



## CARRERAS LIMITED

On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the SECOND QUARTER ended September 30, 2016.

**Performance Highlights are:**

	6 months ended September 30, 2016 \$'M	6 months ended September 30, 2015 \$'M	Variance
Gross operating revenue	6,372.4	5,683.7	12%
Total operating revenue	6,452.9	5,725.4	13%
Interest and other investment income	60.8	83.5	-27%
Net Income	1,687.0	1,385.6	22%
EPS (cents)	347.5	285.4	22%

For the six months ended September 30, 2016, Carreras Limited recorded total operating revenue of \$6,452.9 million and returned net income of \$1,687.0 million. Both total operating revenue and net income show increases of 13% and 22%, respectively, which compare favourably with the corresponding period in the prior year. The Company's increased earnings and profitability are attributable to a combination of increased revenues as well as reduction in costs.

Craven "A" and Matterhorn, our core brands, returned creditable performances for the year to date. Dunhill, Rothmans, Newport and Pall Mall, other quality brands in our portfolio, also performed well based on expectations. Our high quality brand portfolio, excellent route to market structure and focused and energised team, provided the platform to deliver a strong performance for the six months period.

As predicted, the higher trade demand for cigarettes that was realised in the first quarter ended June 30, 2016 consequent upon the excise lead price increase implemented on May 13, 2016, was tempered in the September 30, 2016 quarter. During this period, the trade depleted excess inventory quantities. As a result, overall volumes for the first half of the 2016/17 financial year remained flat compared to the corresponding period in the prior year.

For the third quarter ending December 2016, we anticipate a recovery of volumes going into our peak sales period. This is expected, provided that the domestic market continues to benefit from the authorities' success in containing the influx of illicit cigarettes into the domestic market.

Administrative, distribution and marketing expenses totalling \$970.1 million is a reduction of \$91.8 million or 9% over the corresponding period last year. The Company continues to reap the benefits of efficiencies gained through the supply chain; the result of the successful implementation of a new route to market structure on February 1, 2016. This, along with other cost reduction and containment initiatives, continue to be focal points for management.

Interest and other investment income decreased by 27% to \$60.8 million for the period as a result of lower market interest rates compared to the last year.

Shareholders, I am also pleased to report that the Board of Directors has approved an interim dividend payment of \$1.70 per stock unit to be paid on December 14, 2016 out of accumulated profits.

On behalf of the Board

  
Marcus Steele  
Managing Director

**CARRERAS LIMITED**

**Group Statement of Profit or Loss and Other Comprehensive Income  
For the six months ended September 30, 2016**

<b>Group Statement of Comprehensive Income</b>						
	Notes	<b>UNAUDITED</b>		<b>UNAUDITED</b>		<b>AUDITED</b>
		<b>6 months</b>		<b>3 months to</b>		<b>12 months</b>
		<b>Sep-16</b>	<b>Sep-15</b>	<b>Sep-16</b>	<b>Sep-15</b>	<b>Mar-16</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Operating revenue	4	6,372,388	5,683,740	3,026,123	3,063,056	11,980,138
Cost of operating revenue		(3,270,895)	(2,896,308)	(1,556,224)	(1,561,834)	(6,243,890)
<b>Gross operating profit</b>		<b>3,101,493</b>	<b>2,787,432</b>	<b>1,469,899</b>	<b>1,501,222</b>	<b>5,736,248</b>
Other operating income	5	141,320	125,149	60,403	65,540	247,635
		<b>3,242,813</b>	<b>2,912,581</b>	<b>1,530,302</b>	<b>1,566,762</b>	<b>5,983,883</b>
Administrative expenses		(649,837)	(681,771)	(274,011)	(325,423)	(1,210,613)
Distribution and marketing expenses		(320,235)	(380,063)	(139,133)	(215,798)	(860,608)
Employee benefits expense		-	-	-	-	(9,100)
<b>Profit before Income tax</b>		<b>2,272,741</b>	<b>1,850,747</b>	<b>1,117,158</b>	<b>1,025,541</b>	<b>3,903,562</b>
Income tax	6	(585,712)	(465,141)	(291,041)	(262,829)	(892,229)
<b>Profit for the period</b>		<b>1,687,029</b>	<b>1,385,606</b>	<b>826,117</b>	<b>762,712</b>	<b>3,011,333</b>
<b>Other comprehensive income</b>						
Items that will never be reclassified to profit or loss:						
Remeasurement gain on obligation		-	-	-	-	127,300
Remeasurement gain on plan assets		-	-	-	-	247,000
Change in effect of asset ceiling		-	-	-	-	(460,900)
Income tax on other comprehensive income		(1,008)	38,463	(503)	38,886	58,004
<b>Other comprehensive income, net of tax</b>		<b>(1,008)</b>	<b>38,463</b>	<b>(503)</b>	<b>38,886</b>	<b>(28,596)</b>
<b>Total comprehensive income for the year</b>		<b>1,686,021</b>	<b>1,424,069</b>	<b>825,614</b>	<b>801,598</b>	<b>2,982,737</b>
<b>Profit attributable to:</b>						
Non-controlling interests		59	23	29	(2)	142
Stockholders' interests in parent		1,686,970	1,385,583	826,088	762,714	3,011,191
		<b>1,687,029</b>	<b>1,385,606</b>	<b>826,117</b>	<b>762,712</b>	<b>3,011,333</b>
<b>Total comprehensive income attributed to:</b>						
Non-controlling interests		59	23	29	(2)	142
Stockholders' interests in parent		1,685,962	1,424,046	825,585	801,600	2,982,595
		<b>1,686,021</b>	<b>1,424,069</b>	<b>825,614</b>	<b>801,598</b>	<b>2,982,737</b>
Earnings per ordinary stock unit	7	<b>347.51¢</b>	<b>285.43¢</b>	<b>170.17¢</b>	<b>157.12¢</b>	<b>620.30¢</b>

**CARRERAS LIMITED**

**Group Statement of Financial Position  
As at September 30, 2016**

				<b>Group Statement of Financial Position</b>		
				<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
				<b>30-Sep-16</b>	<b>30-Sep-15</b>	<b>31-Mar-16</b>
				<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>						
Employee benefit asset				168,200	260,600	168,200
Property, plant and equipment				223,173	261,175	236,485
<b>Non-current assets</b>				<b>391,373</b>	<b>521,775</b>	<b>404,685</b>
Cash and cash equivalents				2,686,339	3,455,230	2,622,147
Accounts receivable				522,248	456,821	448,005
Income tax recoverable				27,264	603,173	16,473
Inventories				346,441	383,157	220,879
<b>Current assets</b>				<b>3,582,292</b>	<b>4,898,381</b>	<b>3,307,504</b>
<b>Total assets</b>				<b>3,973,665</b>	<b>5,420,156</b>	<b>3,712,189</b>
<b>Equity</b>						
Share capital		8		121,360	121,360	121,360
Reserves:						
Unappropriated profits				1,786,856	2,568,592	1,631,980
Other				-	22,322	22,322
				<b>1,786,856</b>	<b>2,590,914</b>	<b>1,654,302</b>
<b>Total attributable to stockholders of parent</b>				<b>1,908,216</b>	<b>2,712,274</b>	<b>1,775,662</b>
<b>Non-controlling interest</b>				<b>1,211</b>	<b>1,033</b>	<b>1,152</b>
<b>Total equity</b>				<b>1,909,427</b>	<b>2,713,307</b>	<b>1,776,814</b>
<b>Liabilities</b>						
Deferred tax liability		9		10,844	28,272	12,056
Employee benefits obligation				218,700	227,500	218,700
<b>Non-current liabilities</b>				<b>229,544</b>	<b>255,772</b>	<b>230,756</b>
<b>Current Liabilities</b>						
Accounts payable				972,489	1,262,612	1,135,063
Income tax payable				862,205	1,188,465	569,556
<b>Current Liabilities</b>				<b>1,834,694</b>	<b>2,451,077</b>	<b>1,704,619</b>
<b>Total Liabilities</b>				<b>2,064,238</b>	<b>2,706,849</b>	<b>1,935,375</b>
<b>Total equity and liabilities</b>				<b>3,973,665</b>	<b>5,420,156</b>	<b>3,712,189</b>

Approved for issue by the Board of Directors on 9 November 2016 and signed on its behalf by:

  
.....  
Marcus Steele  
Managing Director

  
.....  
Janene Shaw  
Finance Director

**CARRERAS LIMITED**

**Group Statement of Changes in Equity  
For the six months ended September 30, 2016**

	Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Total attributable to stockholders \$'000	Non-controlling Interests \$'000	Total \$'000
<b>Balances at March 31, 2015</b>	121,360	3,028,074	22,322	3,171,756	3,281	3,175,037
Profit for the year	-	1,385,583	-	1,385,583	23	1,385,606
Deferred tax on reserves of subsidiaries in liquidation	-	38,463	-	38,463		38,463
<b>Total comprehensive income for the period</b>	-	1,424,046	-	1,424,046	23	1,424,069
<b>Transactions with owners</b>						
Transfer tax paid on intra-group distributions	-	(38,856)	-	(38,856)	-	(38,856)
Dividends and distributions (note 10)	-	(1,844,672)	-	(1,844,672)	(2,271)	(1,846,943)
Total transactions with owners	-	(1,883,528)	-	(1,883,528)	(2,271)	(1,885,799)
<b>Unaudited Balances at September 30, 2015</b>	121,360	2,568,592	22,322	2,712,274	1,033	2,713,307

<b>Balances at March 31, 2016</b>	121,360	1,631,980	22,322	1,775,662	1,152	1,776,814
Profit for the year	-	1,686,970	-	1,686,970	59	1,687,029
Transfers	-	22,322	(22,322)	(1,008)		(1,008)
Deferred tax on reserves of subsidiaries in liquidation	-	(1,008)	-			
<b>Total comprehensive income for the period</b>	-	1,708,284	(22,322)	1,685,962	59	1,686,021
<b>Transactions with owners</b>						
Dividends and distributions (note 10)	-	(1,553,408)	-	(1,553,408)	-	(1,553,408)
Total transactions with owners	-	(1,553,408)	-	(1,553,408)	-	(1,553,408)
<b>Unaudited Balances at September 30, 2016</b>	121,360	1,786,856	-	1,908,216	1,211	1,909,427

**CARRERAS LIMITED**

**Company Statement of Changes in Equity  
For the six months ended September 30, 2016**

	Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Total \$'000
Balances at March 31, 2015	121,360	1,760,455	22,322	1,904,137
Profit for the year	-	2,306,840	-	2,306,840
Total comprehensive income for the period	-	2,306,840	-	2,306,840
Dividends paid (note 10), being total transactions with owners	-	(1,844,672)	-	(1,844,672)
Unaudited Balances at September 30, 2015	121,360	2,222,623	22,322	2,366,305

Balances at March 31, 2016	121,360	1,231,362	22,322	1,375,044
Profit for the period	-	1,703,847	-	1,703,847
Transfers	-	22,322	(22,322)	-
Total comprehensive income for the period	-	1,726,169	(22,322)	1,703,847
Dividends paid (note 10), being total transactions with owners	-	(1,553,408)	-	(1,553,408)
Unaudited Balances at September 30, 2016	121,360	1,404,123	-	1,525,483

## **CARRERAS LIMITED**

### **Group Statement of Cash Flows For the six months ended September 30, 2016**

	<b>UNAUDITED</b>		<b>AUDITED</b>
	<b>6 months</b>		<b>12 months</b>
	<b>30-Sep-16</b>	<b>30-Sep-15</b>	<b>31-Mar-16</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities:</b>			
Profit for the period	1,687,029	1,385,606	3,011,333
Adjustments for:			
Depreciation	27,968	35,689	62,506
Employee benefits	-	-	(3,000)
(Gain)/loss on disposal of property, plant and equipment	(4,372)	(2,176)	2,943
Foreign exchange gain	(51,308)	(11,350)	(30,692)
Income tax provision	585,712	465,141	892,229
Investment income earned	(60,842)	(83,477)	(176,612)
Items not affecting cash	2,184,187	1,789,432	3,758,707
Changes in:			
Accounts receivable	(78,430)	886,473	894,677
Income Tax Recoverable	(10,793)	(180,884)	405,816
Inventories	(125,562)	(194,585)	(32,307)
Accounts payable	(162,570)	(17,957)	(145,506)
Cash generated from operations	1,806,832	2,282,480	4,881,387
Income tax paid	(295,283)	(755,510)	(1,798,182)
Net cash provided by operating activities	1,511,549	1,526,970	3,083,205
<b>Cash provided by investing activities</b>			
Investment income received	65,026	85,536	179,283
Additions to property, plant and equipment	(15,333)	(52,364)	(56,763)
Proceeds of disposal of property, plant and equipment	5,050	5,932	3,085
Net cash provided by investing activities	54,743	39,104	125,605
<b>Cash used by financing activities</b>			
Dividends paid, being net cash used by financing activities	(1,553,408)	(1,846,943)	(4,342,104)
Net increase/(increase) in cash and cash equivalents before effect of foreign exchange rate changes	12,884	(280,869)	(1,133,294)
Effect of exchange rate changes on cash and cash equivalents	51,308	11,350	30,692
Cash and cash equivalents, at beginning of period	2,622,147	3,724,749	3,724,749
Cash and cash equivalents, at end of period	2,686,339	3,455,230	2,622,147

## **CARRERAS LIMITED**

### **Notes to the Unaudited Financial Statements Six months ended September 30, 2016**

#### **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. (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 and the Company's 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 six 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 period are as follows:

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

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

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

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

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

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

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

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual audited financial statements.

#### **4. Operating Revenue**

Operating revenue for the group and the company represents the invoiced value of products and services sold and includes special consumption tax aggregating \$2,753,823,000 (2015: \$2,416,237,000).

## CARRERAS LIMITED

### Notes to the Unaudited Financial Statements (continued) Six months ended September 30, 2016

#### 5. Other operating income

	<u>2016</u>	<u>2015</u>
	S'000	S'000
Interest Income	60,842	83,477
Exchange gains	51,308	11,350
Stock revaluation gain after excise increase	11,942	10,868
Unclaimed Dividends brought to books	-	23,615
Gain on disposal of property, plant and equipment	4,372	2,176
Miscellaneous Income	12,856	(6,337)
	<u>141,320</u>	<u>125,149</u>

#### 6. Income tax

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

#### 7. 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.

#### 8. Share capital

	<u>2016</u>	<u>2015</u>
	S'000	S'000
Authorised: 485,440,000 (2015: 485,440,000) ordinary shares of no par value		
Stated: Issued and fully paid: 485,440,000 (2015: 485,440,000) stock units of no par value	<u>121,360</u>	<u>121,360</u>

#### 9. Deferred Tax

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

#### 10. Dividends and Distributions

	<u>2016</u>	<u>2015</u>
	S'000	S'000
Declared and paid: First quarter ended June 30, 2016 Ordinary - 170¢ (2015: 200¢)	825,248	970,880
Second quarter ended September 30, 2016 Ordinary - 150¢ (2015: 120¢) Special Interim distribution - nil (2015: 60¢)	728,160 - -	582,528 291,264 2,271
Distribution to non-controlling interests, net	<u>1,553,408</u>	<u>1,846,943</u>