



CARRERAS LIMITED

On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the THIRD QUARTER ended December 31, 2018.

Performance Highlights are:

	9 months ended December 31, 2018 \$M	9 months ended December 31, 2017 \$M	Variance
Operating revenue	9,861.5	9,533.6	3%
Interest and other investment income	52.9	68.9	-23%
Net income	2,553.6	2,514.9	2%
Earnings per stock unit (cents)	52.6	51.8	2%
Distribution per stock unit (cents)	67.0	54.0	24%
Stockholders' return on equity (%)	190.2	124.4	65.8 ppts.

For the nine months ended December 31, 2018, Carreras Limited earned operating revenue of \$9,861.5 million and delivered net income of \$2,553.6 million, representing increases of 3% and 2%, respectively, compared to the corresponding period last year. As reported in previous months, this positive performance is underpinned by continued focus on cost management as well as a marginal recovery of volumes.

Having recorded revenue growth and modest increases in profitability since the beginning of the 2018/19 financial year, we remain cautiously optimistic that this trend will continue into the last quarter of the financial year. This positive trend along with the investment in our brands, our talented and dedicated team and our continued thrust to satisfy consumer moments augers well for the long-term sustainability of the business.

The Company also continued to impress upon the Government, the need for a sustainable excise strategy in light of the direct relationship between frequent and excessive increases in taxes and the rise of the illicit trade in cigarettes. On several occasions we have sought to draw this parallel to the 21.4% excise increase implemented on March 13, 2017, and an observed shift of volumes from the legal trade to the illegal trade, and its impact on Government's revenues. It is therefore critical to highlight that we are at a definitive point, where any further increases in excise will only serve to add greater fuel to the illegal trade, which will no doubt redound to the detriment of the Government's tax collection and regulation efforts. We also remain committed to supporting the initiatives by the authorities to stamp out the illicit trade in cigarettes and continue the call for stronger border protection and port monitoring towards stemming the influx of the illegal products into our market.

The Company will continue to implement initiatives to stabilise our sales volumes, as well as to recover volumes which were transferred from the legal trade and channelled directly to the illicit trade as a result of the excise increase.

Administrative, distribution and marketing expenses totalled \$1,544.0 million (2017: \$1,495.5 million) for the nine-month period ended December 31, 2018. This 3% increase in overheads versus the similar period last year, is due mainly to heightened investments in our brands as well as increased costs for

security and motor vehicle running costs, including fuel. The Company remains vigilant in seeking opportunities to reduce overheads.

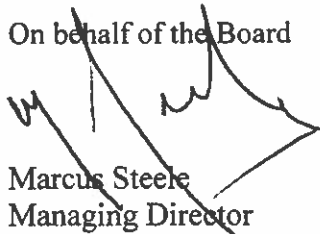
Interest and other investment income declined by 23% to \$52.9 million (2017: \$68.9 million) during the period due mainly to reductions in market interest rates and a lower investment balance compared to the same period last year.

During the quarter ended December 31, 2018, Cigarette Company of Jamaica Limited (In Voluntary Liquidation) (CCJ) was fully wound up and is awaiting the dissolution letter from the Registrar of Companies. Carreras Limited having received its final distribution from CCJ, paid a special distribution of \$534.0 million or \$0.11 per stock unit to its stockholders on August 30, 2018.

Including this special distribution from the proceeds of the CCJ liquidation, for the ninth-month period ended December 31, 2018, the Company distributed \$3,253.8 million, a 24% increase over the comparative period last year.

Stockholders, I am also pleased to report that the Board of Directors has approved an interim dividend payment of \$0.18 per stock unit, totalling \$873.8 million, to be paid out of accumulated profits on March 14, 2019 to stockholders as shown on the Register of Members as at February 21, 2019. This is in keeping with our dividend policy and demonstrates the Company's continued commitment to enhancing shareholder value.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Marcus Steele', is written over a large, stylized, hand-drawn scribble that partially obscures the text below it.

Marcus Steele
Managing Director

CARRERAS LIMITED

**Group Statement of Financial Position
As at December 31, 2018**

	Notes	Unaudited	Unaudited	Audited
		Dec-18	Dec-17	Mar-18
		\$000	\$000	\$000
Assets				
Deferred tax asset		32,285	6,280	6,916
Retirement benefit asset		181,900	200,800	181,900
Property, plant and equipment		386,439	353,351	337,251
		600,624	560,431	526,067
Cash and cash equivalents		1,949,541	2,741,476	2,306,972
Accounts receivable		861,289	822,771	910,995
Income tax recoverable		34,678	17,860	10,957
Inventories		164,895	216,339	233,179
		3,010,403	3,798,446	3,462,103
Total Assets		3,611,027	4,358,877	3,988,170
Equity:				
Share capital	7	121,360	121,360	121,360
Reserves:				
Unappropriated profits		1,221,097	1,900,182	1,920,034
		1,221,097	1,900,182	2,041,394
Total attributable to stockholders of parent		1,342,457	2,021,542	2,041,394
Non-Controlling Interest		-	1,246	1,275
Total equity		1,342,457	2,022,788	2,042,669
Liabilities				
Retirement benefit obligation		253,800	273,800	253,800
Non-current liability		253,800	273,800	253,800
Accounts payable		1,116,030	924,738	840,442
Income tax payable		898,740	1,137,551	851,259
Current liabilities		2,014,770	2,062,289	1,691,701
Total liabilities		2,268,570	2,336,089	1,945,501
Total equity and liabilities		3,611,027	4,358,877	3,988,170

Approved for issue by the Board of Directors on 6 February 2019 and signed on its behalf by:



Marcus Steele
Managing Director



Janene Shaw
Finance Director

CARRERAS LIMITED

Group Statement of Comprehensive Income For the nine months ended December 31, 2018

	Notes	Unaudited		Unaudited		Audited
		9 months		3 months		12 months
		Dec-18	Dec-17	Dec-18	Dec-17	Mar-18
		\$'000	\$'000	\$'000	\$'000	\$'000
Operating revenue	4	9,861,540	9,533,555	3,552,966	3,470,153	12,550,132
Cost of operating revenue		(4,956,228)	(4,742,222)	(1,799,719)	(1,737,413)	(6,249,282)
Gross operating profit		4,905,312	4,791,333	1,753,247	1,732,740	6,300,850
Other operating income		48,312	56,614	(28,946)	(105,421)	233,721
		4,953,624	4,847,947	1,724,301	1,627,319	6,524,571
Administrative, distribution and marketing expenses		(1,544,029)	(1,495,533)	(637,135)	(505,852)	(1,847,945)
Employee benefits expense		-	-	-	-	(39,300)
Profit before income tax		3,409,595	3,352,414	1,087,166	1,121,467	4,637,326
Income tax	5	(856,031)	(837,523)	(276,232)	(279,303)	(1,152,696)
Profit for the period		2,553,564	2,514,891	810,934	842,164	3,484,630
Other comprehensive income						
Items that will never be reclassified to profit or loss:						
Remeasurement gain on obligation		-	-	-	-	(101,600)
Remeasurement gain on plan assets		-	-	-	-	317,000
Change in effect of asset ceiling		-	-	-	-	(186,700)
Income tax on other comprehensive income		-	(84)	(22,011)	512	(7,761)
Other comprehensive income, net of tax		-	(84)	(22,011)	512	20,939
Total comprehensive income for the period		2,553,564	2,514,807	788,923	842,676	3,505,569
Profit attributable to:						
Minority interests		53	5	(0)	(30)	34
Stockholders in parent		2,553,511	2,514,886	810,934	842,194	3,484,596
		2,553,564	2,514,891	810,934	842,164	3,484,630
Total comprehensive income attributed to:						
Minority interests		53	5	(0)	(30)	34
Stockholders in parent		2,553,511	2,514,802	788,923	842,706	3,505,535
		2,553,564	2,514,807	788,923	842,706	3,505,569
Earnings per ordinary stock unit	6	52.60¢	51.81¢	16.71¢	17.35¢	71.80¢

CARRERAS LIMITED

Group Statement of Changes in Equity
For the nine months ended December 31, 2018

	Share Capital	Unappropriated Profits	Total	Minority Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balances at March 31, 2017	121,360	2,006,755	2,128,115	1,241	2,129,356
Profit for the period	-	2,514,886	2,514,886	5	2,514,891
Deferred tax on reserves of subsidiary in liquidation	-	(84)	(84)	-	(84)
Total comprehensive income for the period	-	2,514,802	2,514,802	5	2,514,807
Transactions with owners					
Dividends paid, being total transactions with owners (note 8)	-	(2,621,375)	(2,621,375)	-	(2,621,375)
Total transactions with owners	-	(2,621,375)	(2,621,375)	-	(2,621,375)
Unaudited Balances at December 31, 2017	121,360	1,900,182	2,021,542	1,246	2,022,788

Balances at March 31, 2018	121,360	1,920,034	2,041,394	1,275	2,042,669
Profit for the period	-	2,553,511	2,553,511	53	2,553,564
Total comprehensive income for the period	-	2,553,511	2,553,511	53	2,553,564
Transactions with owners					
Dividends paid, being total transactions with owners (note 8)	-	(3,252,448)	(3,252,448)	(1,328)	(3,253,776)
Total transactions with owners	-	(3,252,448)	(3,252,448)	(1,328)	(3,253,776)
Unaudited Balances at December 31, 2018	121,360	1,221,097	1,342,457	-	1,342,457

CARRERAS LIMITED

Company Statement of Changes in Equity For the nine months ended December 31, 2018

	Share Capital	Revenue Reserves	Total
	\$'000	\$'000	\$'000
Balances at March 31, 2017	121,360	1,611,795	1,733,155
Profit for the period	-	2,514,861	2,514,861
Total comprehensive income for the period	-	2,514,861	2,514,861
Dividends paid, being total transactions with owners (note 8)	-	(2,621,375)	(2,621,375)
Unaudited Balances at December 31, 2017	121,360	1,505,281	1,626,641

Balances at March 31, 2018	121,360	1,512,813	1,634,173
Profit for the period	-	3,080,282	3,080,282
Total comprehensive income for the period	121,360	3,080,282	3,080,282
Dividends paid, being total transactions with owners (note 8)	-	(3,252,448)	(3,252,448)
Elimination of Investment in Subsidiary (note 9)	-	(190,745)	(190,745)
Unaudited Balances at December 31, 2018	121,360	1,149,902	1,271,262

CARRERAS LIMITED

Group Statement of Cash Flows For the nine months ended December 31, 2018

	Unaudited		Audited
	6 months		12 months
	Dec-18	Dec-17	Mar-18
	\$'000	\$'000	\$'000
Cash flows from operating activities:			
Profit for the period	2,553,564	2,514,891	3,484,630
Adjustments for:			
Depreciation	65,906	55,703	77,084
Employee benefits		-	27,600
(Gain) on disposal of property, plant and and equipment	(2,650)	(95)	(7,186)
Foreign exchange gain	15,046	115,504	7,632
Income tax provision	608,183	837,523	1,152,696
Investment income earned	(52,875)	(68,929)	(89,326)
Items not affecting cash	3,187,174	3,454,597	4,653,130
Changes in:			
Accounts receivable	47,900	(218,118)	(298,362)
Inventories	68,284	256,379	239,539
Accounts payable	275,590	128,557	44,261
Cash generated from operations	3,578,948	3,621,415	4,638,568
Income tax paid	(609,792)	(693,061)	(1,295,936)
Net cash provided by operating activities	2,969,156	2,928,354	3,342,632
Cash provided by investing activities			
Investment income received	54,679	76,268	88,685
Additions to property, plant and equipment	(115,093)	(123,750)	(114,275)
Proceeds of disposal of property, plant and equipment	2,650	14,941	7,276
Net cash provided by investing activities	(57,764)	(32,541)	(18,314)
Cash used by financing activities			
Dividends paid, being net cash used by financing activities	(3,253,776)	(2,621,375)	(3,592,256)
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes	(342,384)	274,438	(267,938)
Effect of exchange rate changes on cash and cash equivalents	(15,046)	(115,504)	(7,632)
Cash and cash equivalents, at beginning of period	2,306,972	2,582,542	2,582,542
Cash and cash equivalents, at end of period	1,949,542	2,741,476	2,306,972

CARRERAS LIMITED

Notes to the Unaudited Financial Statements Nine months ended December 31, 2018

1. General

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

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

2. Statement of compliance and basis of preparation

(a) Basis of preparation

This condensed consolidated interim financial report for the reporting period ended December 31, 2018 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 standards, being IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. The impact of both standards is not considered material to the group for disclosure, hence the immateriality exemption under IAS 1 'Presentation of Financial Statements', has been applied.

(b) Changes in significant accounting policies

(i) IFRS 9, 'Financial instruments',

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, and impairment of financial assets.

IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

Application of Simplified Approach

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilized in determining the lifetime ECLs for trade receivables.

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Notes to the Unaudited Financial Statements (Continued) **Nine months ended December 31, 2018**

2. Statement of compliance and basis of preparation (cont'd)

(b) Changes in significant accounting policies (cont'd)

Application of Simplified Approach (cont'd)

The lifetime ECL's are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

The adoption of IFRS 9 from April 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IAS 8 [7.2.15] comparative figures have not been restated. Further, as stated above, the immateriality exemption under IAS 1 'Presentation of Financial Statements', has been applied.

(i) IFRS 15 'Revenue from contracts with customers',

IFRS 15 replaces the provisions of IAS 18 that relate to the recognition of revenue. Revenue from the sale of goods is currently recognised when the goods are delivered to the customers, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Also, the standard has changed the way the Group accounts for rebates, discounts or other consideration payable to customers. Certain payments to indirect customers, previously shown as marketing expenses under IAS 18, is currently shown as a deduction from revenues.

The adoption of IFRS 15 from April 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15 [C3(b)], comparative figures have not been restated. Further, as stated above, the immateriality exemption under IAS 1 'Presentation of Financial Statements', has been applied.

(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 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.

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Notes to the Unaudited Financial Statements (Continued) **Nine months ended December 31, 2018**

2. Statement of compliance and basis of preparation (cont'd)

(c) Accounting estimates and judgments (cont'd):

In particular, except for the impact of the application of IFRS 9 which is described under note 2 (b), the significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustments in the next period are as follows:

(i) Key source of estimation uncertainty

Employee benefits:

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

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

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

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

3. Significant Accounting Policies

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

4. Operating Revenue

Operating revenue for the group and the company represents the invoiced value of products and services sold and includes special consumption tax aggregating \$4,279,845,000 (2017: \$4,113,781,000).

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Notes to the Unaudited Financial Statements (Continued) Nine months ended December 31, 2018

5. Taxation

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

	<u>2018</u> S'000	<u>2017</u> S'000
Current:		
Provision for charge on current period's profit at 25%	855,543	837,374
Deferred:		
Origination and reversal of temporary differences	<u>488</u>	<u>149</u>
Taxation expense for the period	<u>856,031</u>	<u>837,523</u>

A provision had been made in the financial statements for deferred transfer tax on undistributed reserves of the subsidiary in liquidation. On May 30, 2018, the subsidiary in liquidation declared a final distribution to its shareholders, as a result derecognizing the deferred transfer tax in the financial statements.

6. Earnings per stock unit

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

7. Share capital

	<u>2018</u> S'000	<u>2017</u> S'000
Authorised:		
4,854,400,000 (2017: 4,854,400,000) ordinary shares of no par value		
Stated:		
Issued and fully paid:		
4,854,400,000 (2017: 4,854,400,000) stock units of no par value	<u>121,360</u>	<u>121,360</u>

On September 20, 2017 at the Annual General Meeting of the company, a resolution was passed that each ordinary share in the capital of the company be sub-divided into 10 ordinary shares (10:1). The passing of this resolution resulted in the total issued shares in the capital of the company increasing from 485,440,000 ordinary shares of no par value to 4,854,400,000 ordinary shares of no par value, issued as stock units.