



CARRERAS LIMITED

A proud Jamaican Company since 1962

# Addendum II

## 2017 Annual Report



Strength in people  
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## Addendum II: Annual Report 2017

# Memorandum to Stockholders

**To: Stockholders of Carreras Limited (“Carreras”)**

**Re: Proposed Stock Split**

On August 8, 2017, your Board of Directors resolved to recommend to you for approval at this year’s Annual General Meeting a 10-for-1 stock split of the company’s ordinary shares.

To assist you in understanding the proposed stock split, your Board has provided the rationale for its decision to recommend it for consideration, as well as answers to a number of questions that you may have.

### Rationale

The main objective for increasing the number of authorized and issue shares in a company is to improve the liquidity of the stock, that is, to make the stock easier to buy or sell for our stockholders and those who wish to become stockholders.

The considerations involved in deciding whether to recommend the sub-division of the issued shares of the company are independent of the company’s financial performance. Neither the earnings nor any of the ratios that are used to evaluate the company’s financial performance will be affected by the increase in the number of issued shares. Investor’s expectations of the company’s future financial performance and valuation will largely determine the stock’s performance on the stock exchange before and after a split.

Executing a 10-for-1 stock split would result in the number of issued shares increasing to approximately 4.9 billion units. This would be the highest among the largest JSE-listed companies which provides retail investors a greater ability to trade positions. At current prices for Carreras’ shares, small retail investors are less able and less inclined to establish an equity position in the company, given the cost of acquiring the standard board lot of 100 shares.

Accordingly, the sub-division of the shares helps to make the company’s shares more affordable to small investors and provides greater marketability and liquidity in the market. It should be borne in mind that the market action of retail investors is one of the key drivers in stock market activity.

## Frequently Asked Questions (FAQ)

### 1. What Is a Stock Split?

A stock split is a corporate action that increases the number of the company's outstanding shares by dividing each share, which in turn proportionately reduces its price on the stock market on which the shares are listed. The stock's market capitalization therefore remains the same. For example, with a 2-for-1 stock split, each stockholder receives an additional share for each share held, but the value of each share is reduced by half.

### 2. Why did the Board of Directors consider splitting the stock now?

The decision to split the stock was made by Carreras' Board of Directors, in response to requests that our stockholders have made from time to time, and was based upon a desire to provide greater liquidity and wider distribution for our stockholders and to allow our stock to be more accessible and attractive to a broader range of investors. Having consulted with our advisors and given the matter due consideration, we were of the opinion that it was the correct thing to do.

### 3. Does the stock split dilute the value of my Carreras shares by increasing the number of shares?

No, the stock split will not dilute the value of your Carreras shares. Each investor will have the same proportionate interest in Carreras before and after the stock split.

### 4. How does a 10-for-1 stock split actually work?

A 10-for-1 split means you will have ten times as many shares as you had before, at initially one-tenth of the market price.

For example, if you own 100 shares on the record date at \$90/share, the total value of your investment in Carreras shares will be \$9,000. After the split you will own 1,000 shares, but the market price for those shares will be \$9/share. Accordingly, your total investment in Carreras shares will remain the same at \$9,000 until the stock price moves up or down.

	Before the Split	After the Split
Number of Carreras shares	100	1,000
Fair Market Value	\$90	\$9
Value	1000 x \$90 = <b>\$9,000</b>	1,000 x \$9 = <b>\$9,000</b>

### 5. Do I need to pay anything for these new stocks units which are allocated to me?

No.

### 6. What is the effective date of the split?

There are two key dates that stockholders should be aware of:

- (i) The **record/effective date** determines which stockholders will be entitled to receive additional shares due to the split.

(ii) The **ex-stock split date** is two business days prior to the record date.

## 7. What do I do with my existing stock certificate(s)?

Existing stock certificates are valid. Keep stock certificates in a safe place such as a safety deposit box as they are valuable documents. Do not destroy them. The stock certificates will be revalued in the share registration system and upon representation for transfer or sale the original stock certificate(s) or indemnity, in lieu of missing certificates, will be required.

For stockholders whose share account resides with the Jamaica Central Securities Depository (JCSD), the conversion will be automatic and the holdings increased accordingly.

## 8. What if I want a certificate for the newly issued shares?

This is possible on surrender of the existing certificate(s) / indemnity.

If the stockholder has their account at the Jamaica Central Securities Depository (JCSD) and would like a certificate for their shares, the client will need to make a withdrawal request through their respective stockbroker.

## 9. I think I own shares but can't find my stock certificates. Who do I contact?

Registrar and Transfer Office,  
Sagicor Bank Corporate Trust Service Unit,  
28 – 48 Barbados Avenue,  
Kingston 5

## 10. I hold shares in a brokerage account. How will my post-stock split shares be credited?

If you hold shares in a brokerage account, the additional shares will automatically be deposited to your brokerage.

Please contact your broker with any questions you may have.

## 11. When will the market price reflect the split?

The market price is adjusted based on the ratio of the stock split on the ex-stock split date. The ex-stock split date is two business days prior to the record date.

## 12. Will future declared cash dividends apply to my new shares?

In the future, the cash dividend will apply to both old (pre-split) and new (post-split) shares.

## 13. What happens if I sell some of my shares before the record date?

If you sell shares before the record date, you will not be entitled to receive the additional split shares on the shares you sell.

**14. What happens if I purchase or sell Carreras Limited shares on or before the ex-stock split date?**

If shares are purchased on and or after the ex-stock split date, the purchasing shareholder will NOT be entitled to the additional shares, as a result of the stock split on the record date.

If the shares are purchased prior to the ex-stock split date, the purchasing shareholder will be entitled to the additional (stock split) shares on record date.

If shares are sold on and or after the ex-stock split date, the selling shareholder will be entitled to the additional shares, as a result of the stock split on the record date.

If the shares are sold prior to the ex-stock split date, the selling shareholder will NOT be entitled to the additional (stock split) shares on record date.

**15. Is this stock split a taxable transaction for me?**

While each stockholder should consult with a tax advisor regarding specific tax circumstances, the receipt of the additional shares will not result in taxable income under existing Jamaican tax law.

**16. What if I have more questions?**

For more information about the stock split, please contact our Registrar and Transfer Office, Sagicor Bank Corporate Trust Service Unit, 28 – 48 Barbados Avenue, Kingston 5, by telephone: (876) 936-7382-7 or by e-mail: [sbj\\_registrar@sagicor.com](mailto:sbj_registrar@sagicor.com).

If you hold shares in a brokerage account, please contact your broker directly with any question you may have.





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