



INTERIM REPORT

**(THREE MONTHS)
JUNE 30, 2021**



PERFORMANCE HIGHLIGHTS

Operating Revenue



Net Profit



Distribution per stock



Total Assets



Equity



Earnings per Share



CHAIRMAN'S REPORT

On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the FIRST QUARTER ended June 30, 2021.

KEY PERFORMANCE RESULTS



Carreras Limited recorded significant growth in Operating Revenue of J\$3.42 billion for Q1 2021 which resulted in a 27.1% increase when compared to Q1 2020. This was mainly attributable to the increase in volumes achieved for the quarter when compared to Q1 2020. Profit before other income for the first quarter of 2021 was J\$1.13 billion, 32.2% or J\$278 million higher than the first quarter of 2020, indicating additional gains in our operating margin. Our overheads remained relatively flat totaling J\$532 million compared to J\$529 million in the corresponding period in 2020 which is a 1% or J\$3 million increase, with efficiencies reinvested in high ROI activities. Net profit for the period was J\$862 million, which was a 32.5% increase compared to J\$651m in 2020. Earnings per stock unit for the period was 17.8 cents (2020: 13.4 cents).

The Company continues to be committed to the fight against the spread of the COVID-19 and ensure that we deliver our products to our customers in the safest way. Our main priority is the protection of our people's health and employment. All safety measures are still enforced, and protocols adhered to. Carreras continues to provide full employment and benefits to all team members and will continue to do this as we seek to manage our resources.

The Company is committed to achieving a first world modernized portfolio through its continued transformation of its brands. This is in response to the demands of our loyal consumers. Our beloved Craven "A" got a facelift with a bold and modern reimagining of the pack. Along with its unique elements, the bright, clean modern look was well received by our loyal consumers which showed a positive performance for the brand. Subsequent to Matterhorn's "new look of freshness" the focus was mainly to drive continued awareness about capsules and to support it with exciting activities, campaigns and communications. Although activations were dramatically scaled down, creative and safe ways were found to bring the brands to our consumers during this

unprecedented time. This was highly appreciated by our consumers and trading partners who appreciated the commercial input during this period.

The illicit trade continues to permeate our trading environment and the company has employed other strategic initiatives to counter the effect from these activities. One such initiative is the redesign of our route to market which allows us to be present in some areas with a high presence as well as to bring awareness of the issues to a greater audience. The multi-industry approach to tackle the illicit trade have been adopted by the company. This approach seeks to drive awareness, advocate for stricter border controls and legislative changes for imposition of stricter penalties and sanctions. We commend the efforts and support of the Jamaica Customs Agency and the Jamaica Constabulary Force, specifically, the Counter-Terrorism and Organized Crime Investigation Branch (C-TOC) for their commitment to the fight against the illicit trade.

The Minister of Health tabled for consideration to Parliament, the Tobacco Control Act (Bill) in 2020. The company is working assiduously to ensure that the regulations are balanced, practical and fair. We are also committed in supporting and complying with such regulations set out for governing the marketing and distribution of our products.

Stockholders, I am also pleased to report that the Board of Directors has approved an ordinary interim dividend payment of \$0.16 per stock unit, totaling J\$776.7 million, to be paid out of accumulated profits on August 25, 2021 to stockholders as shown on the Register of Members as at August 5, 2021. This is keeping with our dividend policy and demonstrates the Company's continued commitment to enhancing shareholder value.



ON BEHALF OF THE BOARD
Raoul Glynn
Managing Director

CARRERAS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME THREE MONTHS ENDED JUNE 30, 2021 (Unaudited)

	Notes	3 months to June 30, 2021 \$'000	3 months to June 30, 2020 \$'000
Operating revenue	4	3,427,948	2,697,701
Cost of operating revenue		(1,780,149)	(1,371,223)
Gross operating profit		1,647,798	1,326,478
Other operating income		23,973	40,562
		1,671,771	1,367,040
Administrative, distribution and marketing expenses		(531,883)	(508,920)
Impairment loss on trade receivables		(326)	3,460
PROFIT FROM OPERATIONS		1,139,561	861,580
Interest income		18,275	16,794
Interest expense		(4,593)	(4,635)
NET FINANCE COST		13,683	12,159
PROFIT BEFORE TAXATION		1,153,244	873,740
Taxation	5	(290,718)	(222,263)
NET PROFIT FOR THE PERIOD		862,525	651,475
EARNINGS PER ORDINARY STOCK UNIT	6	17.8¢	13.4¢

CARRERAS LIMITED

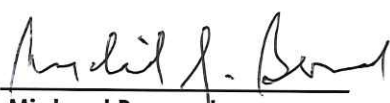
GROUP STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

(Unaudited)

	Notes	June 30, 2021 \$000	June 30, 2020 \$000
ASSETS			
Deferred tax asset		89,713	57,680
Retirement benefit asset		92,500	86,800
Property, plant and equipment		721,905	582,904
Non-Current Assets		904,118	727,384
Cash and cash equivalents		1,427,745	1,490,396
Accounts receivable		1,560,576	1,189,351
Income tax recoverable		2,536	56,359
Inventories		479,264	385,741
Current Assets		3,470,122	3,121,847
TOTAL ASSETS		4,374,240	3,849,231
EQUITY			
Share capital	7	121,360	121,360
Unappropriated profits		1,628,108	1,331,730
Total attributable to stockholders of parent		1,749,468	1,453,090
LIABILITIES			
Lease liability		251,176	200,892
Retirement benefit obligation		326,100	257,700
Non-current liabilities		577,276	458,592
Accounts payable		1,131,297	1,072,363
Income tax payable		885,273	826,140
Current portion of lease liability		30,926	39,045
Current Liabilities		2,047,496	1,937,548
TOTAL LIABILITIES		2,624,773	2,396,140
TOTAL EQUITY and LIABILITIES		4,374,240	3,849,231

Approved for issue by the Board of Directors on 20th July 2021 and signed on its behalf by:



Michael Bernard
Director



Raoul Glynn
Managing Director

CARRERAS LIMITED

Group Statement of Changes in Equity

THREE MONTHS ENDED JUNE 30, 2021

(Unaudited)

	Share Capital \$000	Unappropriated Profits \$000	Total \$000
Balances at March 31, 2020	121,360	1,651,136	1,772,496
Profit for the period	-	758,325	758,325
Total comprehensive income for the period	-	758,325	758,325
Transactions with owners			
Dividends paid, being total transactions with owners	-	(970,880)	(970,880)
Total transactions with owners	-	(970,880)	(970,880)
Unaudited Balances at June 30, 2020	121,360	1,438,581	1,559,941
Balances at March 31, 2021	121,360	1,979,182	2,100,542
Profit for the period	-	862,525	862,525
Total comprehensive income for the period	-	862,525	862,525
Transactions with owners			
Dividends paid, being total transactions with owners	-	(1,213,600)	(1,213,600)
Total transactions with owners	-	(1,213,600)	(1,213,600)
Unaudited Balances at June 30, 2021	121,360	1,628,108	1,749,468

CARRERAS LIMITED

Company Statement of Changes in Equity
THREE MONTHS ENDED JUNE 30, 2021
(Unaudited)

	Share Capital \$000	Revenue Reserves \$000	Total \$000
Balances at March 31, 2020	121,360	1,575,875	1,697,235
Profit for the period	-	656,462	656,462
Total comprehensive income for the period	121,360	2,232,337	2,353,697
Dividends paid, being total transactions with owners (note 8)	-	(970,880)	(970,880)
Unaudited Balances at June 30, 2020	121,360	1,261,457	1,382,817
Balances at March 31, 2021	121,360	1,894,613	2,015,973
Profit for the period	-	861,239	861,239
Total comprehensive income for the period	121,360	2,755,852	2,877,212
Dividends paid, being total transactions with owners (note 8)	-	(1,213,600)	(1,213,600)
Unaudited Balances at June 30, 2021	121,360	1,542,253	1,663,613

CARRERAS LIMITED

Group Statement of Cash Flows
THREE MONTHS ENDED JUNE 30, 2021
(Unaudited)

	3 months to June 30, 2021 \$'000	3 months to June 30, 2020 \$'000
Cash flows from operating activities:		
Profit for the period	862,525	651,475
Adjustments for items not affecting cash:		
Depreciation	36,225	28,202
Gain on disposal of property, plant and	4,505	1,182
Foreign exchange gain/(loss)	14,691	(30,704)
Taxation	(290,718)	222,263
Interest expense	4,593	4,635
Investment income earned	(18,275)	(16,794)
	613,545	860,259
Changes in working capital components:		
Accounts receivable	(200,116)	(197,756)
Inventories	111,576	78,715
Accounts payable	(334,806)	(62,742)
Cash generated from operations	190,199	678,477
Taxation paid	287,768	(281,402)
Net cash provided by operating activities	477,966	397,075
Cash provided by investing activities		
Investment income received	15,583	20,504
Additions to property, plant and equipment	(50,768)	(86)
Proceeds of disposal of property, plant and equipment	(2,795)	3,586
Net cash provided by investing activities	(37,979)	24,004
Cash used by financing activities		
Payment of lease liabilities	(12,057)	(14,975)
Dividends paid, being net cash used by financing activities	(1,213,600)	(970,880)
Net cash utilised by financing activities	(1,225,657)	(985,855)
Net (decrease) in cash and cash equivalents		
before effect of foreign exchange rate changes	(785,670)	(564,776)
Effect of exchange rate changes on cash and cash equivalents	(14,739)	30,704
Cash and cash equivalents, at beginning of period	2,228,153	2,024,468
Cash and cash equivalents, at end of period	1,427,745	1,490,396

CARRERAS LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

Three months ended June 30, 2021

1. General

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

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

2. Statement of compliance and basis of preparation

(a) Basis of preparation

This condensed consolidated interim financial report for the reporting period ended June 30, 2021 has been prepared in accordance with Accounting Standard IAS 34 'Interim Financial Reporting'.

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

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

(b) Current year disclosures

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

Details	1 April 2021	30 June 2021
	\$'000	\$'000
Freehold land, buildings and leaseholds	<u>266,087</u>	<u>256,542</u>

The group incurred depreciation charges of \$9,545,000 on the right-of-use assets and interest expense of \$4,592,000 on the lease liability during the period.

(c) Accounting estimates and judgments:

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

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

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

(i) Key source of estimation uncertainty

Employee benefits:

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

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

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

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

3. Significant Accounting Policies

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

4. Operating Revenue

Operating revenue for the group and the company represents the invoiced value of products and services sold and includes special consumption tax aggregating \$1,512,084,000 (2020: \$1,175,360,000).

5. Taxation

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

	<u>2021</u> \$'000	<u>2020</u> \$'000
Current:		
Provision for charge on current period's profit at 25%	288,815	220,934
Deferred:		
Origination and reversal of temporary differences	<u>1,903</u>	<u>1,329</u>
Taxation expense for the period	<u>290,718</u>	<u>222,263</u>

6. Earnings per stock unit

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

7. Share Capital

	<u>2021</u> \$'000	<u>2020</u> \$'000
Authorised:		
4,854,400,000 (2020: 4,854,400,000) ordinary shares of no-par value		
Stated:		
Issued and fully paid:		
4,854,400,000 (2020: 4,854,400,000) stock units of no-par value	<u>121,360</u>	<u>121,360</u>

8. Dividends and Distributions

	<u>2021</u> \$'000	<u>2020</u> \$'000
Declared and paid:		
First quarter ended June 30, 2021		
Ordinary – 25¢ (2020: 20¢)	<u>1,213,600</u>	<u>970,880</u>
Total dividends to shareholders	<u>1,213,600</u>	<u>970,880</u>

9. Subsidiary Companies

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

<u>Name of company</u>	<u>Principal activity</u>	Percentage of ordinary shares held by			
		<u>Company</u>		<u>Subsidiary</u>	
		<u>2021</u> %	<u>2020</u> %	<u>2021</u> %	<u>2020</u> %
Sans Souci Development Limited and its subsidiary, Sans Souci Limited	Dormant	100.00	100.00	-	-
	Dormant	<u>-</u>	<u>-</u>	<u>100.00</u>	<u>100.00</u>

10. Impact of COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic. As the virus spread rapidly worldwide, the impact on the global markets has been significant with concerns about the escalating economic costs of the outbreak.

The impact of COVID-19 has been far reaching as it has caused significant impact on the major economies in which we operate, which are highly reliant on imports and exports for growth and development.

As the dislocation and uncertainty in sectors of the economy continues, such as the tourism, entertainment, retail trading and other areas, the Company continues to actively monitor and manage the identified risks through its Executive Management and Covid-19 Committee.