time for consultation and decision-making;

e. Orderly succession planning for directors and senior management;

f. Committees function properly and according to their respective Terms of Reference;

g. The performance of the overall Board and individual Directors are evaluated at least once every year;

h. The Board establishes and maintains the agreed protocols for communication with the organisation's management;

i. The Board establishes operating procedures for its meetings;

j. The Board fulfils its duties to all key stakeholders and promotes sustainability;

k. The agendas of Board meetings are in order and that minutes are kept of such meetings; and

l. Internal disputes and conflicts of interest concerning individual Directors are addressed and resolved.

DIRECTORS:

The Directors shall act in the best interests of the Company and its business, taking into consideration the interests of the Company's shareholders. Directors shall perform their duties independent of any particular interest in the Company and should not support one interest without regard to the other interests involved.

COMPANY SECRETARY:

The Secretary is the Secretary of the Board and its Committees and assists the Board in the execution of critical administrative and governance functions which demand a high degree of compliance and ethical conduct.

The Company Secretary plays a key role in assisting all Directors to obtain the information they need to carry out their roles effectively. She is responsible for ensuring that Board processes and procedures are appropriately followed and that they support effective decision making and governance in accordance with the Companies Act.

ANNUAL EVALUATION:

Board & Directors Evaluation:

The Board will conduct an annual performance evaluation of each Director, the Board on a whole and the Chairman. The evaluation process will be conducted in accordance with procedures established by the Board, on the recommendation of the Corporate Governance Committee, and shall evaluate performance in line with the Company's set goals and objectives and may also include setting out the goals and objectives of the Company for the upcoming year.

Managing Director & Company Secretary Evaluation:

The performance of the Managing Director and the Company Secretary are to be evaluated annually by the Board led by the Chairman.

SUPERVISION OF FINANCIAL REPORTING:

General Supervision Responsibilities:

a. The Board, in consultation with the Audit Committee, supervises compliance with written procedures for the preparation and publication of the annual report and quarterly unaudited financial accounts and any other financial information.

b. The Board, through the Audit Committee, also supervises the internal control and audit mechanisms for external financial reporting.

Recommendations by External Auditor:

The Board shall carefully consider and, if accepted, put into effect any recommendation by the external auditor. This will include recommendations made by the external auditor on the Company's internal controls, as expressed in the 'management letter.'

Reports to the Board:

The Audit Committee shall report its dealings with the external auditor to the Board on an annual basis, including its assessment of the external auditor's independence.

Assessment of External Auditor:

At least once every three years, the Audit Committee shall conduct a thorough assessment of the functioning of the external auditor in the various entities and capacities in which the external auditor acts. The main conclusions of this assessment shall be communicated to the Board so it may assess the nomination for the reappointment of the external auditor.

The Board currently has established the following committees to govern areas of its operations:

- Corporate Governance Committee
- Audit Committee
- Nomination & Compensation Committee

BOARD COMMITTEES

Committee Chairmen

The Board Committee Chairmen are responsible for the leadership of the respective Board committees and that each respective Board committee executes on their respective charters and mandates, as approved by the Board.

The Board Committee Chairmen are also responsible for:

a. fixing the agenda for the relevant Board committee meetings and to ensure that all relevant matters are tabled for consideration (as requested by the members of that committee, the wider Board, or otherwise);
b. reporting to the Board at each Board meeting; and
c. reporting to the shareholders.

CORPORATE GOVERNANCE COMMITTEE (CGC)

Matthew Hogarth • CGC Chairman

Relationship with the Board and other committees: The role of the CGC and its relationship with the Board and other committees is as set out in the Charter approved by the Board and to the extent that the CGC undertakes tasks on behalf of the Board, the results are reported to, and considered by, the Board. The CGC is charged with a review of the Board, its committees and their respective functions on an annual basis and to ensure that they execute their responsibilities efficiently and with transparency and accountability.

Authority & Responsibilites

The Committee shall support the Board in the administration and exercise of the Board's management of the Company by carrying out the following:

Corporate Governance Principles

- Developing, recommending and reviewing corporate governance principles applicable to the Board.
- Ensuring that the Board and is committees are in compliance with all regulatory composition requirements, which shall include requirements for director independence.
- Reviewing, no less than once annually, the adequacy of the charters of the Board and its various subcommittees, including the adequacy of this Charter, and submit to the Board any suitable recommendations in relation to the amendment of same.
- Reviewing, no less than once annually, the Company's Articles of Incorporation and overall corporate governance policy and practices and submit to the Board any suitable recommendations in relation to the amendment of same.
- Preparing the annual Corporate Governance Statement for inclusion in the Company's Annual Report to its shareholders.
- Ensuring that there is accurate, timely and full financial governance reporting with strong internal controls and risk management.
- Ensuring that material information regarding the Company's operations are disclosed in a timely manner to the public and regulatory entities.

- Keeping abreast of the latest regulatory requirements, trends and guidance in corporate governance and updating the Board on corporate governance issues, where necessary.

Evaluation of the Board & its Committees – Structure, Composition and Function

- Ensuring that the Board is structured and selected to ensure effectiveness, independence and protection of the public's interests through appropriate selection and operating processes.
- Establishing and facilitating an effective process for the annual evaluation of the Board and its committees, which shall include the development of self-audit checklists which take into account their respective mandates and the level of contribution of individual directors. The Committee shall report to the Board the results of its annual evaluations and, based on those results, may make recommendations in respect of the structure and effectiveness of the Board and any of its committees.
- Overseeing the development and implementation of a Board induction process for new directors and a programme of continuing director development and training, as needed.
- Considering possible conflicts of interests of directors and making relevant proposals to the Board in relation to its findings.
- Reviewing any change in status and professional affiliation of current directors, which shall include fulfilment of independence requirements, and making relevant proposals to the Board in relation to its findings.

Meetings of the CGC

The Chairman of the CGC, in consultation with the Company Secretary, decide the frequency and timing of its meetings.

The membership of the CGC during the 2019/2020 financial year: Mr. Matthew Hogarth (Chairman), Mr. Oliver Holmes and Mr. Juan Carlos Restrepo Piedrahita. Mr. Marcus Steele (Managing Director up to January 31, 2020), Mr. Raoul Glynn (from February 1, 2020) and Mrs. Janene Shaw (Finance Director/Company Secretary) were permanent invitees.

Looking Forward

The CGC shall continue to ensure that the Company is aligned with corporate governance best practices and that it continues its sterling reputation as a leader in this area.

THE KEY ACTIVITIES FOR THE FINANCIAL YEAR INCLUDED:

Review of the Charter of the Board and of the Committees were conducted to ensure that their composition, structure, policies and processes are in keeping with best practice standards and also to ensure adherence to the relevant legal and regulatory framework.

Checklists for all Committees were compiled to inform us of the various activities to be performed in a timely manner.

Strengthening of the Conflicts of Interest Policy and introduction of Conflicts of Interest Register.

At the Company's request, our Attorneys advised that no antecedent events had occurred in the past year and going into this year precipitated by the Companies Act etc. that required consideration by the Company.

Directors' Training: A Corporate Governance Workshop was held. It was found to be interactive and highly beneficial as the material covered a wide range of topics in relation to Corporate Governance.

The Board had its annual Self Evaluation exercise which was facilitated by an independent external company. The evaluation measures the performance and effectiveness of the Board, its committees, the Executive and Non-Executive Directors and the Chairman.

Introduction of a Corporate Governance Assessment Tool to facilitate a review of the main Board by the Committee.

AUDIT COMMITTEE

Michael Bernard (Chairman) • Audit Committee Chairman

Relationship with the Board: The Audit Committee provides an independent financial review function to ensure that the Company adheres to its governance mandate in the specific areas of accounting policies, internal controls, risk management, financial compliance systems and procedures as well as financial reporting practices.

The role of the Audit Committee is for the Board to decide and to the extent that the Audit Committee undertakes tasks on behalf of the board, the results are reported to, and considered by, the board. In doing so it identifies any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken.

The Board has established formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.

Specific Responsibilites & Duties

i. To monitor the integrity of the financial statements of the company;

ii. Reviewing any formal announcements relating to the company's financial performance and any significant financial reporting judgements contained in them;

iii. To review the company's internal financial controls and risk management systems and processes;

iv. To monitor and review the effectiveness of the company's internal audit function;

v. To make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;

vi. To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;

vii. To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

viii. To review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

The Audit Committee comprises of four members who are non-executive directors, the majority of whom is identified by the Board as independent directors.

Meetings of the Audit Committee

The Chairman of the Audit Committee, in consultation with the Company Secretary, decide the frequency and timing of its meetings.

Four (4) meetings are held during the year to coincide with key dates within the financial reporting and audit cycle. The company's external audit lead partner is invited regularly to attend the meetings.

The Audit Committee met with the external auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.

The Committee members: Mr. Michael Bernard (Chairman), Mr. Matthew Hogarth, Mr. Oliver Holmes, Mr. Arturo Campero (up to November 6, 2019) and Mrs Nirala Singh (from February 12, 2020). Mr. Marcus Steele (Managing Director up to January 31, 2020), Mr. Raoul Glynn (from February 1, 2020) and Mrs. Janene Shaw (Finance Director) were permanent invitees.

THE KEY ACTIVITIES FOR THE FINANCIAL YEAR INCLUDED:

- Reviewed and after consultation with management and external auditors, recommended to the Board, unaudited quarterly financial statements and the 2020 audited annual financial statements for its approval and release to stockholders.

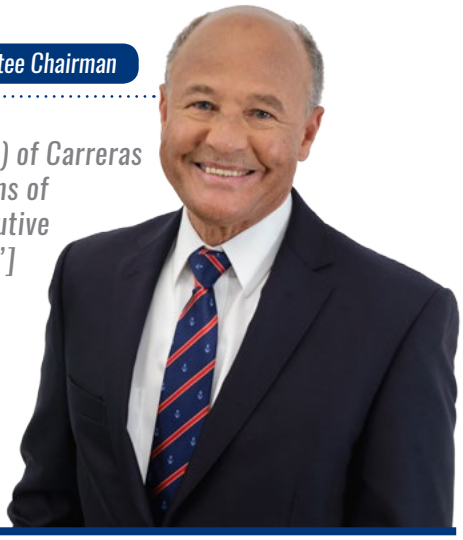
- Recommended to the Board for approval:
  - Dividend payments
  - Related Party Transactions
  - Key Business Risks

The Committee considered the following in making its recommendations:

- Reliability and integrity of the accounting principles and practices, financial statements and other financial reporting;
- Internal audit functions of the Company;
- Risk management functions and processes of the Company;
- Qualifications, independence and performance of the external auditors of the Company;
- System of internal controls and procedures established by management and review of their effectiveness;
- The Company's compliance with legal and regulatory requirements.

NOMINATION AND COMPENSATION COMMITTEE

Oliver Holmes (Chairman) • Nomination And Compensation Committee Chairman



Relationship with the Board: The Nomination & Compensation Committee (NCC) of Carreras Limited has the responsibility of determining the framework and policy on terms of engagement including the appointment and specific remuneration of each executive director and each member of the Senior Management Team ["Leadership Team"] of the company, including entitlements where applicable under the share incentive schemes and the pensions schemes and any compensation payments. Additionally, the NCC will recommend board appointments and review fees payable to non-executive Directors and make the necessary recommendation to the Board as required. The NCC shall also collaborate and work closely with Carreras' Corporate Governance committee on related governance matters.

Nomination and Succession

i. Develop and annually review the competency profile for the board of directors and submit recommendations to the Board.

ii. Ensure that the Board is structured, and Directors selected to foster effectiveness, independence and protection of the public's interests through an appropriate selection and operating processes.

iii. Make recommendations to the board on suitable candidates for appointment as board directors including executive directors.

iv. Make recommendations to the board in specific regard to:
   a. the re-appointment of any Non-executive Director at the conclusion of their specified term of office after reviewing the Director's performance;
   b. the re-election by shareholders of any director under the retirement or by rotation provisions in the Company's Articles of Incorporation; and
   c. the continuation in office of any Director at any time.

v. Develop and annually review a succession plan for Directors, the Chairman and the Managing Director.

The quorum for a meeting is two (2) members with at least one being an independent non-executive director.

The Committee members were Mr. Oliver Holmes (Chairman) and Mr. Matthew Hogarth; Mr. Marcus Steele (Managing Director to January 31, 2020) and Mr. Raoul Glynn (from February 1, 2020) as permanent invitee to the meetings.

THE KEY ACTIVITIES FOR THE FINANCIAL YEAR INCLUDED:

On receipt of the resignations from three Directors appointed by the BAT Group and the Managing Director, the Committee reviewed the dossiers of proposed replacement candidates and deliberated on their qualifications and suitability for the roles on the Board. Once suitable candidates were agreed among the Committee members, recommendations were made to the Board to fill the vacancies.

On receipt of the request for early retirement from the Finance Director/Company Secretary, the dossiers of candidates for two senior management positions were reviewed and recommendations were made to the Board regarding Head of Finance and Acting Company Secretary up to the point of commencement of employment of the Finance Director/Company Secretary.

The Committee ratified the staff bonus payment for 2019 and offered its congratulations to the management and staff for delivering a good year's results.

The Committee ratified the salary increases which were implemented on April 1, 2020 based on the annual compensation and benefit survey results.

The Committee recommended an increase in compensation per Board meeting for non-executive board members

The table below provides details on the Directors' attendance at Board and Committee Meetings:

Name of Director	Board	Audit Committee	Nomination & Compensation Committee	Corporate Governance Committee
Arturo Campero**	4	2	n/a	n/a
Michael Bernard	9	4	n/a	n/a
Raoul Glynn*	2	1	1	-
Matthew Hogarth	8	4	3	4
Oliver Holmes	9	4	3	4
Rafael Marquez**	7	n/a	n/a	n/a
Laurent Meffre*	1	n/a	n/a	n/a
Juan Carlos Restrepo Piedrahita	7	n/a	n/a	2
Janene Shaw**	9	4	n/a	4
Nirala Singh*	2	1	n/a	n/a
Marcus Steele**	7	3	2	4

* Mr. Raoul Glynn joined on February 1, 2020
Mrs Nirala Singh joined February 12, 2020
Mr. Laurent Meffre joined March 23, 2020

** Mr. Arturo Campero resigned November 6, 2019
Mr. Marcus Steele resigned on January 31, 2020
Mr. Rafael Marquez resigned on March 16, 2020
Mrs. Janene Shaw resigned on March 31, 2020

Number of meetings held during the Financial Year	
Board	9
Audit Committee	4
Nomination and Compensation Committee	3
Corporate Governance Committee	4

Please note that our Corporate Governance guidelines are available on our website at ***www.carrerasltd.com***

OPERATING ENVIRONMENT

ECONOMIC PERFORMANCE

The global economy took a bigger hit in 2019 than anticipated, slowing to 2.3 percent in 2019, down from 3.3 percent in 2017 and 3.0 percent in 2018. The slowdown is disconcerting because, over the past two decades, a dip in global growth below 2 percent has often meant recessions in the form of GDP contractions across a broad range of regional economies. We expect global growth to remain slow but slightly improve next year, reaching 2.5 percent.

Overall, we have arrived in a world of stagnating growth. While no widespread global recession has occurred in the last decade, global growth has now dropped below its long-term trend of around 2.7 percent. The fact that global GDP growth has not declined even more in recent years is mainly due to solid consumer spending and strong labour markets in most large economies around the world.

China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. The euro area economy lost more momentum than expected as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards; investment dropped in Italy as sovereign spreads widened; and external demand, especially from emerging Asia, softened. Elsewhere, natural disasters hurt activity in Japan. Trade tensions increasingly took a toll on business confidence and, so, financial market sentiment worsened, with financial conditions tightening for vulnerable emerging markets in the spring of 2018 and then in advanced economies later in the year, weighing on global demand. Conditions have eased in 2019 as the US Federal Reserve signalled a more accommodative monetary policy stance and markets became more optimistic about a US–China trade deal, but they remain slightly more restrictive than in the fall.[1]

FISCAL PERFORMANCE

The Government of Jamaica continued to make good progress on its fiscal consolidation and reform efforts during the financial year. Inflows to the government's coffers also improved due to growth in tax revenues from corporates and individuals. Tax revenue collections amounted to $537.46 billion, rising 8.2% year-over-year, fuelled by growing levels of employment and increased economic activity.

Along with the buoyance in revenues there was an 11.9% increase in expenditure to $617.93 billion. The growth in recurrent expenditure came from increased spending on programmes, compensation of employees, and wages & salaries. Importantly, capital expenditure also grew by 47.0% to $68.80 billion, as there was greater allocation going towards security equipment and growth-inducing capital projects including major road works.

Having achieved fiscal stability with the reforms under the IMF programme, there was room in the FY 2019/20 budget to provide some stimulus to the economy. The higher tax revenue enabled the government to reach a staff-level agreement with the IMF to reduce Jamaica's primary surplus target from 7% to 6% of GDP one year ahead of schedule. This resulted in the government announcing a $14 billion net reduction in taxes for the 2019/20 fiscal year. The reductions were strategically focused on taxes particularly for the MSME sector as well as taxes and duties that hamper the conduct of economic activity, the raising of financing, and those that dissuade persons from regularising the land titles on lots they occupy. Though the primary surplus target for FY2019/20 was reduced to 6% from 7%, to create more fiscal space to accommodate new tax incentives in the current fiscal year, a primary surplus of 6.5% should still be enough to support the gradual reduction in the sovereign's debt and interest burden.

INFLATION

Growth in Consumer Price Index 2019 - 2020

The current economic trend inflation remained below the BOJ's medium-term target range of 4-6 percent for nine months of the financial year. For March 2020, the All Jamaica Consumer Price Index recorded an increase of 0.4%, bringing the 12-month inflation rate to 4.8%. With the March outturn, inflation is now below BOJ's upper target range of 6%. The moderation in the pace of inflation relative to August reflected increases in the indices for "Food & Non-Alcoholic Beverage" (+0.5%), "Communication" (6.9%), "Education" (4.7%) and "Housing, Electricity, Gas and other Fuels" (+0.3%). Fluctuating prices for agricultural produce; increases in electricity, water and sewage rates and higher prices for communication services were behind the increases in these indices. However, the overall impact on the CPI

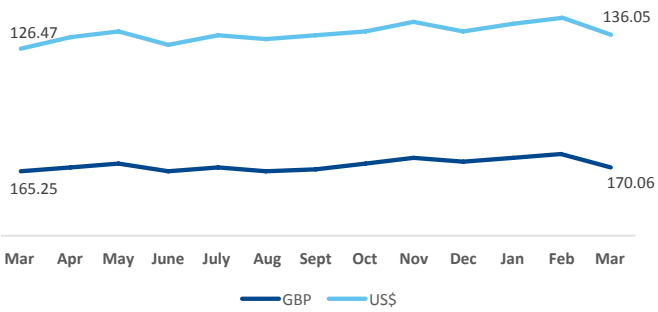
1 International Monetary Fund

was tempered by lower petrol prices and airfares which led to a reduction in the Transportation index (-1.0%).

The BOJ expects that consumer prices will rise at an average 12-month rate of about 4.5% over the next eight quarters. This outlook for inflation is based on BOJ's expectations for the pass-through effects of its past monetary accommodation to prices. The impact of this is expected to be partially offset by low global growth and inflation among Jamaica's main trading partners, a fall in global commodity prices, as well as continued tight fiscal policy.

Insights from the Planning Institute of Jamaica states that GDP is projected to decline within the range of 12.0% to 14.0% during April–June 2020 vis-à-vis April–June 2019.

FOREIGN EXCHANGE RATE



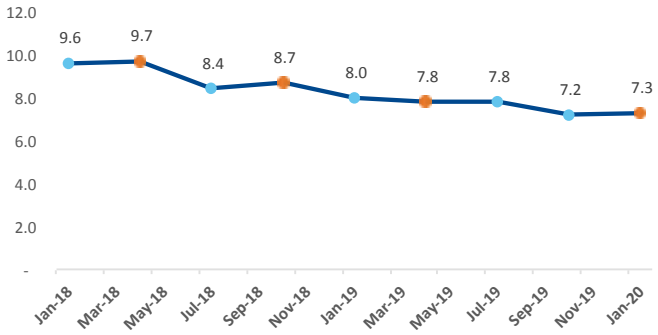
Foreign Exchange Movement

The JMD depreciated at a rate of 7.6% relative to the USD when compared to the 0.38% depreciation seen in the 2018//2019 financial year. Although there were periods where the average rate spiked to a high of $140.73 in February 2020, there were several periods where there was a slow pace of point-to-point depreciation in the currency. Demand was largely fueled by end-users who sought USD to fund acquisitions, investments and other projects with much of it coming from growth sectors such as Manufacturing and Distribution.

NET INTERNATIONAL RESERVES

Net International Reserves as at March 2020 stood at US$3,237.67 million and represents 23.22 weeks of reserves of goods and services imports. This represented 11.22 weeks over the international benchmark of 12 weeks of goods imports.

UNEMPLOYMENT RATE



Unemployment Rate

The Unemployment Rate for January 2020 was 7.3%, which was 0.7 percentage point lower when compared to the rate of 8.0% in January 2019. The largest increase in the number of employed persons by occupation group was in Service Workers and Shop and Market Sales Workers. There was a slight decrease in the unemployment rate for youth of 19% in January 2020, a decrease of 2.8 percentage points, when compared to 21.8% in January 2019. The economy is seen entering a steep recession this year due to the coronavirus crisis and there will be significant job losses until the economy reopens and starts to show improvements.

FUTURE OUTLOOK

The coronavirus (COVID-19) pandemic is dealing a severe blow to the global economy. Its adverse effects could reverberate long after the worst of the health crisis has passed. Weakened productivity, depressed investment, lost human capital, and shortened global supply chains will likely be among the lasting consequences of the pandemic.

The Covid-19 pandemic and subsequent global lockdown will have weighed on tourism, trade and domestic activity towards the end of Q1 and into Q2. Meanwhile, the supplementary budget announced in mid-May envisages a larger fiscal shortfall due to cyclically shrinking revenues forcing the government to implement spending cuts and the IMF approved USD 520 million in emergency financial support. Economic activity will be further depressed by the closure of the Alpart alumina refinery weighing on exports. The panel sees the economy contracting 4.2% in 2020, which is down 0.5 percentage points from last month's forecast, before growing 2.0% in 2021.

RISK MANAGEMENT

The effective management of risks is crucial to the fulfillment of Carreras Limited's Mission and Vision. Our risk management framework supports our strategy for maintaining a long-term sustainable business. Carreras Limited manages its risks on an enterprise-wide basis across core business processes, starting at the strategic planning level, through to execution, evaluation and continuous monitoring.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

During the year, the Directors have carried out a robust assessment of the key risks and uncertainties facing the Company, including those that threaten its business model, future performance, solvency or liquidity.

The key risks facing the Company have remained broadly unchanged over the past year. Our number one risk remains **Competition from illicit trade**. The company continues to experience high levels of competition from illicit trade, either local taxes being evaded, smuggled illicit cigarettes or counterfeits.

In relation to capital management, the Company's objectives are to safeguard its ability to continue as a going concern to provide returns for shareholders. The Board monitors the return on capital/stockholders' return on equity, which is defined as net operating income divided by shareholders' equity. For the 2019/2020 financial year, the return on capital at 202.2%.

The Board of Directors has no reason to believe that its policy to maintain a strong capital base in order to preserve investor, creditor and market confidence and to sustain the future development of the business will not continue into the foreseeable future.

RISK MANAGEMENT APPROACH

The Risk Management Committee (RMC) which is comprised of the senior management team has responsibility for identifying, assessing, managing and monitoring risks likely to face the Company and implement effective mitigating controls to manage these risks. Clear accountability is attached to each risk through the risk owner. The deliberations of RMC meetings are reported to the Board of Directors through the Audit Committee of the Board.

Carreras believes that its risk appetite and tolerance limits are the foundation of its risk management framework; which ultimately establishes the risk culture for the Company.

RISK METER SLIDE

KEY BUSINESS RISKS

Currently, several risks have been identified by the RMC as significant enough to be monitored. These risks, along with management's mitigation measures are assessed at least quarterly.

Based on the Company's risk appetite and risk tolerance, the Company actively manages the key business risks covering External Environment, Regulatory, People and Processes and Operational.

Below are some of the key risks that the Directors believe to be the most important after assessment of the likelihood and potential impact on the business. Not all of these risks are within the control of the Company and other factors besides those listed may affect the Company's performance. Some risks may be unknown at the present and other risks, currently regarded as less material could become material in the future.

External Environment Risk:

Competition from illicit trade – either local taxes evaded, smuggled illicit cigarettes or counterfeits

With affordability being a major issue for the Jamaican cigarette consumer, resulting from the macro-economic environment, as well as increasing prices of legal cigarette brands as a result of frequent and excessive excise increases, Illicit cigarettes are becoming more attractive as they do not pay the requisite taxes, and as such, are sold at significantly lower prices than legitimate brands. In addition, most of these illicit cigarettes are sold at the lower segment of the market and in contravention of regulatory requirements. This results in lower volumes and profits for legitimate players like Carreras. Furthermore, the investment in trade marketing and distribution is undermined.

Management's Response: Robust Anti-Illicit Trade Strategy, Active engagement with key external stakeholders, Cross-industry and multi-sector cooperation, proactive excise engagement with Government, building brand equity for our low-price offer, Strategic engagements and Price campaigns/consumer engagement activities.

Pandemic

The Jamaican marketplace has been affected in recent months due to the COVID-19 pandemic, mainly through movement and social distancing restrictions that have affected the overall economy. Over this unprecedented state of affairs, Carreras has responded to ensure the supply of its products is satisfied island-wide while complying with the Government's guidelines referring to internal and external stakeholders of the Company.

Management's Response: Pandemic Plan activated, Wholesaler Contingency Plan implemented, remote work to all applicable employees, personnel hygiene kits distributed to every employee, protocols to allow access to our premises, and taxi services for employees who would normally use public transportation.

Risk of Consumers Rejecting changes to the Core Products

Innovation is at the heart of Carreras Limited and as such, we strive to delight adult smokers through the creation of consumer moments that are aligned to our core values. To achieve this purpose, the Company conducted research to understand the needs of our consumer whilst leveraging the marketing tools of the BAT Group to deliver our commercial agenda. This risk speaks of potential failure to accurately read our consumer's preferences and of potential rejection of our product innovation.

Management's Response: Focus on communication strategy to transition the consumer to product innovation, Consistent and continued consumer engagement and understanding, Activation of multiple touchpoints to ensure awareness, depletion and trade coverage plan activated and tracked to ensure success.

Financial crisis and economic recession

While the world is grappling with the effects of the COVID-19 pandemic, Jamaica is no exception. Given the impact in tourism and the restrictions on mobility and social distancing, the economy is expected to be affected. This risk is recognized with the potential to affect our customers and consumers which could in turn, affect the performance of our business.

Management's Response: Adequate Credit Management to accommodate the needs of our customers during the pandemic and beyond, Strengthen portfolio by giving consumers more affordable choices, Strengthen security and control over the Company's assets.

Aggressive competitive environment – Legal (Low Price Offers/Grabba)

The Jamaican tobacco industry is dynamic with new players offering brands in the low-priced segment of the market. Other tobacco products (OTP), mainly grabba, continue to have an increasing presence within the market based on the demand for these products. Consumer affordability issues pose a risk in consumers switching from the Company's value for money brands to these ultra-low price offers.

Management's Response: Expansion of distribution network, Product innovation, Understanding and advancing strategic engagement with all the tiers of the tobacco-retailing universe, Consumer relevant and value-added investment in the brands to improve loyalty.

Regulatory Risk:

Significant increase in tobacco excise

The Company is exposed to unexpected and/or significant excise increases or changes to the structure thereof. Excise increases for the three consecutive years 2015 to 2017 proved to be significant and excessive and have resulted in the transfer of volumes from the legal industry to the illicit trade in cigarettes. This was particularly so in 2017 when a 21.4% increase in tobacco excise was implemented. Not only did the industry experience a reduction in sales volumes, but the Government lost well-needed revenues compared to their intake in 2016. We note that the Government has prudently not levied any further increases and we encourage the industry be provided with an opportunity to stabilize and recover sales volumes. In addition, we further encourage the implementation of a sustainable excise strategy.

Significant increases in tobacco excise affect the ability of consumers to pay for legitimate brands, thus increasing the attractiveness and demand for low priced cigarettes. This ultimately results in reducing legal industry volumes as well as the erosion of the brand value of legitimate brands. Excessive increases over time will erode revenue and profit growth and result in the failure of the Company to meet the expectations of its shareholders.

Management's Response: Proactive Stakeholder Engagement towards ensuring a sustainable excise strategy by the Government, Portfolio reviews to ensure appropriate balance and coverage across price segments, Monitoring of economic indicators and Government revenues, Removing non-value added costs from our business model to constantly improve efficiency in the business.

Tobacco regulation that inhibits growth strategy

The enactment of tobacco regulation that is unbalanced and impractical, and significantly impairs the Company's ability to communicate with consumers, differentiate our products in the marketplace and launch future products poses a risk to the Company's long-term sustainability. Particularly, this could lead to an adverse impact on the ability to compete within the legal tobacco industry and with increased illicit trade.

Management's Response: Proactive and robust stakeholder engagement and litigation strategy for balanced regulations. Ongoing monitoring of marketing plans to ensure compliance with internal self-regulation and local legislation.

Operational Risk:

Concentration of credit risk with large credit customers

The Company has a significant concentration of credit risk with large credit customers with material balances both individually and in aggregate. Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations.

Management's Response:
Continuous engagement with large customers, on-going assessment of recoverability of balances which may be impacted by changes in the economic and business environment, expansion of the distribution network, Credit Risk Insurance, Implementation of processes and programs to enable faster debt recovery/collections by working closely with large customers.

SKU Out of Stock

As a result of the COVID-19 pandemic, an escalation of restrictions of movement and social distancing could pose a risk to the sourcing of our products.

Management's Response:
Proactive adherence to the Stock Policy, Assess increases to our safety stocks, Contingency sourcing plan in place, leverage on larger customers' capacity to supply smaller customers and the final consumer as required.

INTERNAL AUDIT OVERVIEW

The Carreras Group is committed to creating value for its shareholders and achieving sustainable growth while maintaining a balanced risk management approach. To support this vision the Group's Internal Audit Unit is tasked with the responsibility of preventing, detecting and correcting control failures. Under the guidance of the Audit Committee, the Internal Audit Unit continuously monitors the environment in which the Group operates to:

- Identify emerging risk(s)
- Devise and implement mitigation plans
- Assess the effectiveness of existing controls

In monitoring the effectiveness of the control mechanisms of the Group, the Internal Audit Unit addresses each risk factor on two (2) main levels, the Above Market Approach, or the Operational and Compliance Approach.

Above Market Approach

The Above Market approach encompasses procedures aimed at achieving the overall strategic objectives of the Group and therefore highlights the process of developing and cascading operating procedures and the measurement of these procedures through means such as Key Performance Indicators and Auditing techniques. The auditing tools used under this approach are the GMA Audits and Control Navigator (CN).

GMA Audit Review

The Internal Audit unit employs a direct review strategy of each business unit through a GMA Audit review, where each business unit is thoroughly reviewed for control deficiencies or areas for improvement. This exercise is conducted to ensure that the Group's current ways of doing business are robust enough to safeguard its assets in a changing business environment. Some of the control processes that fall within the scope of the GMA review include:

- Order to Cash
- Understand Trade Landscape
- Manage Security
- Tackle Illicit Trade
- Manage Regulatory Agenda
- Record to Report
- Procure to Pay

Control Navigator

On an annual basis, the Internal Audit Unit executes a comprehensive assessment of each business unit through an auditing tool titled Control Navigator. This is a self-assessment tool that requires each unit to provide feedback on their level of compliance with the established operating procedures of the Group. The Internal Audit Unit reviews the documented evidence in order to determine the accuracy of the feedback received. Examples of the process that falls within the scope of Control Navigator, include:

- Manage Legal
- Manage Human Resources
- Master Data Management
- Market to Cash
- Order to Cash
- Procure to Pay

Operational and Compliance Approach

The operational and commercial approach to risk management is geared towards the mitigation of business risks that exist within the Group's revenue stream and to ensure compliance with both internal and external requirements. This approach to risk management results in audit plans being developed with a more commercial perspective and executed by the Internal Audit Unit.

Our sales force is a part of the Group's overall commercial risk management perspective and therefore, the audit unit designs and executes procedures to ensure compliance by the respective personnels. These procedures are analytical by nature and include:

- Review the End of Day paperwork to ensure compliance with sales policy
- Review daily transaction for inconsistencies
- Obtain an explanation for excessive void on a transaction
- Review transactions that were processed manually

Another technique used to ensure conformity by the sales forces is the Credit Audit review, which refers to the process of visiting our credit customers' premises to solicit feedback and to ensure that the information captured in our accounting records reflects an actual transaction.

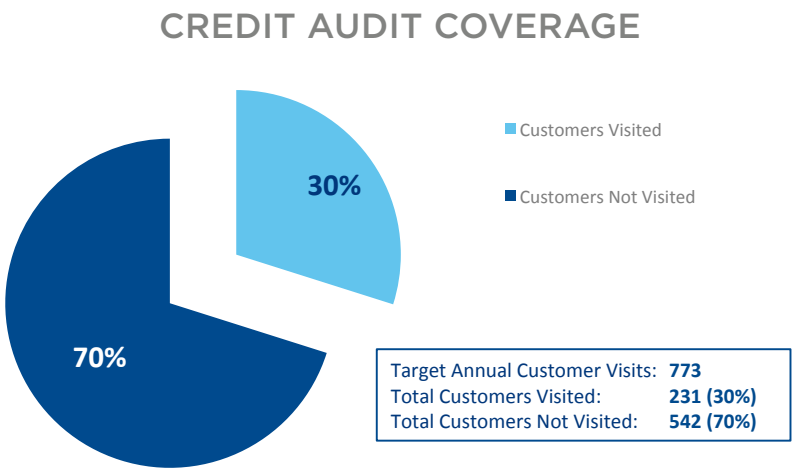
The Above Market approach encompasses procedures aimed at achieving the overall strategic objectives of the Group...

The Internal Audit unit employs a direct review strategy of each business unit through a GMA Audit review...

On an annual basis, the Internal Audit Unit executes a comprehensive assessment of each business unit through an auditing tool titled Control Navigator.

The operational and commercial approach is geared towards the mitigation of business risks...

Any trade or promotional activity also falls within the purview of the audit unit and as such, these activities are also scrutinized to ensure compliance with set guidelines. These activities are reviewed against the terms of reference for the promotional activity to ensure that the overall objectives are met.



The Internal Audit department adopts several other auditing techniques to ensure compliance with established controls. Some of these techniques are outlined below:

Control	Procedures	Frequency
Stock Counts	This involves counting physical stock on a scheduled and unscheduled basis to ensure proper inventory management records.	Monthly
Key Controls checklist	The review of all supporting documents surrounding any inventory movement from the bonded warehouse to ensure compliance with customs regulations.	Monthly
Authorized Economic Operator Requirements	The monitoring of all controls covered under the AEO program to ensure compliance and recertification.	Monthly
Ad Hoc Investigation	Provides support to any business unit that requires clarification on a possible compliance issue.	As needed

TEN-YEAR FINANCIAL REVIEW

(all figures expressed in thousands of dollars except where otherwise noted)

FINANCIAL YEAR	2019/20	2018/19	2017/18	2016/17
PROFIT & LOSS SUMMARY				
GROSS OPERATING REVENUE	14,126,523	12,906,497	12,550,132	13,509,228
TRADING PROFIT	4,737,848	4,499,362	4,587,300	4,933,927
INCOME FROM NON ROUTINE TRANSACTIONS	-	-	-	-
TOTAL TRADING PROFIT	4,737,848	4,499,362	4,587,300	4,933,927
INVESTMENT & INTEREST INCOME	66,794	67,467	89,326	108,262
OPERATING PROFIT	4,804,642	4,566,829	4,676,626	5,042,189
EMPLOYEE BENEFIT INCOME	(44,700)	(50,900)	(39,300)	(32,300)
PROFIT BEFORE TAXATION	4,759,942	4,515,929	4,637,326	5,009,889
PROFIT AFTER TAXATION	3,583,183	3,406,902	3,484,630	3,806,322
PROFIT ATTRIBUTABLE TO STOCKHOLDERS	3,583,183	3,406,849	3,484,596	3,806,233
BALANCE SHEET SUMMARY				
FIXED ASSETS	598,894	383,017	337,251	300,150
SHARE CAPITAL	121,360	121,360	121,360	121,360
RESERVES	1,651,136	1,214,144	1,920,034	2,006,755
STOCKHOLDERS' EQUITY	1,772,496	1,335,504	2,041,394	2,128,115
FINANCIAL RATIOS				
TRADING PROFIT MARGIN	33.5%	34.9%	36.6%	36.5%
OPERATING PROFIT/OPERATING REVENUE	34.0%	35.4%	37.3%	37.3%
STOCKHOLDERS' RETURN ON EQUITY	202.2%	255.1%	170.7%	178.9%
EARNINGS PER STOCK UNIT (from normal operations) *	73.8¢	70.2¢	71.8¢	78.4¢
EARNINGS PER STOCK UNIT (from non-routine transactions)	-	-	-	-
P/E RATIO	8.96	13.4	14.8	9.4
DISTRIBUTION - PER STOCK UNIT*	64.0¢	85.0¢	74.0¢	71.0¢
OTHER DATA				
SHARE CAPITAL				
- STOCK UNITS IN ISSUE ('000)	4,854,400*	4,854,400*	4,854,400*	485,440
CLOSING STOCK PRICE ($) - MARCH 31	6.61	9.43	10.61	7.40
DIVIDEND PAID	3,106,816	4,126,240	3,592,256	3,446,624
DEPRECIATION CHARGED	136,457	88,156	77,084	57,407
EXCHANGE GAIN / (LOSS)	57,607	(16,705)	(7,632)	52,202
WEIGHTED AVERAGE BUYING EXCHANGE RATES: US$ 1 to J$	132.5275	123.5735	124.6545	127.7664

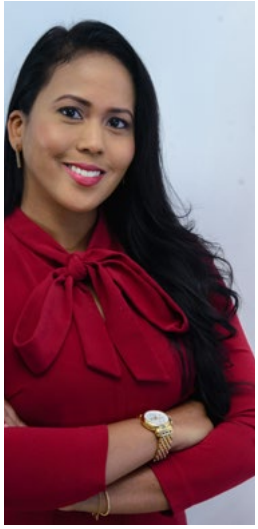
** Each ordinary share was sub-divided into 10 ordinary shares (10:1) at close of business on September 20, 2017*

2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
11,980,138	11,208,369	10,342,006	12,241,512	11,022,746	12,935,692
3,736,050	3,804,121	3,199,787	3,844,022	3,437,158	4,291,204
-	-	1,787,365	5,083,600	-	-
3,736,050	3,804,121	4,987,152	8,927,622	3,437,158	4,291,204
176,612	146,141	174,719	158,294	125,672	138,890
3,912,662	3,950,262	5,161,871	9,085,916	3,562,830	4,430,094
(9,100)	(11,900)	22,600	(233,100)	363,400	550,400
3,903,562	3,938,362	5,184,471	8,852,816	3,926,230	4,980,494
3,011,333	2,942,960	4,003,175	6,234,234	2,597,220	3,314,076
3,011,191	2,942,914	3,999,992	6,234,059	2,597,229	3,314,097
236,485	248,256	204,632	158,650	145,150	140,190
121,360	121,360	121,360	121,360	121,360	121,360
1,654,302	3,050,396	4,073,129	3,562,164	2,818,195	3,210,417
1,775,662	3,171,756	4,194,489	3,683,524	2,939,555	3,331,777
31.2%	33.9%	30.9%	31.4%	31.2%	33.2%
32.7%	35.2%	32.6%	32.7%	32.3%	34.2%
169.6%	92.8%	95.4%	169.2%	88.4%	99.5%
62.0¢	60.6¢	54.7¢	55.1¢	53.5¢	68.2¢
-	-	27.6¢	73.3¢	-	-
10.7	6.6	4.3	4.1	11.8	8.9
89.4¢	80.9¢	70.4¢	117.9¢	56.0¢	50.0¢
485,440	485,440	485,440	485,440	485,440	485,440
6.61	3.99	3.55	5.29	6.30	6.05
4,342,104	3,930,709	3,418,898	5,723,338	2,718,464	2,427,200
62,506	65,887	50,556	46,616	55,349	48,884
30,692	45,591	88,953	160,582	19,369	(48,911)
122.0421	115.0435	109.5744	98.8865	87.3000	85.7486

LEADERSHIP TEAM

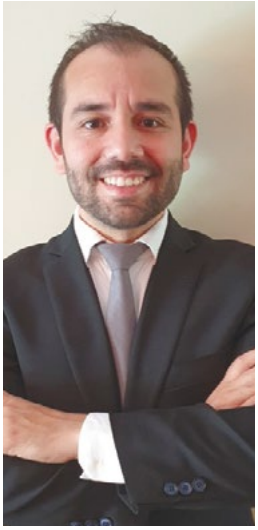
Raoul
GLYNN

Managing Director



Ashleigh-Ann
ARNOLD

Legal & External Affairs Manager (Acting Company Secretary since April 1, 2020)



Rogelio
PAREDES

Head of Finance

Dwaine
WILLIAMS

Marketing Deployment Manager

Jason
FOURNILLIER

Head of Trade

Portia
DARSOO

Human Resource Business Partner

Janene
SHAW

Finance Director and Company Secretary *(retired effective March 31, 2020)*

Rohan
CAMPBELL

Marketing Deployment Manager *(resigned effective March 31, 2020)*

LEADERSHIP TEAM

Raoul **GLYNN**

SKILLS & EXPERIENCE: Prior, Raoul held the position of Country Manager at Carisma Marketing Services responsible for the general management of 21 markets of the English, French and Dutch speaking Caribbean, the largest volume base in the area. Raoul distinguished himself through his performance in various roles, beginning with that of Executive at West Indian Tobacco Company in Trinidad in 2002; Area Manager, Carisma Marketing Services Unit in January 2004; Trade Marketing and Distribution Manager at Demerara Tobacco (DTC) Guyana, another BAT subsidiary in April 2006. Having earned the opportunity, Raoul was seconded to Carreras in Jamaica where he led a team which achieved positive volume performance in the market. His BAT career continued in February 2012 with the role of Marketing Operations Manager of British American Tobacco Pars in Iran and then, in February 2014, following a short stint in the Middle East Area, Dubai, Raoul assumed the role of Business Development Manager in Costa Rica, with responsibility for the Trade Marketing, Distribution and Activation portfolio for Central America and the Caribbean, leading a strong efficiencies agenda in the region.

QUALIFICATIONS: BA, University of the West Indies, St. Augustine Campus

Ashleigh-Ann **ARNOLD**

SKILLS & EXPERIENCE: Ashleigh-Ann Arnold was appointed as the Legal and External Affairs Manager, Carreras Limited in March 2016. She previously served as the Legal and External Affairs Executive for Carreras since 2008 and concurrently since 2014, Legal and External Affairs Executive for 11 Markets in the Northern Caribbean for Carisma Marketing Services, another British American Tobacco Company. After joining the Company in 2005 as a Management Trainee, Ashleigh was promoted to the role of Corporate and Regulatory Affairs Executive during which time she played an integral role in the execution of the Company's reputation and regulatory strategy. In February 2012, she was seconded to British American Tobacco Caribbean and Central America's (BATCCA) Area Office in Costa Rica as the Area Corporate Social Responsibility & Regulations Executive where she was responsible for developing and coordinating BATCCA's corporate social responsibility initiatives and regulatory strategy in 30 markets across the Caribbean and Central America.

QUALIFICATIONS: BSc. (Cum Laude) Integrated Marketing Communications, Winthrop University, USA. MA (Dist.), Communications Studies, University of the West Indies, Mona

Rogelio **PAREDES**

SKILLS & EXPERIENCES:
Rogelio Paredes was appointed Head of Finance, Carreras Limited in April 2020. Rogelio joined the BAT group in 2008 as Finance Planning Analyst for Mexico. After a successful experience in his role, he took an International Assignment in BAT Colombia as Planning Manager in 2013 where he delivered strong results in areas such as Operating Profit and Operating Cashflow and developed a high performing team in the function upon the integration of PROTABACO to the BAT Group. In 2014 he returned to Mexico as Route to Consumer Process Lead for one of the biggest Business Projects in the Group, Project TaO, in which Rogelio lead the redesign and adoption of the Order to Cash and Pricing processes, as well as the adoption of the standardized SAP solution for the Group. In 2015 Rogelio became Product Cost Manager where he was responsible for the cost strategy in the Canadian cigarette production, and he successfully lead the transition of the Operations Finance department from a Toll Manufacturing to Contract Manufacturing scheme upon the go live of project TaO in the factory. In 2018, this led to another International Assignment in which Rogelio was appointed as Head of Finance for BAT Nicaragua where he was part of the local Top Team. During his assignment Rogelio lead the Finance function designing the pricing and customer incentive strategy which served the market to navigate a severe excise shock in the Country.

QUALIFICATIONS: BSc. Economics (Summa Cum Laude), MBA from IPADE Business School (Summa Cum Laude).

LEADERSHIP TEAM

Dwaine **WILLIAMS**

SKILLS & EXPERIENCES: Dwaine Williams was appointed as Marketing Deployment Manager, Carreras Limited in June 2020. Dwaine's experience in the FMCG industry spans 17 years and includes a 3-year tenure with Carreras during which time he improved the sales and collections performance of the region within the first six (6) months of his first assignment in the position of Regional TMD Manager and subsequently TMD Projects Manager. Dwaine is a proven business leader in the FMCG industry within the Caribbean and has held previous positions throughout the years. He held the role of National Sales Manager at J. Wray and Nephew Ltd. where he grew overall sales by 30% by driving portfolio distribution across core in the on premise channel and as General Manager at Caribbean Cellars B.V.I (Topa Equities Ltd.) where he modernized the entire operations for the business; constructing a new distribution hub and retooling the entire RTM along with winning new distribution partners to bolster the portfolio assortment. Dwaine also held the role of head of Commercial at Red Stripe and played a pivotal role in embedding a new RTM structure geared at delivering efficiency and improved distribution. He has also served as Divisional Manager at Bryden Stokes Ltd. where he led the operations of the beverage and food divisions and their dynamic portfolios, delivering transformational change across the entire operations, which in turn delivered increased performance for the business over his 3 years in the business. Most recently, Dwaine was the General Manager at LASCO Distributors where he was successful in implementing strategies to drive double digit growth in performance, noteworthy was the 30% growth in customers served. Dwaine has had a consistent and solid record of success as a commercial and business leader.

QUALIFICATIONS: Masters in Business Administration (Management) University of Technology, Jamaica, BSc. in Business Administration (Marketing- 1 st class Hons.) University of Technology, Jamaica, Certificate, Principles and Techniques of Project Management Boston University

Jason **FOURNILLIER**

SKILLS & EXPERIENCE:
Jason Fournillier was appointed to the position of Head of Trade for Carreras Limited in January 2019. Jason began his career with the BAT Family in 2004 at West India Tobacco Ltd. as a Trade Marketing Executive, after four months moving on to specialize in the Horeca Channel (Horeca-Hotel, Restaurant, Café). Over the years, Jason has worked in BAT Caribbean & Central America in several roles including Marketing Management Trainee, specializing in Trade Research and Retail Communication, Trade Marketing & Distribution Manager & Area Manager and Marketing Process Lead. As Marketing Process Lead for the Global SAP Transformation Program which involved the development of a communication platform for SAP and roll out, Jason led one of BAT's' largest ever business transformation programs across the Caribbean and Central America. In BAT Spain, he successfully standardized Retail Audit and GCS information for Spain Mainland, Portugal and The Canary Islands. He has also served as Managing Director for Demerara Tobacco, where he developed a regulatory engagement platform for Tobacco Control/Illicit Trade. In July 2016 he became Territory Manager for CARISMA Marketing BAT SANCAR (Colombia, Venezuela, Caribbean) where he led the rebuilding and retooling of the export arm of West Indian Tobacco Ltd. Before, beginning his career with the BAT Family, for nine years Jason held various positions in the banking sector, moving through the ranks to the position of Corporate Loans Officer.

QUALIFICATIONS: Business Manager Transition Program, British American Tobacco.
BSc. Management Studies (Special), University of the West Indies

LEADERSHIP TEAM

Portia **DARSOO**

SKILLS & EXPERIENCE: Portia Darsoo was promoted to the position of Human Resource Business Partner for Carreras in January 2019. Portia joined the HR team at West Indian Tobacco in 2014, holding various positions in both the Commercial and Operation areas of the business. In April 2017, she was promoted to the position of Aurora Project Lead – Caribbean and Central America in BAT´s Costa Rica office where she was responsible for the modification and implementation of a Global HR project for nine (9) end markets. In February 2018, she was seconded to BAT´s Colombia office in the position of Human Resource Business Partner as part of the SANCAR (South America and the Caribbean) integration for her expertise in Caribbean HR. Portia has over fourteen (14) years' experience in HR and has worked both in the Manufacturing and Financial Sector of Trinidad and Tobago prior to joining BAT. She is experienced in Talent Acquisition, HRIS Implementation, Change Management, Performance Management, Project Management and Industrial Relations.

QUALIFICATIONS: BSc in Management Studies and Sociology (Honors) from the University of the West Indies, St Augustine, MSc in Human Resource Management with Distinction from Heriot- Watt University.

Janene **SHAW**

SKILLS & EXPERIENCE: Janene is a qualified Chartered Accountant with over 25 years' experience and a proven track record in financial management, accounting and auditing. Janene is responsible for the Strategic Financial Management of the Company and also performs the role of Company Secretary. Prior to joining Carreras, Janene was employed at J. Wray & Nephew Limited / Lascelles deMercado & Co. Limited where she held various senior finance positions, being General Manager, Finance & Administration – JWN Agricultural Division, Group Financial Officer and Accounting and Treasury Director. Prior to that, Janene was employed at PriceWaterhouseCoopers where she gained progressive audit experience to the level of Audit Manager.

QUALIFICATIONS: BSc. Accounting, University of the West Indies, Mona Campus. Member of the Institute of Chartered Accountants of Jamaica. Member of the Association of Certified Chartered Accountants, U.K

Rohan **CAMPBELL**

SKILLS & EXPERIENCE:
Rohan Campbell joined the Company in December 2011 as an Area Sales Manager, managing four depots in the Western Region. From November 2014 to June 2015, Rohan served as the Acting Trade Marketing & Distribution Manager. In September 2015, Rohan assumed the role of Project Coordinator for the DX change over, having special responsibility for redesigning the Company's route to market/distribution structure, leading to a significant reduction in distribution cost. In April 2017, Rohan was seconded on an International Assignment to BAT's Caribbean and Central American Area Office in the capacity of Area Brand Executive. In this role, Rohan had oversight for brand building for the aspirational premium portfolio in 22 markets across the Caribbean. During this assignment, he also assumed the role of Marketing Deployment Manager, double-hatting to manage the portfolio and marketing efforts for the Caribbean cluster. Before joining Carreras, Rohan held several marketing and sales management positions including Business Unit Manager at HD Hopwood and Company and Dairy Sales Manager at World Brand Services (a Division of Grace Kennedy). Throughout his career, Rohan can be credited for successfully launching several new products, resulting in increased market penetration as well as implementing several staff recognition initiatives.

QUALIFICATIONS: BSc. (Hons) in Management Studies
MBA Marketing (Dist.), both from the University of the West Indies

MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGING DIRECTOR'S OVERVIEW

Carreras Limited has a long history of delivering in spite of the odds. My expectations and the mandate afforded me by the Carreras Board on assuming the role in February 2020 was no different. Allow me the opportunity to sincerely thank the board of Carreras Limited for their wise counsel and unwavering support in my tenure as Managing Director.

One of the many aspects of the business which has impressed me since my return is the level of growth that the Company has been able to achieve despite challenging times. There is clear evidence of an effective business strategy that is delivering results – essentially, strong investment in consumer relevant innovation, a relevant brand portfolio and an innovative route-to-market structure which has yielded good results, complemented by robust employee and stakeholder engagement.

Throughout the year under review, the Jamaican tobacco industry remained dynamic. The Company's response to this dynamism in the market entailed product innovation, optimizing our speed to market and focusing on impactful strategic engagements with customers, consumers and other key stakeholders. Our diverse and innovative brands portfolio, led by our leading brands, Craven "A" and Matterhorn, strengthened our position as industry leaders, and innovation behind the Matterhorn brand was an important factor in ensuring continued relevance among consumers. Matterhorn's "new look of freshness" entailed a major redesign of the pack with a sleek modern cues as well as an upgrade in the features and functionality of the product where consumers now have the choice of enhancing their experience by boosting the menthol delivery and flavour when and how they see fit, with just the 'click' of the stick. This is a first of it's kind in Jamaica. These changes have no doubt bolstered the brand as the menthol authority and have provided a platform for future brand evolutions and innovation in the market.

We also continued to refine our response to the ever-evolving low-priced segment of the market comprised primarily of illegal cigarettes which, due to their continued evasion of all duties and taxes, continue to be priced well below the legal offerings in the market. With affordability a major issue for the Jamaican cigarette consumer, these illicit brands remain as an attractive cheap offer. We however continued to tactically respond, positioning our lowest priced offer- Pall Mall, as a creditable alternative. Pall Mall continues to show promise growing year on year, and we continue to leverage the equity being created. The consistency of supply and quality of product that Pall Mall gives those consumers seeking a smart price option, is a highly credible alternative to illegal brands.

Our response to this illegal trade is multi-faceted and as such, we continued to employ other strategic initiatives, including our redesigned Route to Market Model, which allows us to have greater presence in some of the areas with a high presence of illegal cigarettes. During the year, we achieved an increase in the number of visited points of sale by 62% versus prior year. Our Route to Market model was built in conjunction with our retail partners – Rebates, Wholesalers, Key Accounts, Corner Shop and Entertainment channel alike, as we seek to employ all avenues available and established towards making our highly sought after brands available to all adult consumers throughout Jamaica.

This improvement in the effectiveness of our route to market model led to a 9.5% increase in Operating Revenue, from $12.91 billion in 2018-2019 to $14.13 billion in 2019-2020 and an increase of 18.4% in Administrative, Marketing and Distribution (AM&D) costs. But this is a most necessary investment in our business model which will continue to deliver handsomely in the years to come. Other key initiatives employed in our response to the ever-increasing threat of the illicit trade, included the execution of robust trade and media campaigns educating the public on identifying these illegal brands, as well as emphasizing the illegality of buying or selling illegal cigarettes. Altogether, these initiatives have enabled us to achieve a 10.2% increase in our sales volumes, which we believe includes volumes regained directly from the illicit cigarette trade.

It should also be noted that our engagement with the Government remained at the heart of our efforts to address the illicit cigarette trade as we kept the seriousness of the issue

and the critical need for a solution at the forefront of our engagement. We continued to advocate for a more sustainable tobacco excise policy by the Government, as a key solution in the fight against illicit trade given the unintended consequences of the frequent and excessive excise increases which we grappled with up to 2017, when the industry was hit with a significant $3 increase, and the dramatic fall out in legal volumes which ensued. We are deeply encouraged by what we believe to be the Government's appreciation of the impact of successive excise increases as reflected in the absence of any further increases in tobacco excise over the past three fiscal years. We trust that the Government has recognized the benefits of a more sustainable approach to tobacco taxation which would be most evident in the recovery of its revenues from tobacco that were significantly impacted following the increase in 2017. We stand ready to further engage with the Government on developing more robust solutions to addressing the scourge of the illicit cigarette trade, including the strengthening of the legal framework that would entail much stronger penalties for those caught dealing in illicit cigarettes.

Throughout the year, we remained poised regarding the potential of the Ministry of Health introducing more comprehensive tobacco control regulations. You can be assured that your Company, while preparing for these impending regulations, continued to advocate for tobacco control regulations that are balanced, practical, and fair and reaffirmed our readiness to support and comply with such regulations. Issues such as underage access to tobacco are of equal concern to Carreras, as a responsible corporate entity in Jamaica, as well as the access to cheap tax evading offers flooding the market via the illicit trade channels.

The year under review was a watershed year for the Human Resource (HR) function and Carreras employees in general. In 2019, the Company introduced additional benefits, motivated by the objective of improving the overall quality of life for all employees and creating work-life balance. Paid maternity leave was increased from 12 weeks to 16 weeks, and paternity leave of five days, a rare offering in Jamaica, was introduced. In response to the Covid-19 Pandemic, the Company, like many worldwide, implemented remote work for all applicable employees, distributed personnel hygiene kits to every employee, established protocols for access to our premises, implemented social distancing in our offices and provided transportation services for employees who would normally use public transportation. We continually assess our response given the dynamic nature of the crisis, and in keeping with the Government's mandates, which have so far allowed us to mitigate disruptions to the business.

Our commitment to corporate social responsibility remains a contribution to nation-building and a source of motivation to our employees. As a Jamaican Company we strive to be a part of the communities in which we operate. We continue to focus on education and each year award scholarships tenable at almost every tertiary institution in Jamaica.

This year we increased both the value and number of awards. Fifty-three (53) awards were dispersed among all major universities, teachers' colleges, community colleges and the Edna Manley College of the Visual and Performing Arts. In this group are 10 students who were awarded our Hope Scholarships following the loss of a parent who served in law enforcement or the parent was injured in the line of duty. We also awarded the Postgraduate Scholarship which is awarded every other year and is perhaps one of the most coveted scholarships in Jamaica, due in part to the generous package which is awarded.

Former Managing Directors of Carreras, from left Michael Bernard and Marcus Steele and Chairman, Oliver Holmes, first right, pose with new Managing Director, Raoul Glynn.

I want to take this opportunity to express sincere thanks to the board for the guidance they have provided to date and I look forward to their continued wise counsel especially as we navigate the challenges ahead. To the staff of Carreras, I look forward to working with you and learning from you. I continue to be impressed in this latest six months at the Company with your dedication, creativity and passion to deliver. The team lives our corporate ethos of being Fast, Bold, Empowered, Diverse and Responsible. These character traits are being strategically used to fuel our collective response to the market needs and embrace the opportunities therein. The strength of our corporate culture has become clearer than ever during the coronavirus crisis. Your speed and clarity of thinking which governed our response, the resilience of the whole business and the compassion you have shown to each other and to our customers have been nothing short of inspirational. Thank you for all you do to make Carreras the great Company that it is. While being cognizant of the daunting environment in which we operate, I am optimistic about the future and the strength and resilience of your Company.

Raoul Glynn
Managing Director

FINANCIAL PERFORMANCE

Financial results for the year ending March 31, 2020, show a positive performance for Carreras Limited, primarily evidenced by a 9.5% growth in Operating Revenue and a 5.2% growth in Profit After Tax compared to the prior year. The delivery of $14.13 billion in Operating Revenue ($12.91 billion in 2019) was supported by a 10.2% increase in volumes versus 2019 and it constitutes the main driver behind the $3.58 billion of Profit After Tax ($3.41 billion in 2019). Our brands portfolio, led by Craven "A" and Matterhorn, strengthened its position as the industry's leader and is poised to continue satisfying consumer moments for adult tobacco smokers.

In the year 2019/2020, the Company made important investments in its distribution model as well as in its brands. The new Route to Market Model was deployed to improve the effectiveness of our sales force whilst the brand expenditure was focused on the innovation behind Matterhorn. Despite the incremental cost versus previous year in the total Administrative, Distribution and Marketing Expenses driven by the aforementioned projects, the Company delivered growth in its net profit for the year. Furthermore, this growth is organic in nature as Carreras Limited did not increase prices in the three-year period following the Excise shock in 2017, despite the pressure on its cost base.

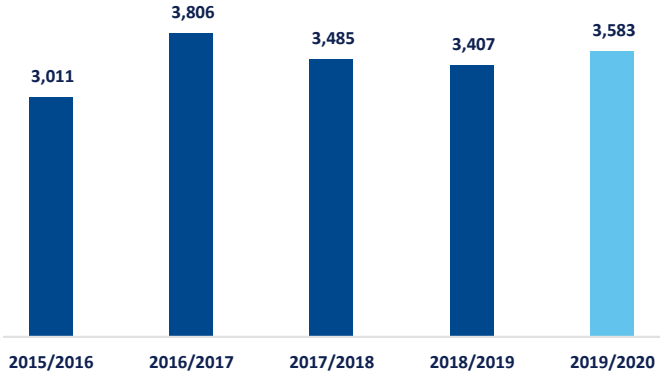
This result invigorates our Company and our people to remain committed to our mission to create a better tomorrow for our consumers, our shareholders and our society.

Evidence of the Company's focus on generating value for its shareholders, is the dividend yield of 9.7% (9.0% in 2019) as well as the Shareholders' Return on Equity of 202.2% (255.1% in 2019). In 2019/2020, Carreras Limited distributed $3.11 billion in dividends ($4.13 billion in 2019), 24.7% less than the previous period. The year 2018/2019 had a special distribution of dividends of $534 Million, driven by the liquidation of Cigarette Company of Jamaica Limited. The absence of this distribution in 2020 drove the reduction in dividends. In terms of dividends per share, the payout was $0.64 in 2020 versus $0.85 in 2019, keeping the number of outstanding shares unchanged.

This set of financial results indicates that 2019/2020 was a year of solid performance and is a milestone as the year in which the bottom line of our Income Statement is reverting the declining behaviour experienced since the excise shock. This result invigorates our Company and our people to remain committed to our mission to create a better tomorrow for our consumers, our shareholders and our society.

A summary of Carreras Limited's key performance indicators for the year, along with comparatives follow:

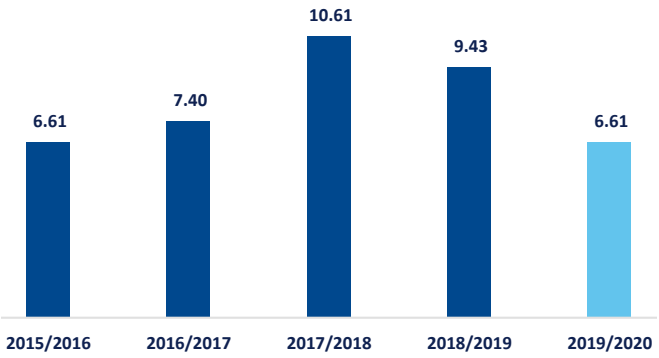
	2020	2019
Trading profit margin	33.5%	34.9%
Operating Profit / Operating revenue	34.0%	35.4%
Cash provided by operations	$3.3B	$3.7B
Earnings per stock unit	73.8¢	70.2¢
Stockholders' return on equity	202.2%	255.1%
Distribution per stock unit	64¢	85¢
Dividend yield	9.7%	9.0%



Profit After Tax (in Millions of JMD)

5-year CAGR: 4.4%

Profit After Tax amounted $3.58 billion (2019: $3.41 billion),] showing a 5.2% increase versus prior year. Over the last five-year period, the Compound Annual Growth Rate of 4.4% per annum has signalled a respectable Profit After Tax performance. This performance is due to an increase of 9.5% in Operating Revenue, boosted by an increase in sales volume of 10.2%. Concurrently, the Cost of Operating Revenue, integrated by Special Consumption Tax, Customs Administration Fee and product-related costs, increased by 10.2%, aligning with the volume uptick. As expected, Administrative, Marketing and Distribution Expenses increased by 17.6% versus prior year as a result of the investments behind the new Route to Market Model and the innovation behind Matterhorn.



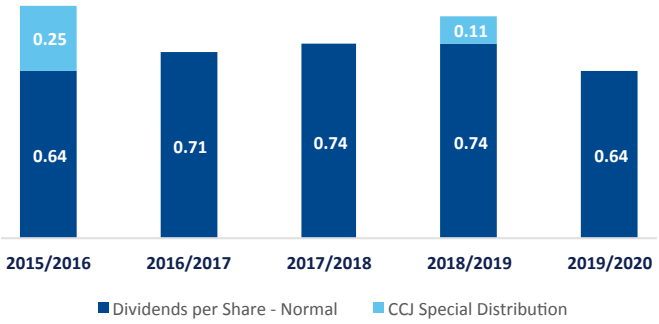
Share Price (JMD)

5-year CAGR: 0%

Carreras Limited's share price closed at $6.61 at March 31, 2020 (2018: $9.43) reflecting a 29.9% decline compared to the previous year. At $6.61 per share, the Price Earnings Ratio is 9.0 times and the Compounded Annual Growth Rate over the five-year period from 2015/2016 to 2019/2020 shows no change as the price at March 31, 2016, was also $6.61. Aligned to the performance of the Jamaica Stock Exchange, the price of the stock decreased 19% in the first quarter of the calendar year 2020, influenced by the uncertainties associated with COVID-19.

Dividends

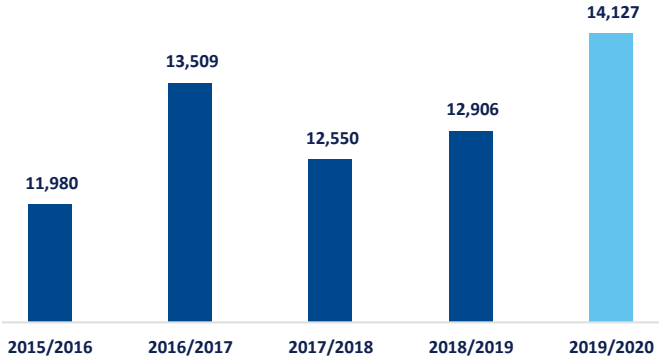
Carreras Limited distributed $3.1 billion to shareholders for the 2019/2020 financial year (2018: $4.1 billion), representing a dividend of 64¢ per share (2018: 85¢ per share) which is 24.7% less than the previous year. The liquidation of Cigarette Company of Jamaica in the fiscal year 2018/2019, yielded a special dividend distribution of $534 million, equivalent to 11¢ per stock unit. The absence of this special dividend is contributed to the decline in the 2019/2020 payout versus the previous period.



Dividends per Share

(Note: As a result of the 10:1 stock split which was effective September 20, 2017, dividend per share for previous years have been restated for comparison purposes).

PROFIT AND LOSS ANALYSIS



Operating Revenue (in Millions of JMD)

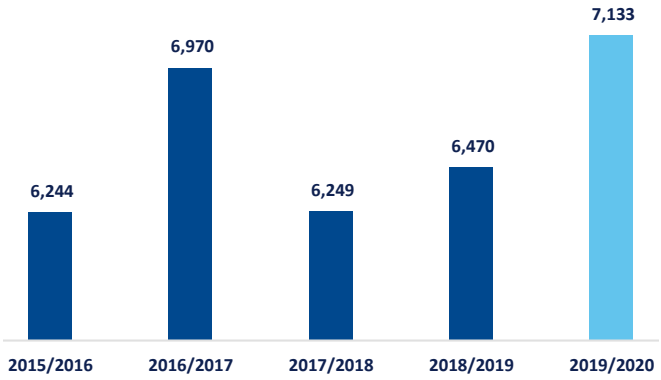
5-year CAGR: 4.2%

The Company achieved $14.1 billion in Operating Revenue in the financial year 2019/2020, delivering an increase of $1.2 billion or 9.5% compared to prior year. This performance is noticeable as it's purely driven by an increase in sales volume as prices kept unchanged within the compared periods. The Compounded Annual Growth Rate for the five-year period is 4.2% speaking of the capacity of Carreras Limited to sustain organic growth in the top line of its business.

> *Of paramount importance is the fact that this outcome solidifies Carreras Limited's ability to continue generating value for its stakeholders.*

During the year 2019/2020 significant initiatives were deployed by the Company to increase its volume base. In terms of brand-related efforts Matterhorn and Craven "A" were backed up by Marketing Investments which enabled the creation of consumer moments to reaffirm the choice of adult smokers in favour of Carreras' robust brand portfolio. Speaking of the Company's distribution system, we are proud to say that thanks to our stronger and more effective Route to Market platform Carreras Limited's sales force was able to increase the number of visited points of sale by 62% versus prior year. Furthermore, the overall effectiveness of our direct sales system improved by 20 percentage points compared to the previous period. As a result of these actions, a 10.2% volume growth was achieved versus the previous year. Of paramount importance is the fact that this outcome solidifies Carreras Limited's ability to continue generating value for its stakeholders.

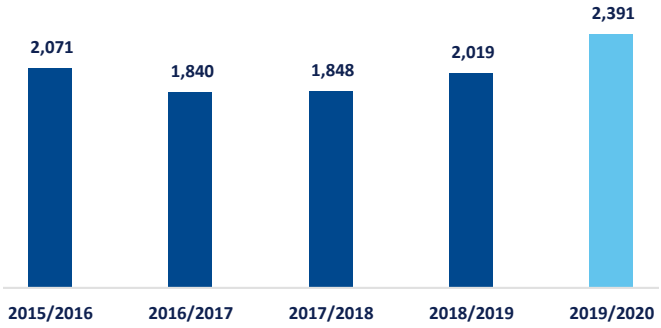
Cost of Operating Revenue (in Millions of JMD)



Cost of Operating Revenue

Cost of Operating Revenue is mainly composed of Special Consumption Tax (STC), Customs Administrative Fee (CAF) and Product Costs. The value of this cost in the year 2019/2020 amounted $7.13 billion. The total increase in Cost of Operating Revenue compared to the prior year was 10.2% or $662.7 million in line with the incremental volume for the year. The Cost of Operating Revenue in the five-year period from 2015/2016 to 2019/2020 shows increases of 3.4% per annum as per the Compound Annual Growth Rate.

Operating Expenses (in Millions of JMD)



Operating Expenses

Administrative, Marketing and Distribution expenses amounted $2.39 billion in the 2019/2020 financial year, with an increase of 18.4% or $371.4 million when compared to the preceding period. Over the five-year period the Compound Annual Growth Rate was 4.3% per year.

During the 2019/2020 year, there were material one offs amounting to $170.0 million in Administrative Expenses related to separation costs and Jamaican expatriates on assignment abroad. These items represent the lion share of the total annual increase, explaining 45.8% of the total change. Management does not expect a replication of these items in the foreseeable future. Compared to the previous period, total Administrative Expenses of $1.34 billion (2018/2019: $1.10 billion) grew by 21.7%.

Distribution Expenses which amounted to $860.9 million as at March 31, 2020, were inflated by the full-year implementation of our Route to Market model. The main drivers of the increase of $89.1 million or 11.5% compared to the prior year were staff costs and depreciation.

Investments made in our brands portfolio, as Marketing Expenditure, increased by $48.4 million or 35.3% compared to the preceding period. mainly driven by the product innovation strategy behind Matterhorn.

The management of Carreras Limited is committed to the implementation of initiatives that contribute to making the Company's cost base more efficient.

Other Operating Income

Other Operating Income is mainly comprised of interest income, foreign exchange variances, gain or loss in the disposal of fixed assets and the write-back of unclaimed dividends. Total Other Operating Income reached $201.7 million increasing by$51.8 million or 34.6% when compared to the prior year. The items that primarily contributed to this increase are the annual exchange rate gain of $57.6 million -compared to the $16.7 million loss in the preceding year, as well as the gain in sales of fixed assets. Sales of fixed assets which reached $13.5 million in 2019/2020 versus $2.7 million in the previous year. Conversely, a decrease of $27.6 million in the write-back of unclaimed dividends (from $60.9 million in previous year to $33.3 million in 2019/2020) is partially offsetting the increase in the total Other Operating Income.

Investment income had a slight reduction of 1.0% versus the previous period, reaching $66.8 million as at March 31, 2020. Carreras Limited continues to manage its holdings of cash strategically to maximize returns on investment and to adequately cover working capital needs.

Income Tax

Income Tax for the 2019/2020 period, totalling $1.18 billion, increased by 6.1% or $67.7 million versus the prior year. The effective tax rate for the period amounted 24.7%, which is slightly higher than the previous period which was 24.6%

FINANCIAL POSITION REVIEW

Carreras Limited's financial position remains strong and its working capital remains healthy.

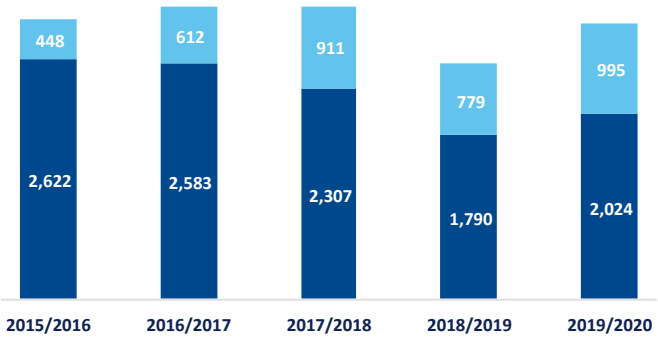
Total assets as at March 31, 2020, reached $4.23 billion (2018/2019: $3.49 billion). Compared to the prior period, increases were noted in cash and cash equivalents, accounts receivable and inventories. Furthermore, due to the adoption of the IFRS16 standard, right-of-use assets, which were not present in the previous period, contributed $222.4 million to the increase in total assets.

The working capital which indicates the Company's short-term liquidity position, amounted to $1.49 billion

at March 31, 2020 (2019: $1.0 billion); increasing by $493.5 million or 49.4% compared to the prior period. The current ratio improved, moving from 1.52:1 in prior year to 1.75:1 in March 2020. The change over last year reflected increases in cash and cash equivalents (13.1%), accounts receivables (27.8%) and inventories (28.5%); partially offset by an increase in income tax payable (4.4%) as well as by the inclusion of the current portion of lease liabilities which resulted from the adoption of the IFRS16 standard ($26.7 million) which were not present in the prior year.

Cash and cash equivalents which accounted for 47.8% of total assets, amounted to $2.02 billion as at March 31, 2020 (2019: $1.79 billion). For the year under assessment, the net cash provided by operating activities amounted to $3.34 billion and net cash utilized by investing activities -mainly comprised of fleet renewals- totaled $15.0 million.

Total accounts receivables increased 27.8% or $216.2 million mainly driven by trade receivables which increased due to the higher sales volume compared to prior year. Trade Receivables totaling $744.0 million increased by $161.3 million or 27.7% over the preceding period.



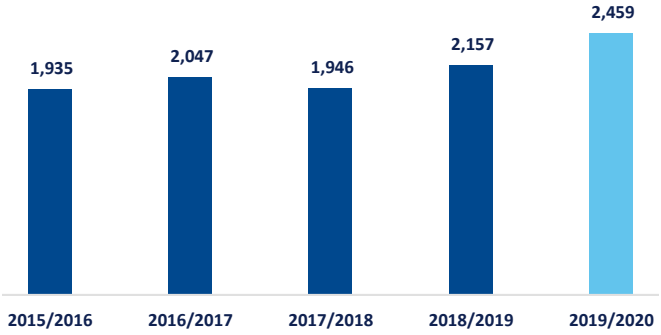
Credit Risk (in Millions of JMD)

Credit risk is the risk of a 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. At March 31, 2020 the Group's credit risk resulting from trade receivables and cash and investments totaled $2.77 billion, increasing by 16.7% or $396.1 million compared to previous year.

With effect from October 1, 2018 the Company has been party to a Credit Risk Insurance Policy, under a Financial Interest Clause, through its ultimate parent, British American Tobacco PLC. The Company now has in place insurance coverage for a substantial part of its credit portfolio, this further mitigating the risk of default by customers.

Management ensures that the credit and investment policies that are in place adequately addresses the counterparty risks and as in previous years, these are continually and rigorously monitored by both Management and the Board of Directors.

Total Liabilities (in Millions of JMD)



Total Liabilities

The position of total liabilities at the end of the 2019/2020 financial year was $2.46 billion, an increase of $301.8 million or 14.0% compared to the previous period. The change is attributable to the inclusion in the period under assessment of the Lease Liabilities as per IFRS16 standards, and to a lesser extent, the increase in the Income Tax Payable.

SHAREHOLDERS' EQUITY

Total equity which reached $1.77 billion as at March 30, 2020, grew by $437.0 million or 32.7% versus the 2018/2019 financial year. Profit of $3.58 billion and distributions to shareholders totaling $3.11 billion are the main components accounting for this change.

The Company distributed $3.11 billion (2019: $4.13 billion) to shareholders for the 2019/2020 financial year representing a dividend of 64¢ per stock unit (2019: 85¢ per stock unit), a decrease of 24.7% compared to the prior year. The main driver of the change is the liquidation of Cigarette Company of Jamaica (CCJ) which generated a special dividend distribution in 2018/2019 that is absent in the period under assessment.

MARKETING

TRADE MARKETING AND DISTRIBUTION

Trade Environment

During 2019 Carreras continued with a positive outlook, engaging our customers based on a redesigned distribution strategy geared at delivering value through our brands while satisfying consumer moments.

Our principles of excellence in execution, while operating in a responsible manner continued to govern our operations. This approach allowed Carreras to maintain a leadership position within a category that continues to address competition proactively.

Although the presence of illicit cigarettes in the market represented a real threat to our key stakeholders, we continued our work with the authorities and all impacted groups to minimize this risk. We remained steadfast in our ambition with a view that success here would benefit the legitimate business of all companies and consumers in Jamaica.

Ensuring all customers are properly stocked.

Volume Stability

Volumes were positively impacted based on the most recent route to market improvements. Our key brands Craven A, Matterhorn, Dunhill, Rothmans and Pall Mall have shown strong indications of acceptance and delivered expected results.

Preparing for delivery

Delivery In Time and In Full

In 2019 we noted the continued introduction of alternatives which provided consumers with a variety of choices as it relates to nicotine delivery.

In response we committed to continued innovation within our category as seen with the recent improvements to Matterhorn. We expect these developments to positively impact our performance now and in the future.

Route to Market Improvements

Our return to the use of motor vehicles brought with it the expected results of expanding our distribution footprint while improving employee safety. Our ability to serve whilst ensuring employee wellbeing were paramount in taking this decision which proved to be the correct one. The revised route to market has provided a platform that allows Carreras to defend the business against the illicit trade while guaranteeing improved service levels to our customers. We tasked our sales teams with the responsibility of delivering added value using a selling approach, based on the principles of productivity, efficiency and drive for results.

Our mission is to drive a superior, relevant and streamlined product portfolio built on technical expertise, consumer understanding and environmental awareness. While this initiative represented an increase in investment and expenditure, it is an investment expected to deliver greater command of the market, and ensure we continue to protect our employees as best we can.

We make it happen!

Our industry is in the midst of change, driven by consumer consumption patterns. Despite this in 2019 we remain focused on delivering value to our customers and consumers. Our mantra of 'stronger, simpler, faster' helped to accelerate this journey. Our ambition is not without challenge, but it brings excitement and we maintain a positive outlook for the future.

BRAND MARKETING

DURING THE YEAR WE FOCUSED ON

Being a partner to the trade/retailers in providing our products to the market/consumer;

Investing in our offers to meet the needs of our valued and demanding consumers;

Ensuring highest possible standards in our products.

Introduction:

The year 2019 was an exciting one for us at Carreras! We deployed multiple innovations to drive our strategic marketing agenda. Despite the many challenges created by the existence of unfair competition and the many substitutes available, we continued to invest in our offers to meet the needs and demands of our valued consumers. We assessed, strategized and responded to the market dynamism through the delivery of multiple exciting and engaging programs. Carreras Limited remained focused and driven by our philosophy which is predicated on constantly increasing shareholder value and ensuring consumer satisfaction.

Throughout the year our company continued its drive to reach and directly connect with more of our core consumers through retail engagement, vendor programs and extensive consumer experience events across the island. We successfully reinforced with the Jamaican adult smoker why our high-quality assortment of products are the dominant leaders in the market. Our brands: Dunhill, Rothmans, Craven A, Matterhorn, Pall Mall continued to deliver exceptional performance and remain top of mind for tobacco consumers.

Our new and improved Matterhorn products on display at the 2019 Reggae SumFest event.

Matterhorn brand ambassador showcasing our newly upgraded Matterhorn & Matterhorn Double Click product.

Matterhorn dancers engaged the attendees during the Sumfest daytime event.

Awareness Ambassadors communicate and demonstrate to consumers the changes to our beloved Matterhorn brand.

Modernisation of Matterhorn

For the first time since 1962 the well-loved Matterhorn brand was given a facelift, changing the graphical presentation of the pack and expanding the portfolio to include an upgraded stick design, fondly dubbed the Matterhorn Double Click. The new pack is sleek, modern and sophisticated and the new stick has added design and functionality. Consumers now have the choice of enhancing their experience by boosting the menthol sensation and mix of a tangerine/citrus flavour when and how they see fit, with one or two clicks.

We are very excited and encouraged by the response from our trade partners and consumers on this innovation. We are the first company to offer this kind of functionality to the Jamaican consumer, setting the stage for the new and exciting products and promotions we will be bringing to the market in the future. The modernisation of our Matterhorn brand attests to our commitment to ensuring the highest possible standards in our products.

The full Matterhorn team was out to ensure that event attendees were fully immersed in the Matterhorn zone and educated on the changes & innovations for brand Matterhorn.

Expansion of Merchandising/Communication:

As a company, Carreras has always played a keen role in understanding and satisfying the needs of our trade partners and consumers. Fortifying our trade and retail relationships has been key to our operations.

In 2019 we continuously sought to deliver innovative ways for customers to store, display and communicate our offerings to adult smokers; as such, over the year we deployed an array of product dispensers, displays, posters and our exciting branded music machines. As we delivered innovative new products for the Matterhorn brand throughout the period, we partnered with some key outlets to transform their locations with signature branding to showcase the Matterhorn New Look of Freshness.

The expansion was not limited to the brick & mortar type outlets, we also upgraded our extensive network of street vendors, outfitting them with LED powered *'Craven A'* branded stands and umbrellas to assist them in delivering our beloved brands to consumers.

Consumer Engagement:

As a consumer centric company, our aim is to always find new ways to excite and entertain our consumers. Knowing our consumers are trendy, innovative and fun individuals, we focused our digital strategy, on leveraging technology by using videos and other mechanisms to communicate our brand messages. We partnered with some of the top events in Jamaica such as Sumfest, Dream Weekend, Frenchmen, Carnival and several smaller grass-root events in rural parishes and inner-cities. These partnerships ensured that we stayed connected to consumers across the length and breadth of Jamaica, because they are very important to us. The year 2019 at Carreras earmarked a new beginning for Matterhorn and by extension the company. We look forward to the continued advancement of our brand and business strategies to make way for a brighter tomorrow (2020).

Matterhorn Mobile music machine used at various events across the island to entertain our customers & consumers.

LEGAL AND EXTERNAL AFFAIRS

THE REGULATORY ENVIRONMENT

Tobacco Regulations

Globally, the Tobacco Industry remains one of the most heavily regulated industries. Though varying in severity and extent from country to country, tobacco control measures introduced generally fall under the following broad measures as prescribed by the World Health Organization's Framework Convention on Tobacco Control (FCTC);

- Tobacco packaging and labelling such as the introduction of Graphic Health Warnings and Plain Packaging
- Public place smoking restrictions
- Restrictions on tobacco advertising and promotions.
- Product Specific Regulations

Locally, over the past year, the Minister of Health continued to state his commitment to introducing comprehensive tobacco control regulations that, among other measures, will prohibit all forms of tobacco advertising, promotions and sponsorships, including display bans, as well as stronger measures prohibiting the sale of all forms of tobacco products to minors. The Company, in tandem with its internal preparations for these impending regulations, continued to advocate for tobacco control regulations that are balanced, practical and fair, reaffirming our readiness to support and comply with such regulations once they recognize the legal and commercial right of the legitimate tobacco industry to market and distribute its brands, and the informed decision taken by adult consumers to consume a legal product.

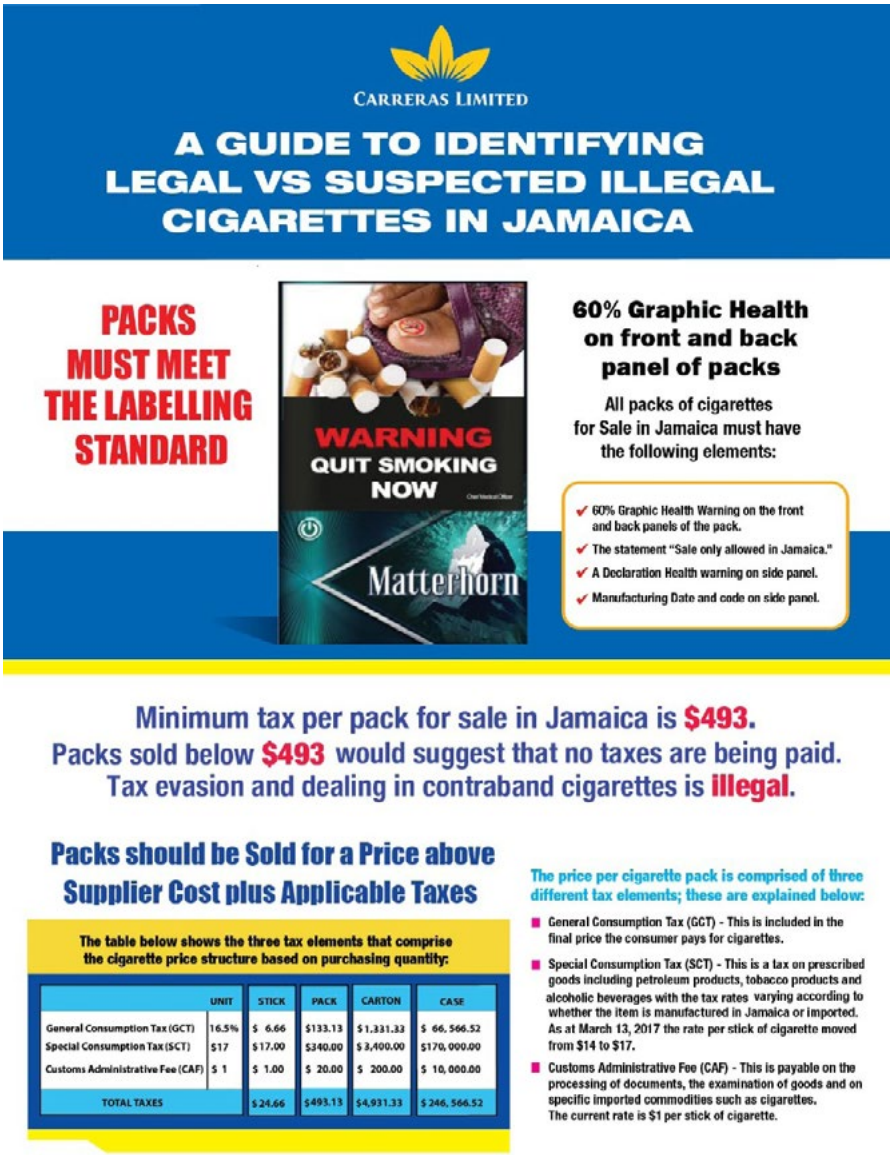
As a responsible company, we continued to proactively implement our Youth Access Prevention Point of Sale (POS) communication programme, to educate retailers on the law prohibiting tobacco sales to and by minors, ahead of the formal regulations, which according to the Ministry of Health, are to be introduced in the impending comprehensive bill. We also remained fully compliant with the current tobacco control regulations in force and ensured the full compliance of our employees with our own International Marketing Principles that set out guidelines governing the responsible marketing and distribution of our products.

Tobacco Excise and the Illicit Trade in Cigarettes

The Company continues to express its concern with the proposal to introduce excise and taxation measures as part of the impending comprehensive tobacco control regulations. We continue to caution the Government, that the perspective that the demand for tobacco products will be stemmed by higher prices from heavy taxation is an erroneous one. The reality is such that when prices are too high in comparison with the available income and what people are willing to pay, the opportunity and incentive for the illicit trade in cigarettes increases. This was demonstrated following the significant $3 increase in the Special Consumption Tax (SCT) on cigarettes implemented in 2017, and the deleterious impact that excise shock had on the legal tobacco industry with the ensuing dramatic fall-out in legal industry volumes and consequently, Government's revenues. This $3 SCT increase followed successive years of increases and underscored our longstanding position that any further increases will imply a precipitous decline in revenues for the Government and a further rise in the consumption of illegal cigarettes. We are therefore deeply encouraged by what we believe to be a greater appreciation by the Government, and in particular

the Ministry of Finance, of the implications of continued excessive increases in tobacco excise, given the fact that it has not pursued any further increases over the past three fiscal years. Consequently, the Government would have seen a notable recovery of its revenues from tobacco during this period which is as a direct result of the recovery of legal industry volumes afforded by the break-in excise increases.

The Company is undoubtedly encouraged by the resulting 10% growth in its volumes over the past year. We believe it represents a claw-back of some of the volumes previously lost to the illegal trade, a feat which we directly attribute to being able to maintain our prices versus other years in which we have had to implement excise-led price increases. This, complemented with the implementation of marketing and distribution strategies, enabled us to counter some of the tactics employed by the illicit cigarette traders. Chief among these strategies include the tactical positioning of our low-price brand, Pall Mall, in the areas where there is a heightened presence of illicit cigarettes and increasing our distribution footprint with our revamped Route to Market (RTM) structure.



	UNIT	STICK	PACK	CARTON	CASE
General Consumption Tax (GCT)	16.5%	$ 6.66	$133.13	$ 1,331.33	$ 66, 566.52
Special Consumption Tax (SCT)	$17	$17.00	$340.00	$ 3,400.00	$170, 000.00
Customs Administrative Fee (CAF)	$ 1	$ 1.00	$ 20.00	$ 200.00	$ 10, 000.00
TOTAL TAXES		$24.66	$493.13	$4,931.33	$ 246, 566.52

> *As a responsible company, we continued to proactively implement our Youth Access Prevention Point of Sale (POS) communication programme, to educate retailers on the law prohibiting tobacco sales to and by minors...*

These efforts, in addition to the implementation of robust trade and public communication campaigns to raise awareness on identifying illicit cigarettes and their illegality, represent some of the ways in which the Company plays its part in the fight against illicit trade. The Government, however, has a much greater and critical role to play in eliminating the scourge of the illegal trade and we certainly commend the efforts that it has undertaken over the years, led by the Jamaica Customs Agency and the Jamaica Constabulary Force, specifically, the Counter -Terrorism and Organized Crime Investigation Branch (C-TOC). However, the Company believes the opportunity exists for a more collaborative and comprehensive strategy which among other things, entail more robust border control and port monitoring and strategic enforcement activities, complemented by a much stronger and comprehensive legislative framework that includes harsher sanctions and penalties. As always, a sustainable tobacco excise strategy remains a fundamental part of this comprehensive Anti-illicit trade strategy and we therefore continue to express our readiness in working with the Government in this regard.

CORPORATE SOCIAL RESPONSIBILITY

As a proud Jamaican company, Carreras has, over the years, invested in the dreams of our upcoming generations, through the awarding of tertiary scholarships to students across the country who have the passion and ability to effect positive change. We believe that empowering individuals is inextricably tied to, and will inevitably lead to the empowerment and betterment of communities and our country.

EDUCATION

THIS YEAR, 53 AWARDS TO STUDENTS ACROSS THE ISLAND SPANNING A WIDE CROSS SECTION OF FIELDS.

8 to Teachers' colleges encouraging quality education for our future educators and students who will benefit from their knowledge.

7 to Community Colleges supporting short-term transitional education.

10 Bursaries for those students in need of financial support to bolster their academic dreams.

3 SEEK scholarships encouraging those who are Striving for Excellence and Empowering Knowledge (SEEK) valued at $1 million each.

10 HOPE scholarships paying ode to our law enforcement officers who have passed on by supporting their children on their academic journey.

4 in the Arts as a proactive demonstration of support for students who have a passion and commitment to the preservation and worldwide promulgation of our culture through artistic expression.

10 Special scholarships: Carreras Grant Scholarship

1 Post Graduate scholarship: offered every other year to encourage the furtherance of education to the benefit of the individual and our country. This is our most prestigious and highest valued scholarship.

We believe that education is the gateway to a numerous opportunities that can lead to the betterment of individual lives and by extension build better communities and the country. Many students in Jamaica are denied the opportunity to pursue the academic route of personal advancement due to financial constraints. With that in mind, we ensure that our scholarship programme is arranged to consider the unique skillsets, abilities and potential career contribution that students can make, ensuring that we give a wide cross-section of students with varied dreams a chance to receive an award. In most instances, our scholarships cover tuition as well as other expenses that are associated with the tertiary level education journey, easing the financial burden and affording students mental ease to focus on their studies.

2019 Scholarship Awardees pose with, seated in the front row, Managing Director, Marcus Steele 5th left and Guest Speaker, Mrs. Nicole McLaren-Campbell, Founder, AIM Educational Services, 1st right.

Each year the value of Carreras scholarships, coupled with the keen attention to mentoring and service-learning extended to each recipient, make our scholarships highly coveted. As a company we are proud supporters of attaining dreams through the pursuit of higher education.

Community Building

As a Jamaican company we strive to be a part of the communities in which we operate. We continue to engage in community building and encourage our staff members to give back to their communities. A growth in our company should also reflect a growth in our communities; hence, we make it our duty to lend continued support to a number of civic organizations that mobilize change in communities through the empowerment of individuals who are faced with social challenges that on their own are unable to circumvent. Each year arts and cultural initiatives are also a committed part of our sponsorship, this year was no different.

Paying it forward is at the core of our business. Investing in our country through assisting our communities is a mission we undertake each year with enthusiasm, diligence and an overwhelming sense of pride.

HUMAN RESOURCES

In 2019 the Human Resource (HR) team focused on investing in our people by upgrading employee benefits, improving staff engagement and redesigning our Organisational structure to facilitate better succession management. This sustained employee focus was necessary to ensure that we could attract, develop and retain the best talent. This has without a doubt contributed to our continued success as a Company.

Route to Market Improvements

HR continues to ensure that the correct Organisational structure and skill set exist within our Company to properly support our strategic objectives. In 2019 the Company invested substantially towards improving our Route to Market (RTM) structure to further drive capabilities with respect to speed, coverage, efficiency, and effectiveness. One of the most notable changes was the replacement of motorcycles with motor vehicles as our main point of distribution. These improvements allowed us to ensure our employees safety and equipped us to properly defend against illicit trade over a wider geographical base.

A key people priority was retraining and supporting our employees with the new way of work. As such, our Sales and Distribution team were trained on customer service management, proper selling skills, road safety and defensive driving.

This exercise enabled us to leverage the skills and experience already available within the Company and we were able to reclassify and, in most instances, upgrade our Sales and Distribution Representatives. Thus, allowing us to retain key talent and further develop their capabilities to meet challenging objectives.

We also took the opportunity to redesign several support departments to ensure that we had the right talent in the right positions. This led to the recruitment and promotion of several employees in Facilities Management, Sales Administration, Corporate Finance and Legal and External Affairs. The new Organisational design allows a clearer path for upward mobility of our key talent allowing for better career management and succession planning.

Employee Benefits

In 2019 HR committed to implementing more meaningful benefits that would improve the quality of life for our employees. The Company recognised the value of family life both to our employees and the wider community; as such, we increased paid maternity leave from twelve (12) weeks to sixteen (16) weeks and introduced paternity leave of five (5) days in 2019. This progressive initiative was appreciated by all staff members and makes Carreras one of the most innovative companies in Jamaica in terms of leave entitlement.

The Company also began the process of introducing work from home and flexi- time initiatives to eligible employees. The intention was to provide better work life balance, improve work productivity and provide more freedom in *how* our employees delivered results. This change in our way of work was well received by employees and will continue in 2020 and beyond.

Compensation remains top of mind in our ability to attract and retain top talent. Carreras completed a 2019 upgrade of our compensation package against industry peers placing us in a competitive position within the market.

Employee Engagement

The "Your Voice" engagement survey was again conducted in 2019. This survey was administered by an independent organisation that specialises in collating employee opinions. The survey provided us with valuable insights which helped to drive relevant plans to improve what we do and how we do it, thus enhancing our employment experience. Based on survey results, we are heartened that the team recognised the quality of our leadership and the Company's commitment to nurturing and developing talent within the Organisation.

One of the areas of improvement highlighted in the survey was the need for greater employee engagement. This led to the launch of *"Inspire Jamaica."* This is a cross functional, employee led team that promoted the concept of work hard, play hard. The employees conceptualised and executed different fun and competitive activities at all locations. It contributed to building employee morale by promoting a greater sense of comradery and celebration throughout the Company. Some activities deployed included an Employee Spa Day, Sound Clash Competitions and Games Night.

Inspire Jamaica Team members

Strategic Leadership Agenda

Our Strategic Leadership Agenda (SLA) continues to be the foundation on which we grow and achieve success each year. We integrated BAT's global objectives into the development of our local Carreras strategy which became our blueprint for 2019. The entire Carreras team contributed to HR strategy development through team competitions and recommendations, thus resulting in heightened anticipation and full support of our 2019 key initiatives.

The winning team at the 2019 Strategic Leadership Agenda (SLA)

Winning Organization

Carreras believes that the strength of our Company lies not only in the quality of our products, but in the excellence of our people. As such, we consistently invest in our talent and reward their excellent performance.

We took the opportunity to show appreciation to past employees at our Annual Pensioners' Luncheon, while also recognising current employees at various functions including our Staff Party, annual Christmas Breakfast and Long Service Awards. This year we recognised seven (7) of our employees with Long Service Awards, celebrating 5, 10 and 15 years of service to Carreras Limited.

Members of the Trade Marketing and Distribution team at our 2019"Denim & Diamonds" themed Christmas Party

The Finance team at the Annual Christmas Breakfast

Carreras employees celebrating at the 2019 Annual Pensioners Luncheon

Carreras employees celebrating completing the Leading Self Program.

Notwithstanding the many wins we had in 2019, we have set the following focus areas for 2020 to ensure that Carreras remains a winning Organisation.

- Building our Talent Brand, which focuses on the attraction, development and retention of key talent as a competitive advantage.
- Continued focus on employee development and exporting our top talent to other BAT markets.
- Revamping our Reward and Recognition program to ensure that we continue to acknowledge and motivate our employees.

FINANCIAL STATEMENTS

March 31, 2020

CARRERAS LIMITED

CARRERAS LIMITED

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 61 to 105, which comprise the group's and company's statement of financial position as at March 31, 2020, 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, 2020, 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.

KPMG

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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 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 59 to 60, 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 28, 2020

KPMG

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

Group Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2020

	Notes	2020 $'000	2019 $'000
Operating revenue	4	14,126,523	12,906,497
Cost of operating revenue	5	(7,132,802)	(6,470,125)
Gross operating profit		6,993,721	6,436,372
Other operating income	6	201,737	149,904
		7,195,458	6,586,276
Administrative, distribution and marketing expenses	7	(2,372,263)	(2,013,673)
Lease interest expense	12	(16,786)	-
Impairment loss on trade receivables	19	(1,767)	(5,774)
Employee benefits expense	10(i)(e),10(ii)(c)	(44,700)	(50,900)
		(2,435,516)	(2,070,347)
Profit before income tax		4,759,942	4,515,929
Income tax	8(a)	(1,176,759)	(1,109,027)
Profit for the year		3,583,183	3,406,902
Other comprehensive (loss)/income			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	10(i)(f)	532,300	(749,300)
Remeasurement (loss)/ gain on plan assets	10(i)(f)	(418,600)	232,500
Remeasurement (loss)/ gain on obligation	10(i)(f),10(ii)(d)	(166,200)	543,300
Income tax on other comprehensive income/(loss)	16(b)	13,125	15,385
Other comprehensive (loss)/ income, net of tax		(39,375)	41,885
Total comprehensive income for the year		3,543,808	3,448,787
Profit attributable to:			
Non-controlling interests		-	53
Stockholders' interests in parent	9	3,583,183	3,406,849
		3,583,183	3,406,902
Total comprehensive income attributable to:			
Non-controlling interests		-	53
Stockholders' interests in parent		3,543,808	3,448,734
		3,543,808	3,448,787
Earnings per ordinary stock unit	9	73.8¢	70.2¢

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

Group Statement of Financial Position

March 31, 2020

	Notes	2020 $'000	2019 $'000
Assets			
Deferred tax asset	16	59,009	38,544
Employee benefits asset	10(i)(a)	86,800	138,300
Property, plant and equipment	11	376,471	383,017
Right-of-use assets	12	222,423	-
Non-current assets		744,703	559,861
Cash and cash equivalents	13	2,024,468	1,789,730
Accounts receivable	14	995,306	779,071
Income tax recoverable		2,535	2,529
Inventories	23(f)	464,456	361,462
Current assets		3,486,765	2,932,792
Total assets		4,231,468	3,492,653
Equity			
Share capital	15	121,360	121,360
Unappropriated profits		1,651,136	1,214,144
Total equity		1,772,496	1,335,504
Liabilities			
Lease liabilities	12	206,646	-
Employee benefits obligation	10(ii)(a)	257,700	223,000
Non-current liabilities		464,346	223,000
Accounts payable	17	1,135,104	1,136,491
Current portion of lease liabilities	12	26,738	-
Income tax payable		832,784	797,658
Current liabilities		1,994,626	1,934,149
Total liabilities		2,458,972	2,157,149
Total equity and liabilities		4,231,468	3,492,653

The financial statements on pages 61 to 105, were approved for issue by the Board of Directors on May 28, 2020, and signed on its behalf by:

Director
Michael G. Bernard

Director
Raoul J. Glynn

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

Group Statement of Changes in Equity

Year ended March 31, 2020

	Share capital (note 15) $'000
Balances at March 31, 2018	121,360
Profit for the year	-
Other comprehensive income:	
Remeasurement of employee benefit assets and obligation, net of taxes	-
Deferred tax on reserves of subsidiary in liquidation	-
Total comprehensive income for the year	-
Transactions with owners	
Transfer tax paid on intra-group distributions	-
Dividends and distributions (note 20)	-
Balances at March 31, 2019	121,360
Profit for the year	-
Other comprehensive loss:	
Remeasurement of employee benefit assets and obligation, net of taxes	-
Total comprehensive income for the year	-
Transactions with owners	
Dividends and distributions (note 20)	-
Balances at March 31, 2020	121,360

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

Group Statement of Changes in Equity

Year ended March 31, 2020

Unappropriated profits $'000	Total attributable to stockholders $'000	Non-controlling interests [note 23(b)] $'000	Total $'000
1,920,034	2,041,394	1,275	2,042,669
3,406,849	3,406,849	53	3,406,902
19,875	19,875	-	19,875
22,010	22,010	-	22,010
3,448,734	3,448,734	53	3,448,787
(28,384)	(28,384)	-	(28,384)
(4,126,240)	(4,126,240)	(1,328)	(4,127,568)
1,214,144	1,335,504	-	1,335,504
3,583,183	3,583,183	-	3,583,183
(39,375)	(39,375)	-	(39,375)
3,543,808	3,543,808	-	3,543,808
(3,106,816)	(3,106,816)	-	(3,106,816)
1,651,136	1,772,496	-	1,772,496

Group Statement of Cash Flows

Year ended March 31, 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit for the year		3,583,183	3,406,902
Adjustments for:			
Depreciation	11,12	136,457	88,156
Employee benefits		33,700	39,300
Income tax expense	8(a)	1,176,759	1,109,027
Foreign exchange (gain)/ loss	6	(57,607)	16,705
Gain on disposal of property, plant and equipment	6	(13,497)	(2,650)
Interest expense	12	16,786	-
Investment income earned	6	(66,794)	(67,467)
		4,808,987	4,589,973
Changes in:			
Accounts receivable		(213,892)	133,418
Inventories		(102,994)	(128,283)
Accounts payable		(1,387)	296,049
Cash generated from operations		4,490,714	4,891,157
Income tax paid		(1,148,979)	(1,198,827)
Net cash provided by operating activities		3,341,735	3,692,330
Cash flows from investing activities			
Investment income received		64,451	65,973
Additions to property, plant and equipment	11	(93,530)	(133,922)
Proceeds of disposal of property, plant and equipment		14,097	2,650
Net cash used by investing activities		(14,982)	(65,299)
Cash flows from financing activities			
Payment of lease liabilities, net	12(d)	(42,806)	-
Dividends and distributions	20	(3,106,816)	(4,127,568)
Net cash used by financing activities		(3,149,622)	(4,127,568)
Net increase/ (decrease) in cash and cash equivalents before effect of foreign exchange rate changes		177,131	(500,537)
Effect of exchange rate changes on cash and cash equivalents		57,607	(16,705)
Cash and cash equivalents at beginning of year		1,789,730	2,306,972
Cash and cash equivalents at end of year	13	2,024,468	1,789,730

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

Company Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2020

	Notes	2020 $'000	2019 $'000
Operating revenue	4	14,126,523	12,906,497
Cost of operating revenue	5	(7,132,802)	(6,470,125)
Gross operating profit		6,993,721	6,436,372
Other operating income	6	195,778	132,411
		7,189,499	6,568,783
Administrative, distribution and marketing expenses	7	(2,372,231)	(2,013,264)
Lease interest expense	12	(16,786)	-
Impairment loss on trade receivables	19	(1,767)	(5,774)
Employee benefits expense	10(i)(e),10(ii)(c)	(44,700)	(50,900)
Gain on liquidation of subsidiary	21	-	376,928
Profit before income tax		4,754,015	4,875,773
Income tax	8(d)	(1,176,759)	(1,137,411)
Profit for the year		3,577,256	3,738,362
Other comprehensive (loss)/income			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	10(i)(f)	532,300	(749,300)
Remeasurement (loss)/ gain on plan assets	10(i)(f)	(418,600)	232,500
Remeasurement (loss)/ gain on obligation	10(i)(f),10(ii)(d)	(166,200)	543,300
Income tax on other comprehensive income/(loss)	16(b)	13,125	(6,625)
Other comprehensive (loss)/ income, net of tax		(39,375)	19,875
Total comprehensive income for the year		3,537,881	3,758,237

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

Company Statement of Financial Position

March 31, 2020

	Notes	2020 $'000	2019 $'000
Assets			
Deferred tax asset	16	59,009	38,544
Employee benefits asset	10(i)(a)	86,800	138,300
Property, plant and equipment	11	376,471	383,017
Right-of-use assets	12	222,423	-
Investment in subsidiaries	21	15,549	15,549
Non-current assets		760,252	575,410
Cash and cash equivalents	13	1,936,024	1,706,487
Accounts receivable	14	995,449	779,934
Inventories	23(f)	464,456	361,462
Current assets		3,395,929	2,847,883
Total assets		4,156,181	3,423,293
Equity			
Share capital	15	121,360	121,360
Unappropriated profits		1,575,875	1,144,810
Total equity		1,697,235	1,266,170
Liabilities			
Lease liabilities	12	206,646	-
Employee benefits obligation	10(ii)(a)	257,700	223,000
Non-current liabilities		464,346	223,000
Accounts payable	17	1,135,104	1,136,491
Current portion of lease liabilities	12	26,738	-
Income tax payable		832,758	797,632
Current liabilities		1,994,600	1,934,123
Total liabilities		2,458,946	2,157,123
Total equity and liabilities		4,156,181	3,423,293

The financial statements on pages 61 to 105, were approved for issue by the Board of Directors on May 28, 2020, and signed on its behalf by:

Director
Michael G. Bernard

Director
Raoul J. Glynn

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

Company Statement of Changes in Equity

Year ended March 31, 2020

	Share capital (note 15) $'000	Unappropriated profits $'000	Total $'000
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 20)	-	(4,126,240)	(4,126,240)
Balances at March 31, 2019	121,360	1,144,810	1,266,170
Profit for the year	-	3,577,256	3,577,256
Other comprehensive loss:			
Remeasurement of employee benefit asset and obligation, net of taxes	-	(39,375)	(39,375)
Total comprehensive income for the year	-	3,537,881	3,537,881
Transactions with owners			
Dividends paid (note 20)	-	(3,106,816)	(3,106,816)
Balances at March 31, 2020	121,360	1,575,875	1,697,235

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

Company Statement of Cash Flows

Year ended March 31, 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit for the year		3,577,256	3,738,362
Adjustments for:			
Depreciation	11,12	136,457	88,156
Employee benefits		33,700	39,300
Gain on disposal of property, plant and equipment	6	(13,497)	(2,650)
Gain on liquidation of subsidiary	21	-	(376,928)
Foreign exchange loss		(51,671)	13,259
Income tax expense	8(d)	1,176,759	1,137,411
Interest expense	12	16,786	-
Investment income earned	6	(66,771)	(65,274)
		4,809,019	4,571,636
Changes in:			
Accounts receivable		(213,172)	132,999
Inventories		(102,994)	(128,283)
Accounts payable		(1,387)	307,829
Cash generated from operations		4,491,466	4,884,181
Income tax paid		(1,148,973)	(1,182,907)
Net cash provided by operating activities		3,342,493	3,701,274
Cash flows from investing activities			
Capital distribution from liquidated subsidiary	21	-	567,673
Investment income received		64,428	62,391
Additions to property, plant and equipment	11	(93,530)	(133,922)
Proceeds from disposal of property, plant and equipment		14,097	2,650
Net cash used by investing activities		(15,005)	498,792
Cash flows from financing activities			
Payment of lease liabilities, net	12(d)	(42,806)	-
Dividends and distribution paid	20	(3,106,816)	(4,126,240)
Net cash used by financing activities		(3,149,622)	(4,126,240)
Net increase in cash and cash equivalents before effect of foreign exchange rate changes		177,866	73,826
Effect of exchange rate changes on cash and cash equivalents		51,671	(13,259)
Cash and cash equivalents at beginning of year		1,706,487	1,645,920
Cash and cash equivalents at end of year	13	1,936,024	1,706,487

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

Notes to the Financial Statements

Year ended March 31, 2020

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 16, *Leases*, has been applied. Changes to significant accounting policies are described in note 3.

A summary of significant accounting policies is included in note 23.

(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 23(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.

Notes to Financial Statements (Continued)

March 31, 2020

2. **Statement of compliance and basis of preparation (continued)**

(c) Accounting estimates and judgements (continued):

- Allowance for impairment losses [see notes 14 and 23(p)]:

  Allowances for doubtful accounts are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL").

  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 12 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 and the company initially applied IFRS 16 *Leases* from April 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the group's financial statements.

The group and the company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised at April 1, 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

The details of the changes in accounting policies are disclosed in note 3. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) The group and the company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

(b) Impact on transition

(i) On adoption of IFRS 16 on April 1, 2019, the group and the company recognised additional right-of-use assets and additional lease liabilities. The group and company have elected to measure the right-of –use asset at an amount equal to the lease liability. Consequently, there was no impact on the unappropriated profit at the date of transition.

3. **Changes in significant accounting policies (continued)**

IFRS 16, *Leases* (continued)

(b) Impact on transition (continued)

(ii) In measuring lease liabilities for leases that were classified as operating leases, the group discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted- average rate applied is 7.25%.

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	April 1, 2019 $'000
Operating lease commitment at March 31, 2019, as disclosed	44,005
Discounted using the lessee's incremental borrowing rate at the date of initial application	38,347
Extension options reasonably certain to be exercised	147,459
Lease liability recognised at April 1 2019	185,806

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 $6,142,188,000 (2019: $5,593,796,000).

5. **Cost of operating revenue**

	The Group and the Company	
	2020 $'000	2019 $'000
Special consumption tax	6,142,188	5,593,796
Customs administration fee	374,524	333,678
Material and related costs	616,090	542,651
	7,132,802	6,470,125

Inventory write-off recognised in profit or loss is $8,315,000 (2019: $11,487,000).

6. **Other operating income**

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest income	66,794	67,467	66,771	65,274
Exchange gain/(loss)	57,607	(16,705)	51,671	(13,259)
Gain on disposal of property, plant and equipment	13,497	2,650	13,497	2,650
Unclaimed dividends written back (note 17)	33,342	60,941	33,342	60,941
Miscellaneous income	30,497	35,551	30,497	16,805
	201,737	149,904	195,778	132,411

Notes to Financial Statements (Continued)

March 31, 2020

7. **Expense by Nature:**

(a) Administrative Expenses:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Staff costs	406,351	177,136	406,351	177,136
Directors' fees	11,580	8,372	11,580	8,372
Depreciation	39,899	28,523	39,899	28,523
Auditors' remuneration	8,970	8,630	8,970	8,630
Occupancy costs	29,330	39,929	29,330	39,929
Transportation, travel and entertainment	58,517	61,570	58,517	61,570
Security	20,529	26,597	20,529	26,597
Insurance	20,851	23,867	20,851	23,867
Legal, professional and consultancy fees	71,760	43,105	71,760	43,105
Technical and advisory fees	181,537	158,414	181,537	158,414
Business support services	244,622	258,215	244,622	258,215
Shared service centre	68,611	69,987	68,611	69,987
Information technology	129,607	128,893	129,607	128,893
Bank charges	11,218	10,837	11,218	10,797
Public relations	16,374	44,768	16,374	44,768
Other expenses	3,403	11,663	3,371	11,294
	1,323,159	1,100,506	1,323,127	1,100,097

(b) Distribution expenses:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Staff costs	434,533	378,020	434,533	378,020
Depreciation	96,558	59,633	96,558	59,633
Occupancy costs	21,926	51,122	21,926	51,122
Transportation and travel	121,461	116,170	121,461	116,170
Repairs and maintenance	7,737	7,226	7,737	7,226
Security	97,284	96,733	97,284	96,733
Insurance	22,628	3,994	22,628	3,994
Legal, professional and consultancy fees	22,679	36,988	22,679	36,988
Information technology	25,368	18,076	25,368	18,076
Other expenses	10,696	5,451	10,696	5,451
	860,870	773,413	860,870	773,413

(c) Marketing expenses:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Sponsorship	88,157	87,785	88,157	87,785
Promotions	94,129	46,002	94,129	46,002
Product development	5,948	5,967	5,948	5,967
	188,234	139,754	188,234	139,754
Total administrative, distribution and marketing expenses	2,372,263	2,013,673	2,372,231	2,013,264

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:

	2020 $'000	2019 $'000
Current:		
Provision for charge on current year's profit	1,184,099	1,125,270
Deferred:		
Origination and reversal of temporary differences [note 16(b)]	(7,340)	(16,243)
Income tax expense for the year	1,176,759	1,109,027

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

	2020 $'000	2019 $'000
Profit before income tax	4,759,942	4,515,929
Computed "expected" tax charge at 25%	1,189,985	1,128,982
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	10,065	503
Foreign exchange gains	1,363	(4,289)
Effect of income taxed at other than standard rate	-	(15,235)
IFRS 16, Leases	(9,245)	-
Items not allowed for tax purposes	(15,409)	(934)
Actual tax charge	1,176,759	1,109,027
Effective tax rate	24.72%	24.56%

(c) At March 31, 2020, taxation losses in subsidiaries, subject to agreement by Tax Administration Jamaica, amounted to approximately $777,748,000 (2019: $777,748,000). 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.

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:

	2020 $'000	2019 $'000
Current:		
Provision for charge on current year's profit	1,184,099	1,121,422
Tax arising on capital distribution at 5%	-	28,384
	1,184,099	1,149,806
Deferred:		
Origination and reversal of temporary differences [note 16(b)]	(7,340)	(12,395)
Income tax expense for the year	1,176,759	1,137,411

Notes to Financial Statements (Continued)

March 31, 2020

8. **Income tax (continued)**

The Company (continued):

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

	2020 $'000	2019 $'000
Profit before income tax	4,754,015	4,875,773
Computed "expected" tax charge at 25%	1,188,504	1,218,943
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	10,065	503
Foreign exchange gains	1,363	(843)
IFRS 16, Leases	(9,245)	-
Effect of income taxed at other than standard rate	-	(128,769)
Items not allowed for tax purposes	(13,928)	47,577
Actual tax charge	1,176,759	1,137,411
Effective tax rate	24.75%	23.33%

9. **Earnings per ordinary stock unit**

Earnings per ordinary stock unit is calculated as follows:

	2020	2019
Profit for the year attributable to stockholders	$3,583,183,000	3,406,849,000
Ordinary stock units in issue	4,854,400,000	4,854,400,000
Earnings per stock unit	73.8¢	70.2¢

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.

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.

Notes to Financial Statements (Continued)

March 31, 2020

10. **Employee benefits (continued)**

The amounts recognised are computed as follows:

	The Group and the Company	
	2020	2019
	$'000	$'000
Pension benefits	(86,800)	(138,300)
Post employment health and group life insurance benefit	257,700	223,000

The amounts recognised are computed as follows:

(i) Pension benefits:

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

	The Group and the Company	
	2020	2019
	$'000	$'000
Present value of funded obligations	3,254,400	3,072,900
Fair value of plan assets	(5,738,500)	(5,949,100)
Present value of net obligations	(2,484,100)	(2,876,200)
Unrecognised amount due to limitation	2,397,300	2,737,900
Asset recognised in statement of financial position	(86,800)	(138,300)

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

	The Group and the Company	
	2020	2019
	$'000	$'000
Net asset at beginning of the year	(138,300)	(181,900)
Contributions paid	(2,600)	(2,900)
Expense recognised in the statement of profit or loss and other comprehensive income	54,100	46,500
Net asset at end of the year	(86,800)	(138,300)

(c) Movements in present value of funded obligation:

	The Group and the Company	
	2020	2019
	$'000	$'000
Balance at start of year	3,072,900	3,486,600
Current service cost	15,200	18,200
Interest cost	209,500	255,500
Re-measurements -		
Loss/ (gain) from change in financial assumptions	147,300	(491,100)
Members' contributions	2,100	2,100
Benefits paid	(192,600)	(198,400)
Balance at end of year	3,254,400	3,072,900

Notes to Financial Statements (Continued)

March 31, 2020

10. **Employee benefits (continued)**

(i) Pension benefits (continued):

(d) Movements in plan assets:

	The Group and the Company	
	2020	2019
	$'000	$'000
Fair value of plan assets at beginning of the year	5,949,100	5,518,400
Interest income on plan assets	409,400	406,100
Contributions paid	7,300	7,900
Benefits paid	(208,700)	(215,800)
Remeasurement (loss)/ gain on assets	(418,600)	232,500
Fair value of plan assets at end of the year	5,738,500	5,949,100
Plan assets consist of the following:		
Equities	2,107,800	2,125,800
Pooled pension investments	743,300	984,600
Real property	668,600	643,900
Resale agreements	179,700	352,300
Government and corporate bonds	1,887,100	1,724,900
Net current assets	152,000	117,600
	5,738,500	5,949,100

(e) Expense recognised in profit for the year:

	The Group and the Company	
	2020	2019
	$'000	$'000
Current service costs	12,600	15,300
Interest cost on obligation	209,500	255,500
Interest income on assets	(409,400)	(406,100)
Interest on effect of asset ceiling	191,700	138,700
Administrative expenses	16,100	17,400
	20,500	20,800

(f) Remeasurements recognised in other comprehensive income:

	2020	2019
	$'000	$'000
Change in effect of asset ceiling	(532,300)	749,300
Remeasurement loss/ (gain) on plan assets	418,600	(232,500)
Remeasurement loss/ (gain) on obligation	147,300	(491,100)
	33,600	25,700

Notes to Financial Statements (Continued)

March 31, 2020

10. **Employee benefits (continued)**

The amounts recognised are computed as follows (continued):

(i) Pension benefits (continued):

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

	2020 %	2019 %
Discount rate	6.50	7.00
Future salary increases	4.00	4.00
Future pension increases	3.00	3.00

Assumptions regarding future mortality are based on GAM 94 Tables with ages reduced by five years (2019: five years).

At March 31, 2020, the weighted average duration of the defined benefit obligation was 13 years (2019: 13 years).

(h) Sensitivity analysis of principal actuarial assumptions:

	The Group and the Company			
	One-half percentage point increase		One-half percentage point decrease	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Discount rate	(192,300)	(176,200)	214,200	196,000
Salary increases	5,100	9,800	(5,000)	(9,400)
Pension increases	208,700	185,700	(187,800)	(167,200)

(i) Plan assets include ordinary stock units issued by the company with a fair value of $231,938,000 (2019: $325,884,000).

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

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

	The Group and the Company	
	2020 $'000	2019 $'000
Present value of future obligations, being liability recognised in statement of financial position	257,700	223,000

Notes to Financial Statements (Continued)

March 31, 2020

10. **Employee benefits (continued)**

The amounts recognised are computed as follows (continued):

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

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

	The Group and the Company	
	2020	2019
	$'000	$'000
Net liability at the beginning of the year	223,000	253,800
Contributions paid	(8,400)	(8,700)
Income recognised in the statement of profit or loss and other comprehensive income	43,100	(22,100)
Net liability at the end of the year	257,700	223,000

(c) Expense recognised in profit for the year:

	The Group and the Company	
	2020	2019
	$'000	$'000
Current service costs	8,300	10,600
Interest on obligation	15,900	19,500
	24,200	30,100

(d) Remeasurements recognised in other comprehensive income:

	The Group and the Company	
	2020	2019
	$'000	$'000
Remeasurement loss/(gain) on obligation	18,900	(52,200)

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

	2020	2019
	%	%
Discount rate	6.50	7.00
Annual increase in health-care costs	5.00	5.00

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

10. **Employee benefits (continued)**

The amounts recognised are computed as follows (continued):

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

(f) Sensitivity analysis of principal actuarial assumptions:

	The Group and the Company			
	One-half percentage point increase		One-half percentage point decrease	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Discount rate	(18,800)	(15,600)	21,400	17,500
Health-care cost increases	21,200	17,300	(18,600)	(15,400)
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 $83,800,000 (2019: $74,000,000) or decrease by about $85,000,000 (2019: $74,800,000).

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, 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
Additions	-	93,530	-	93,530
Transfers	-	(82,766)	82,766	-
Disposals	-	-	(71,390)	(71,390)
March 31, 2020	174,944	20,441	608,338	803,723
Depreciation:				
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
Charge for the year	16,660	-	82,816	99,476
Eliminated on disposals	-	-	(70,790)	(70,790)
March 31, 2020	93,313	-	333,939	427,252
Net book values:				
March 31, 2020	81,631	20,441	274,399	376,471
March 31, 2019	98,291	9,677	275,049	383,017

Freehold land, buildings and leaseholds for the group and the company include freehold land in the amount of $700 (2019: $700).

Notes to Financial Statements (Continued)

March 31, 2020

12. **Leases**

The Group and The Company:

(i) As a lessee

The groupand the company leases property and equipment. The leases typically run for 3 to 10 years, with options to renew. Some leases may have options for periodic rate adjustments to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under IAS 17. The group and the company has elected not to recognise right-of-use assets and lease liabilities for leases that are short- term and/or leases of low-value items.

Information about leases for which the group is a lessee is presented below.

(a) Right-of-use assets

	Leasehold land and buildings $'000
Balance at April 1, 2019	185,806
Additions	73,598
Depreciation charge for the year	(36,981)
Balance at March 31, 2020	222,423

(b) Lease liabilities

Maturity analysis – contractual undiscounted cash flows:

	2020 $'000
Less than one year	41,636
One to five years	143,107
More than five years	125,614
	310,357
Less: future interest	(76,973)
Total discounted lease liabilities at March 31, 2020	233,384
Less: current portion	(26,738)
Non-current	206,646

(c) Amounts recognised in profit or loss

	2020 $'000
Interest on lease liabilities	16,786
Expenses relating to short-term leases	11,359

(d) Amounts recognised in the statement of cash flows

	2020 $'000
Total cash outflow for leases	42,806

12. **Leases (continued)**

The Group and The Company:

(i) As a lessee (continued)

(e) Extension options

Some property leases contain extension options exercisable by the group up to one year before the end of the non-cancellable contract period. Where deemed appropriate, the group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the group and not by the lessors. The group and the company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The group and the company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The group and the company have estimated that potential future lease payments, should it exercise extension options in these leases, would result in an increase in lease liability of $64,419,000.

13. **Cash and cash equivalents**

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Demand and call deposits	2,024,468	1,789,730	1,936,024	1,706,487

The group and the company has given guarantees in the ordinary course of business under banking arrangements in favour of the Collector of Customs in the amountof $585,000,000 (2019: $585,000,000).

14. **Accounts receivable**

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade accounts receivable	744,002	582,687	744,002	582,687
Interest and other investment income receivable	8,311	5,968	8,311	5,968
Prepayments	180,434	179,396	180,434	179,396
Related parties	1,149	-	1,149	-
Other receivables and advances:				
Other	66,041	16,868	66,184	17,731
	999,937	784,919	1,000,080	785,782
Less: Allowance for impairment losses	(4,631)	(5,848)	(4,631)	(5,848)
	995,306	779,071	995,449	779,934

During the year, net bad debts recognised in profit or loss aggregated $1,767,000 (2019: $5,774,000) for the group and the company.

Allowances for doubtful accounts 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.

Notes to Financial Statements (Continued)

March 31, 2020

14. **Accounts receivable (continued)**

Under this ECL model, the group and the company 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, 2020 to apply against the accounts receivable balance (see note 19).

15. **Share capital**

	2020 $'000	2019 $'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

16. **Deferred tax asset/(liability)**

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

The Group and The Company :

	Assets		Liabilities		Net	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Accounts payable	2,992	3,198	-	-	2,992	3,198
Property, plant and equipment	19,670	15,785	-	-	19,670	15,785
Leases, net	2,740	-	-	-	2,740	-
Employee benefits	64,425	55,750	(21,700)	(34,575)	42,725	21,175
Accounts receivable	932	-	(2,078)	(1,492)	(1,146)	(1,492)
Unrealised foreign exchange gain	-	-	(7,972)	(122)	(7,972)	(122)
Deferred tax asset/(liability)	90,759	74,733	(31,750)	(36,189)	59,009	38,544

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

The Group:

	2020			
	Opening balance $'000	Recognised in equity $'000	Recognised in profit or loss [note 8(a)] $'000	Closing balance $'000
Accounts payable	3,198	-	(206)	2,992
Property, plant and equipment	15,785	-	3,885	19,670
Employee benefits	21,175	13,125	8,425	42,725
Leases, net	-	-	2,740	2,740
Accounts receivable	(1,492)	-	346	(1,146)
Unrealised foreign exchange gain	(122)	-	(7,850)	(7,972)
	38,544	13,125	7,340	59,009

16. **Deferred tax asset/(liability) (continued)**

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

The Group:

	2019			
	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	(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
Accounts receivable	(5,716)	-	4,224	(1,492)
Unrealised foreign exchange gain	1,079	-	(1,201)	(122)
	6,916	15,385	16,243	38,544

The Company:

	2020			
	Opening balance $'000	Recognised in equity $'000	Recognised in profit or loss [note 8(d)] $'000	Closing balance $'000
Accounts payable	3,198	-	(206)	2,992
Property, plant and equipment	15,785	-	3,885	19,670
Employee benefits	21,175	13,125	8,425	42,725
Leases, net	-	-	2,740	2,740
Accounts receivable	(1,492)	-	346	(1,146)
Unrealised foreign exchange gain	(122)	-	(7,850)	(7,972)
	38,544	13,125	7,340	59,009

	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

(c) The group has not recognised a deferred tax asset arising in subsidiaries amounting to $194,370,000 (2019: $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)].

Notes to Financial Statements (Continued)

March 31, 2020

17. **Accounts payable**

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade accounts payable	42,484	39,070	42,484	39,070
General consumption tax payable	45,409	40,877	45,409	40,877
Related parties (see also note 18)	183,945	253,360	183,945	253,360
Employee related	43,940	41,590	43,940	41,590
Unclaimed dividends*	527,171	560,513	527,171	560,513
Other	292,155	201,081	292,155	201,081
	1,135,104	1,136,491	1,135,104	1,136,491

*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).

18. **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	
	2020	2019
	$'000	$'000
Royalties	34,725	25,282
Purchases from related companies – cigarettes	575,544	500,937
Technical fees paid to ultimate parent company	181,537	158,414
Technical fees and business support services paid to other related company	276,921	328,202
IT support fees paid to other related company	128,971	128,600
Pension schemes:		
Dividends paid	22,024	29,250
Directors' remuneration:		
Fees	11,580	8,372
Management remuneration	89,836	66,562
Key management personnel:		
Short-term employee benefits	183,388	124,237
Post-employment benefits	100	1,900

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

Related party balances are shown in note 17 and are unsecured, interest free and repayable within 12 months of the reporting date.

19. **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.

19. **Financial instruments and risk management (continued)**

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	
	2020	2019
	$'000	$'000
Wholesale customers	571,756	404,824
Retail customers	172,246	177,863
	744,002	582,687

The group and company 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.

Notes to Financial Statements (Continued)

March 31, 2020

19. **Financial instruments and risk management (continued)**

(i) Credit risk (continued):

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

	The Group and the Company 2020			
Age categories	Weighted average loss rate	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
Current (not past due)	0.28%	691,061	1,998	No
1 - 30 days	1.63%	50,091	817	No
31-60 days	17.35%	657	114	No
61-90 days	70.52%	1,666	1,175	No
Over 90 days	100.00%	527	527	Yes
		744,002	4,631	

	The Group and the Company 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	
	2020 $'000	2019 $'000
Balance at 1 April	5,848	2,650
Impairment loss recognised	1,767	5,774
Bad debts recovered	(2,984)	(2,576)
Balance at 31 March	4,631	5,848

19. **Financial instruments and risk management (continued)**

(i) Credit risk (continued):

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		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Fixed rate instruments:				
Cash and cash equivalents	651,869	666,775	563,424	583,776

(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:

	2020		2019	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	4,390	21	5,428	22
Related party receivables	9	-	32	-
Related party payables	(845)	(227)	(477)	(692)
Other payables	(20)	-	(10)	-
Exposure, net	3,534	(206)	4,973	(670)

Notes to Financial Statements (Continued)

March 31, 2020

19. **Financial instruments and risk management (continued)**

(ii) Market risk (continued):

(b) Foreign currency risk (continued):

The Company:

	2020		2019	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	3,724	21	4,757	22
Related party receivables	9	-	32	-
Related party payables	(845)	(227)	(477)	(692)
Other payables	(20)	-	(10)	-
Exposure, net	2,868	(206)	4,302	(670)

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:

	2020		2019	
	Increase/(decrease) in profit		Increase/(decrease) in profit	
	6% Strengthening $'000	4% Weakening $'000	4% Strengthening $'000	2% Weakening $'000
US ($)	28,099	(18,733)	12,343	(24,686)
GBP (£)	(2003)	1,336	(2,351)	4,704

The Company:

	2020		2019	
	Increase/(decrease) in profit		Increase/(decrease) in profit	
	6% Strengthening $'000	4% Weakening $'000	4% Strengthening $'000	2% Weakening $'000
US ($)	22,806	(15,204)	10,668	(21,337)
GBP (£)	(2,003)	1,336	(2,351)	4,704

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

	US$	£
At March 31, 2019:	123.5735	163.5821
At March 31, 2020:	132.5275	161.8165

19. **Financial instruments and risk management (continued)**

(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, 2020 and 2019 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.

(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.

20. **Dividends and distributions**

	2020 $'000	2019 $'000
Declared and paid:		
First quarter ended June 30, 2019		
Ordinary – 14¢ (2018: 21¢)	679,616	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¢)	825,248	922,336
Fourth quarter ended March 31, 2020:		
Ordinary – 15¢ (2019: 18¢)	728,160	873,792
	3,106,816	4,126,240
Distribution to non-controlling interests, net	-	1,328
Total dividends to stockholders	3,106,816	4,127,568

Notes to Financial Statements (Continued)

March 31, 2020

21. **Investment in subsidiaries**

This represents costs of investment in subsidiaries as at the reporting period.

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 2020 %	Company 2019 %	Subsidiary 2020 %	Subsidiary 2019 %
Sans Souci Development Limited and its subsidiary,	Dormant	100.00	100.00	-	-
Sans Souci Limited	Dormant	-	-	100.00	100.00

In the prior year, the liquidation proceedings for Cigarette of Jamaica Limited (CCJ) was completed and the effects of the liquidation in 2019 were 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

22. **Contractual commitments**

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

	The Group and the Company 2020 $'000	2019 $'000
Within one year	-	30,808
Between one year and five years	-	13,197
	-	44,005

Payments made during the year ended March 31, 2020 aggregated:

	2020 $'000	2019 $'000
The Group and Company	-	42,602

The effects of the adoption of IFRS 16, *Leases* are reflected in note 12.

23. **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:

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.

New or amended standards	**Summary of the requirements**
Amendment to IAS 19, *Employee Benefits*	This amendment is effective for annual reporting periods beginning on or after January 1, 2019, specifies how a company should determine pension expenses when there are changes to a defined benefit pension plan. The amendment requires a company to use updated actuarial assumptions to determine its current service cost and net interest for the remaining period when there is an amendment, curtailment or settlement of a defined benefit plan. The effect of the net asset ceiling is disregarded when calculating the gain or loss on the settlement of the defined benefit plan and is dealt with separately in other comprehensive income.

Set out below is an index of the significant accounting polices, the details of which are available on the pages that follows:

Notes to Financial Statements (Continued)

March 31, 2020

23. **Significant accounting policies (continued)**

(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, 2020 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.

In the previous year, NCI related to a 0.03% interest in Cigarette Company of Jamaica Limited, which was liquidated, and non-controlling interests were insignificant to the consolidated financial statements.

(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 23(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.

23. **Significant accounting policies (continued)**

(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.

(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.

Notes to Financial Statements (Continued)

March 31, 2020

23. **Significant accounting policies (continued)**

(i) Property, plant and equipment (continued):

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%
Right-of-use-assets	9% to 14% and 63%
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.

(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.

23. **Significant accounting policies (continued)**

(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:

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The group 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 group 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.

(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:

Policy applicable from April 1, 2019

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after April 1, 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Notes to Financial Statements (Continued)

March 31, 2020

23. **Significant accounting policies (continued)**

(n) Leases (continued):

Policy applicable from April 1, 2019 (continued)

ii. As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the scheduled lease payments, 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 group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencementdate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

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

23. **Significant accounting policies (continued)**

(n) Leases (continued):

Policy applicable from April 1, 2019 (continued)

iii. As a lessee (continued)

Policy applicable before April 1, 2019

Leases under which the group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Assets acquired under finance leasing arrangements are measured at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation, and impairment losses. After deducting interest attributable to future periods, the net amount payable is included in accounts payable.

Assets held under other leases were classified as operating leases and were not recognised in the group's balance sheet. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

The group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

(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.

Notes to Financial Statements (Continued)

March 31, 2020

23. **Significant accounting policies (continued)**

(o) Employee benefits (continued):

(i) Pension assets (continued):

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

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.

23. **Significant accounting policies (continued)**

(p) Impairment (continued):

Financial assets (continued)

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.

Notes to Financial Statements (Continued)

March 31, 2020

23. **Significant accounting policies (continued)**

(p) Impairment (continued):

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.

Non- financial assets

The carrying amount of the group and company's non-financial assets (other than inventories and deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

(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.

23. **Significant accounting policies (continued)**

(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.

(ii) Classification and subsequent measurement

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 group 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.

Notes to Financial Statements (Continued)

March 31, 2020

23. **Significant accounting policies (continued)**

(s) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment

The group 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:

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.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

The group'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 group 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 group's financial liabilities, which mainly comprise accounts payables is recognised initially at fair value.

Financial assets and liabilities – Subsequent measurement and gains and losses

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.

(iii) Derecognition

Financial assets

The group 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 group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

23. **Significant accounting policies (continued)**

(s) Financial instruments (continued):

(iii) Derecognition (continued)

Financial assets (continued)

The group 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 group 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 group 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 group'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.

Notes to Financial Statements (Continued)

March 31, 2020

24. 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
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."*
Amendments to References to Conceptual Framework in IFRS Standards	This amendment is 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 derecognised 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 derecognition 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 or rewards.

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

25. Impact of the COVID-19 Pandemic

The World Health Organization in March 2020 declared the novel coronavirus, COVID-19, as a global pandemic. As a first step we instituted measures at our properties to safeguard and protect our stakeholders by not only providing information to our employees, business partners and clients but equipping all personnel with supplies to prevent contagion and establishing protocols to access our premises. In addition, we have been working with our staff to ensure common areas are thoroughly cleaned and sanitized and we engaged our flexi-work plan to minimize the number of employees in our premises whilst enabling a work from home strategy to continue operating our business. The Business Continuity Plan for a pandemic was put in place and members of the Crisis Management Team of Carreras Limited attend daily meetings in which the impacts to our business are assessed and measures are discussed to curb the spread of the disease.

It was agreed that while these measures persisted our portfolio could be affected mainly driven by the restrictions imposed on restaurants, bars and mass entertainment gatherings which account for 5% of our total sales. However, as of the third week in May 2020, these restrictions have significantly relaxed.

Finally, Carreras' Management implemented a cost reduction program to increase efficiency by cutting close to 8% of our cost base. This and other initiatives are intended to contain the financial impact should a sales reduction occur.

FORM OF PROXY

I/We_____

of_____

being a Member/Members of Carreras Limited hereby appoint

_____

of _____

or failing him/her_____

of_____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at a venue, date and time to be announced and at any adjournment thereof.

SIGNED this _____ day of _____ 2020.

SIGNATURE OF SHAREHOLDER _____

RESOLUTIONS	FOR	AGAINST
1		
2		
3 a (i)		
3 a (ii)		
3 b (i)		
3 b (ii)		
3 b (iii)		
4		
5		

NOTE:

To be valid, this proxy must be deposited with the Registrar and Transfer Office: Sagicor Bank Jamaica Limited, Group Legal Trust & Corporate Services, 28 – 48 Barbados Avenue, Kingston 5, not less than 48 hours before the time appointed for holding the meeting.

Place stamp here $100

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A proud Jamaican Company since 1962

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