



On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the **THIRD QUARTER** ended December 31, 2016.

Performance Highlights are:

	9 months ended December 31, 2016 \$'M	9 months ended December 31, 2015 \$'M	Variance
Gross Operating Revenue	10,479.1	9,173.9	14%
Total Operating Revenue	10,563.0	9,231.7	14%
Interest Income	87.2	118.7	-27%
Net Income	2,791.7	2,275.0	23%
EPS (cents)	575.1	468.6	23%

For the nine months ended December 31, 2016, Carreras Limited earned total operating revenue of \$10,563.0 million (2015: \$9,231.7 million) and delivered net income of \$2,791.7 million (2015: \$2,275.0 million). These results compare favourably to the corresponding period last year as operating income and net income grew by 14% and 23%, respectively. The company achieved a net income margin of 27% (2015: 25%) and a return on equity of 127% (2015: 115%), both achieving growth over the same period last year. The top line growth of 14% in relation to the net income growth of 23% speaks very clearly to the management's focus on expenses and the success in reducing its cost base.

We continue to invest in our portfolio of brands, namely the core brands, Craven "A" and Matterhorn which returned solid performances for the period under review in line with expectations. The industry volumes experienced a decline in consumption after the Government implemented a \$2.00 per stick or 17% increase in special consumption tax on cigarettes on May 13, 2016, marking two consecutive years of increase. This increase had a negative impact on the volume of cigarettes consumed during the period. We continue to note the inverse relationship between sales volumes and increases in excise which ultimately leads to the surge in the illicitly traded products in the market. We continue to encourage the authorities to build on the successes achieved so far in containing the influx of illicit cigarettes into the domestic market.

Administrative, distribution and marketing expenses totalling \$1,485.9 million (2015: \$1,628.3 million) has decreased by \$142.4 million or 9%. The reduction in expenses is due mainly to efficiencies gained from the implementation of a new route to market structure on February 1, 2016. In addition to the efficiencies gained through the supply chain, cost savings were achieved through management's keen attention to other cost containment and cost reduction initiatives.

Compared to the prior period, interest income decreased by 27%. This is due mainly to the reductions in market interest rates.

Shareholders, I am also pleased to report that the Board of Directors has approved an interim dividend payment of \$2.20 per stock unit to be paid on March 15, 2017 out of accumulated profits.

On behalf of the Board


Marcus Steele
Managing Director

CARRERAS LIMITED

Group Statement of Financial Position As at December 31, 2016

				Group Statement of Financial Position		
				Unaudited	Unaudited	Audited
				31-Dec-16	31-Dec-15	31-Mar-16
Notes				\$000	\$000	\$000
Assets						
Employee benefit asset				168,200	260,600	168,200
Property, plant and equipment				312,925	267,077	236,485
Non-current assets				481,125	527,677	404,685
Cash and cash equivalents				2,943,358	3,038,869	2,622,147
Accounts receivable				849,912	699,780	448,005
Income tax recoverable				33,726	302,550	16,473
Inventories				217,882	358,283	220,879
Current assets				4,044,878	4,399,482	3,307,504
Total assets				4,526,003	4,927,159	3,712,189
Equity						
Share capital				121,360	121,360	121,360
Reserves:						
Unappropriated profits				2,066,237	1,834,547	1,631,980
Other				-	22,322	22,322
				2,066,237	1,856,869	1,654,302
Total attributable to stockholders of parent				2,187,597	1,978,229	1,775,662
Non-controlling interest				1,216	1,149	1,152
Total equity				2,188,813	1,979,378	1,776,814
Liabilities						
Deferred tax liability				1,431	20,624	12,056
Employee benefits obligation				218,700	227,500	218,700
Non-current liabilities				220,131	248,124	230,756
Current Liabilities						
Accounts payable				1,105,096	1,583,679	1,135,063
Income tax payable				1,011,963	1,115,978	569,556
Current Liabilities				2,117,059	2,699,657	1,704,619
Total Liabilities				2,337,190	2,947,781	1,935,375
Total equity and liabilities				4,526,003	4,927,159	3,712,189

Approved for issue by the Board of Directors on 2 February 2017 and signed on its behalf by:

Marcus Steele
Managing Director

Janene Shaw
Finance Director

CARRERAS LIMITED

Group Statement of Profit or Loss and Other Comprehensive Income For the nine months ended December 31, 2016

Group Statement of Comprehensive Income						
		UNAUDITED 9 months		UNAUDITED 3 months to		AUDITED 12 months
	Notes	Dec-16 \$'000	Dec-15 \$'000	Dec-16 \$'000	Dec-15 \$'000	Mar-16 \$'000
Operating revenue	4	10,479,140	9,173,946	4,106,752	3,490,206	11,980,138
Cost of operating revenue		(5,427,264)	(4,753,666)	(2,156,369)	(1,857,358)	(6,243,890)
Gross operating profit		5,051,876	4,420,280	1,950,383	1,632,848	5,736,248
Other operating income	5	171,071	176,540	29,751	51,391	247,635
		5,222,947	4,596,820	1,980,134	1,684,239	5,983,883
Administrative expenses		(932,706)	(1,003,245)	(282,869)	(244,992)	(1,210,613)
Distribution and marketing expenses		(553,178)	(625,055)	(232,943)	(321,474)	(860,608)
Employee benefits expense		-	-	-	-	(9,100)
Profit before income tax		3,737,063	2,968,520	1,464,322	1,117,773	3,903,562
Income tax	6	(945,314)	(693,487)	(359,602)	(228,346)	(892,229)
Profit for the period		2,791,749	2,275,033	1,104,720	889,427	3,011,333
Other comprehensive income						
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		(1,094)	36,477	(86)	(1,986)	58,004
Other comprehensive income, net of tax		(1,094)	36,477	(86)	(1,986)	(28,596)
Total comprehensive income for the year		2,790,655	2,311,510	1,104,634	887,441	2,982,737
Profit attributable to:						
Non-controlling interests		64	139	5	116	142
Stockholders' interests in parent		2,791,685	2,274,894	1,104,715	889,311	3,011,191
		2,791,749	2,275,033	1,104,720	889,427	3,011,333
Total comprehensive income attributed to:						
Non-controlling interests		64	139	5	116	142
Stockholders' interests in parent		2,790,591	2,311,371	1,104,629	887,325	2,982,595
		2,790,655	2,311,510	1,104,634	887,441	2,982,737
Earnings per ordinary stock unit	7	575.08¢	468.63¢	227.57¢	183.20¢	620.30¢

CARRERAS LIMITED

Group Statement of Changes in Equity For the nine months ended December 31, 2016

	Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Total attributable to stockholders \$'000	Non-controlling Interests \$'000	Total \$'000
Balances at March 31, 2015	121,360	3,028,074	22,322	3,171,756	3,281	3,175,037
Profit for the year	-	2,274,894	-	2,274,894	139	2,275,033
Deferred tax on reserves of subsidiaries in liquidation	-	36,477	-	36,477		36,477
Total comprehensive income for the period	-	2,311,371	-	2,311,371	139	2,311,510
Transactions with owners						
Transfer tax paid on intra-group distributions	-	(38,856)	-	(38,856)	-	(38,856)
Dividends and distributions (note 10)	-	(3,466,042)	-	(3,466,042)	(2,271)	(3,468,313)
Total transactions with owners	-	(3,504,898)	-	(3,504,898)	(2,271)	(3,507,169)
Unaudited Balances at December 31, 2015	121,360	1,834,547	22,322	1,978,229	1,149	1,979,378

Balances at March 31, 2016	121,360	1,631,980	22,322	1,775,662	1,152	1,776,814
Profit for the year	-	2,791,685	-	2,791,685	64	2,791,749
Transfers	-	22,322 (1,094)	(22,322) -	(1,094)		(1,094)
Deferred tax on reserves of subsidiaries in liquidation	-	2,812,913	(22,322)	2,790,591	64	2,790,655
Total comprehensive income for the period						
Transactions with owners						
Dividends and distributions (note 10)	-	(2,378,656)	-	(2,378,656)	-	(2,378,656)
Total transactions with owners	-	(2,378,656)	-	(2,378,656)	-	(2,378,656)
Unaudited Balances at December 31, 2016	121,360	2,066,237	-	2,187,597	1,216	2,188,813

CARRERAS LIMITED

**Company Statement of Changes in Equity
For the nine months ended December 31, 2016**

Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Total \$'000
121,360	1,760,455	22,322	1,904,137
-	3,142,190	-	3,142,190
-	3,142,190	-	3,142,190
-	(3,466,042)	-	(3,466,042)
121,360	1,436,603	22,322	1,580,285

Balances at March 31, 2015

Profit for the year

Total comprehensive income for the period

Dividends paid (note 10), being total transactions with owners

Unaudited Balances at December 31, 2015

Balances at March 31, 2016	121,360	1,231,362	22,322	1,375,044
Profit for the period	-	2,806,601	-	2,806,601
Transfers		22,322	(22,322)	-
Total comprehensive income for the period	-	2,828,923	(22,322)	2,806,601
Dividends paid (note 10), being total transactions with owners	-	(2,378,656)	-	(2,378,656)
Unaudited Balances at December 31, 2016	121,360	1,681,629	-	1,802,989

CARRERAS LIMITED

Group Statement of Cash Flows For the nine months ended December 31, 2016

	UNAUDITED		AUDITED
	9 months		12 months
	31-Dec-16	31-Dec-15	31-Mar-16
	\$'000	\$'000	\$'000
Cash flows from operating activities:			
Profit for the period	2,791,749	2,275,033	3,011,333
Adjustments for:			
Depreciation	41,946	52,287	62,506
Employee benefits	-	-	(3,000)
(Gain)/loss on disposal of property, plant and equipment	(12,881)	(1,885)	2,943
Foreign exchange gain	(49,078)	(2,750)	(30,692)
Income tax provision	945,314	693,487	892,229
Investment income earned	(87,175)	(118,747)	(176,612)
Items not affecting cash			
	3,629,875	2,897,425	3,758,707
Changes in:			
Accounts receivable	(407,488)	639,079	894,677
Income Tax Recoverable	(17,253)	119,739	405,816
Inventories	2,997	(169,711)	(32,307)
Accounts payable	(29,967)	303,110	(145,506)
Cash generated from operations	3,178,164	3,789,642	4,881,387
Income tax paid	(514,626)	(1,065,977)	(1,798,182)
Net cash provided by operating activities	2,663,538	2,723,665	3,083,205
Cash provided by investing activities			
Investment income received	92,755	125,241	179,283
Additions to property, plant and equipment	(121,555)	(75,155)	(56,763)
Proceeds of disposal of property, plant and equipment	16,051	5,932	3,085
Net cash (used)/provided by investing activities	(12,749)	56,018	125,605
Cash used by financing activities			
Dividends paid, being net cash used by financing activities	(2,378,656)	(3,468,313)	(4,342,104)
Net increase/(decrease) in cash and cash equivalents before effect of foreign exchange rate changes	272,133	(688,630)	(1,133,294)
Effect of exchange rate changes on cash and cash equivalents	49,078	2,750	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	2,943,358	3,038,869	2,622,147

CARRERAS LIMITED

Notes to the Unaudited Financial Statements Nine months ended December 31, 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 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 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 \$4,588,310,000 (2015: \$3,930,820,000).

CARRERAS LIMITED

Notes to the Unaudited Financial Statements (continued) Nine months ended December 31, 2016

5. Other operating income

	<u>2016</u>	<u>2015</u>
	S'000	S'000
Interest Income	87,175	118,747
Exchange gains	49,078	2,750
Stock revaluation gain after excise increase	11,942	10,868
Unclaimed Dividends written back	-	23,615
Gain on disposal of property, plant and equipment	12,881	1,885
Miscellaneous Income	9,995	18,675
	<u>171,071</u>	<u>176,540</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¢)	728,160	582,528
Special Interim distribution - nil (2015: 60¢)	-	291,264
Third quarter ended December 31, 2016		
Ordinary - 170¢ (2015: 140¢)	825,248	679,616
Special Interim distribution - nil (2015: 194¢)	-	941,754
Total dividends to stockholders	<u>2,378,656</u>	<u>3,466,042</u>
Distribution to non-controlling interests, net	-	2,271
	<u>2,378,656</u>	<u>3,468,313</u>