



## CARRERAS LIMITED

On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the FIRST HALF of financial year ended September 30, 2014.

**Performance Highlights are:**

	6 months to 9/30/2014 \$M	6 months to 9/30/2013 \$M	% Change
Gross Operating Revenue	5,246.5	4,398.4	19%
Total Operating Revenue	5,272.7	4,479.0	18%
Interest and Other Investment Income	83.7	72.2	16%
Net Income	1,165.5	971.2	20%
EPS	240.1	200.1	20%

Carreras Limited achieved total operating income of \$5,272.7 million for the six months ended September 30, 2014, representing an increase of 18% compared to the same period in the prior year. The Company also delivered net income of \$1,165.5 million, an increase of 20% compared to the same period last year.

As we continue to operate in a very challenging environment with impending changes to tobacco regulations, we expect volume growth to continue to be challenged for the rest of the financial year.

Interest and other investment income increased by 16% to \$83.7 million for the six months as the Company realigned its investment portfolio and benefited from higher interest rates in the market when compared to the similar period in 2013.

Given our economic environment we have managed to limit the increase in operating cost to 3%. Our focus will continue to ensure that the business operates in the most efficient manner.

Shareholders, I am also pleased to report that the Board of Directors has approved an interim dividend payment of \$1.20 per stock unit to be paid out of accumulated profits on December 11, 2014.

On behalf of the Board

  
Marcus Steele  
Managing Director

**CARRERAS LIMITED & SUBSIDIARIES**

**Group Statement of Comprehensive Income**

**Period Ended September 30, 2014**

**Group Statement of Comprehensive Income**

	UNAUDITED		UNAUDITED		AUDITED
	6 months		3 months to		12 months
	Sep-14 \$'000	Sep-13 \$'000	Sep-14 \$'000	Sep-13 \$'000	Mar-14 \$'000
Gross operating revenue	5,246,505	4,398,393	2,656,711	2,243,595	10,342,006
Cost of operating revenue	(2,730,952)	(2,172,721)	(1,398,328)	(1,094,780)	(5,268,780)
<b>Gross operating profit</b>	<b>2,515,553</b>	<b>2,225,672</b>	<b>1,258,383</b>	<b>1,148,815</b>	<b>5,073,226</b>
Employee benefit income	-	-	-	-	22,600
Interest and other investment income	83,694	72,249	32,565	34,995	174,719
Other operating income:					
Exchange gains/(Loss)	23,200	55,536	6,840	16,630	88,953
Other income	26,154	80,614	47,132	23,091	1,908,680
Distribution and marketing expenses	(375,857)	(415,134)	(191,139)	(208,077)	(866,431)
Administrative expenses	(707,968)	(634,489)	(336,332)	(314,350)	(1,217,276)
<b>Profit before income tax</b>	<b>1,564,776</b>	<b>1,384,448</b>	<b>817,449</b>	<b>701,104</b>	<b>5,184,471</b>
Income tax	(399,313)	(413,235)	(203,766)	(215,303)	(1,181,296)
<b>Profit for the period</b>	<b>1,165,463</b>	<b>971,213</b>	<b>613,683</b>	<b>485,800</b>	<b>4,003,175</b>
<b>Other comprehensive income</b>					
Remeasurement loss on obligation	-	-	-	-	(208,900)
Remeasurement loss on plan assets	-	-	-	-	(56,000)
Change in effect of asset ceiling	-	-	-	-	242,300
Income tax on other comprehensive income	59,429	(789)	(48)	(421)	(24,854)
<b>Other comprehensive income, net of tax</b>	<b>59,429</b>	<b>(789)</b>	<b>(48)</b>	<b>(421)</b>	<b>(47,454)</b>
<b>Total comprehensive income for the year</b>	<b>1,224,892</b>	<b>970,424</b>	<b>613,635</b>	<b>485,379</b>	<b>3,955,721</b>
Attributable to:					
Minority interests	25	47	3	21	3,183
Stockholders in parent	1,165,438	971,166	613,680	485,779	3,999,992
	<b>1,165,463</b>	<b>971,213</b>	<b>613,683</b>	<b>485,800</b>	<b>4,003,175</b>
Total comprehensive income attributed to:					
Minority interests	25	47	3	21	3,183
Stockholders in parent	1,224,867	970,377	613,632	485,358	3,952,538
	<b>1,224,892</b>	<b>970,424</b>	<b>613,635</b>	<b>485,379</b>	<b>3,955,721</b>
Earnings per ordinary stock unit of 25c each	<b>240.08¢</b>	<b>200.06¢</b>	<b>126.42¢</b>	<b>100.07¢</b>	<b>824.00¢</b>

# CARRERAS LIMITED & SUBSIDIARIES

## UNAUDITED GROUP FINANCIAL STATEMENTS

As at September 30, 2014

	Group Statement of Financial Position	
	Unaudited	Audited
	30-Sep-14	31-Mar-14
	\$000	\$000
<b>Current Assets</b>		
Cash and cash equivalents	2,931,051	3,222,035
Accounts receivable	1,737,524	1,649,374
Income tax recoverable	600,758	1,305,714
Inventories	376,290	295,565
	5,645,623	6,472,688
<b>Current Liabilities</b>		
Accounts payable	1,590,629	1,186,373
Income tax payable	807,543	1,063,217
	2,398,172	2,249,590
<b>Net Current Assets</b>	3,247,451	4,223,098
<b>Non-current assets:</b>		
Retirement benefit asset	349,300	349,300
Property, plant and equipment	187,489	204,632
	3,784,241	4,777,030
<b>Equity:</b>		
Share capital	121,360	121,360
<b>Reserves:</b>		
Unappropriated profits	3,133,276	4,050,807
Other	22,322	22,322
	3,155,598	4,073,129
<b>Total attributable to stockholders of parent</b>	3,276,958	4,194,489
Minority interests	3,260	6,734
<b>Total equity</b>	3,280,218	4,201,223
<b>Non-current liabilities:</b>		
Deferred taxation liability	309,923	381,707
Retirement benefit obligation	194,100	194,100
	3,784,241	4,777,030

ON BEHALF OF THE BOARD

.....  
 Marcus Steele  
 Managing Director

.....  
 Gavin Jordan  
 Finance Director

**CARRERAS LIMITED**  
**Statement of Changes in Equity**

**For 6 Months ended September 30, 2014**  
**The Group**

	Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Other Reserves \$'000	Total \$'000	Minority Interest \$'000	Total \$'000
<b>Balances at March 31, 2013</b>	121,360	1,669,080	22,322	1,870,762	3,683,524	4,951	3,688,475
Profit for the period	-	971,166	-	-	971,166	47	971,213
Deferred tax on reserves of subsidiaries in liquidation	-	(789)	-	-	(789)	-	(789)
<b>Total comprehensive income for the period</b>	-	970,377	-	-	970,377	47	970,424
Transactions with owners	-	-	-	-	-	-	-
Dividends paid, being total transactions with owners	-	(1,572,826)	-	-	(1,572,826)	-	(1,572,826)
Total transactions with owners	-	(1,572,826)	-	-	(1,572,826)	-	(1,572,826)
<b>Unaudited Balances at September 30, 2013</b>	121,360	1,066,631	22,322	1,870,762	3,081,075	4,998	3,086,073

<b>Balances at March 31, 2014</b>	121,360	4,050,807	22,322	-	4,194,489	6,734	4,201,223
Profit for the period	-	1,165,438	-	-	1,165,438	25	1,165,463
Deferred tax on reserves of subsidiaries in liquidation	-	59,429	-	-	59,429	-	59,429
<b>Total comprehensive income for the period</b>	-	1,224,867	-	-	1,224,867	25	1,224,892
Transactions with owners	-	-	-	-	-	-	-
Transfer tax paid on intra-group distributions	-	(59,860)	-	-	(59,860)	-	(59,860)
Dividends paid, being total transactions with owners	-	(2,082,538)	-	-	(2,082,538)	(3,499)	(2,086,037)
Total transactions with owners	-	(2,142,398)	-	-	(2,142,398)	(3,499)	(2,145,897)
<b>Unaudited Balances at September 30, 2014</b>	121,360	3,133,276	22,322	-	3,276,958	3,260	3,280,218

**CARRERAS LIMITED**  
**Statement of Changes in Equity**  
**For 6 Months ended September 30, 2014**

The Company

	Share Capital \$'000	Revenue Reserves \$'000	Capital Reserves \$'000	Total \$'000
Balances at March 31, 2013	121,360	1,603,583	22,322	1,747,265
Profit for the year	-	946,231	-	946,231
Total comprehensive income for the period	-	946,231	-	946,231
Dividends paid, being total transactions with owners	-	(1,572,826)	-	(1,572,826)
Unaudited Balances at September 30, 2013	121,360	976,987	22,322	1,120,670

Balances at March 31, 2014	121,360	1,371,813	22,322	1,515,495
Profit for the period	-	2,588,012	-	2,588,012
Total comprehensive income for the period	-	2,588,012	-	2,588,012
Dividends paid, being total transactions with owners	-	(2,082,537)	-	(2,082,537)
Unaudited Balances at September 30, 2014	121,360	1,877,288	22,322	2,020,970

**CARRERAS LIMITED & SUBSIDIARIES**

**UNAUDITED GROUP FINANCIAL STATEMENTS**

**For 6 Months ended September 30, 2014**

	<b>Group Statement of Cash Flows</b>		
	<b>6 months</b>		<b>12 months</b>
	<b>30-Sep-14</b>	<b>30-Sep-13</b>	<b>31-Mar-14</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities:</b>			
Net profit for the period	1,165,463	971,213	4,003,175
Items not affecting cash	333,871	310,693	1,005,378
	1,499,334	1,281,906	5,008,553
Changes in working capital	209,472	(318,234)	(2,462,233)
Cash provided by operating activities	1,708,806	963,672	2,546,320
Cash (used)/provided by investing activities	71,878	1,612,135	1,646,201
Cash used by financing activities	(2,086,036)	(1,572,826)	(3,418,898)
Increase/(Decrease) in cash and cash equivalents	(305,352)	1,002,981	773,623
Effect of exchange rate changes on cash and cash equivalents	14,368	55,536	88,953
Cash and cash equivalents, at beginning of period	3,222,035	2,359,459	2,359,459
<b>Cash and cash equivalents, at end of period</b>	<b>2,931,051</b>	<b>3,417,976</b>	<b>3,222,035</b>

## **CARRERAS LIMITED AND SUBSIDIARIES**

### **Notes to the Financial Statements September 30, 2014**

#### **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 is Twickenham Park, St. Catherine, Jamaica.

#### **2. (a) Basis of Preparation**

The financial statements are presented on the historical cost basis. Unless otherwise stated, the financial statements are presented in thousands of Jamaican dollars (\$'000), which is the functional currency of the company and the group.

#### **(b) Accounting estimates and judgments:**

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

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

In particular, the significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustments in the next year are as follows:

##### **(i) Key source of estimation uncertainty**

##### **Employee benefits:**

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

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

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

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

#### **3. Significant Accounting Policies**

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. Income Tax**

Income tax for the year comprises current and deferred tax based upon taxable profits. Capital gains, which are not subject to taxation, are excluded.

**5. 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 485,440,000 issued and fully paid ordinary stock units.

**6. Deferred Tax**

A provision has been made in these financial statements for deferred transfer tax on undistributed reserves of subsidiaries in liquidation.

**7. Tax Assessment**

In 2004, the company's subsidiary, Cigarette Company of Jamaica Limited (in voluntary liquidation) ("CCJ") received assessments for income tax claimed by the Commissioner of Taxpayer Audit and Assessment, subsequently renamed Tax Administration Jamaica (TAJ), for the years 1997 to 2002 amounting to \$5.68 billion. CCJ appealed the assessment. Whilst the appeal was in progress, CCJ paid an amount of \$1.73 billion to TAJ.

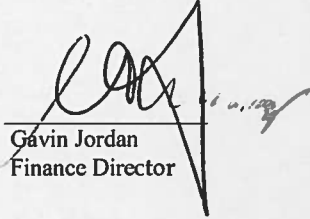
On March 13, 2012, after a series of judgements and appeals in lower courts, the Judicial Committee of the Privy Council handed down its decision dismissing the appeal of the TAJ with costs to CCJ. These costs have been taxed and recovered.

On December 30, 2013, the company reached an agreement with the TAJ and the Ministry of Finance & Planning, to recover the \$1.73 billion plus interest of \$1.78 billion on the outstanding sum. To date, TAJ has refunded to CCJ by issuing offsets against the estimated tax liability of Carreras Limited in the aggregate amount of \$2.57 billion. The company expects to recover a further \$0.94 billion over the next twelve months.

ON BEHALF OF THE BOARD



Marcus Steele  
Managing Director



Gavin Jordan  
Finance Director