



On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the THIRD QUARTER ended December 31, 2017.

Performance Highlights are:

	9 months ended December 31,2017 \$M	9 months ended December 31,2016 \$M	Variance
Gross operating revenue	9,533.6	10,479.1	-9%
Total operating revenue	9,521.3	10,563.0	-10%
Interest and other investment income	68.9	87.2	-21%
Net income	2,514.9	2,791.7	-10%
EPS (cents)*	51.8	57.5	-10%

*Restated for comparison purposes due to the 10-for-1 stock split, which was effective September 20, 2017.

Carreras Limited earned total operating revenue of \$9,533.6 million and returned net income of \$2,514.9 million for the nine months ended December 31, 2017. Both total operating revenue and net income show decreases of 10% when compared with the corresponding period in the prior year. The Company has experienced a decline in its sales volume since the excise lead price increase implemented on March 13, 2017 of \$3 per stick or 21.4%. The legal sales volume lost is being channelled directly to the illicit trade which continues to expand as a result of the continuous and excessive excise increases levied on the legal industry over the past 3 years.

We have noted in previous reports that this excise lead price increase has significantly impacted the affordability of cigarettes, which in turn, has resulted in a decline in legal volumes, and by extension, the revenue collected by the Government. For the 2017/18 fiscal year, the Government had announced that revenues from tobacco would increase by \$826.0 million with the increase in the SCT rate from \$14 to \$17 per stick. However, based on the actual volume performance to December 31, 2017, it is evident that this target will not be achieved. In fact, the Government is also on track to collect approximately \$1.0 billion less than its collection in 2016/17, which taken together, is an overall reduction of \$1.826 billion compared to its projections.

The fact is, having increased the tobacco excise rate by 62% over the 2015 – 2017 period, and now collecting less revenues than during the period prior to the excise increases, it is critical for the Government to review this recent SCT rate increase with a view to making an adjustment which would address the issue of declining legal volumes as a result of affordability issues, and in doing so, recovering its revenues lost. We believe this should be a part of an overall plan to implement a more sustainable tobacco excise strategy that will directly address the continued transfer of legal volumes to the illegal trade. We are also calling on the Government, as a matter of urgency, to strengthen its port monitoring of containers coming into the island, and to ramp up its enforcement activities to clamp down on the prevalence of the illicit cigarettes within the marketplace.

Notwithstanding the above, the Company remains positive in its outlook and has continued to invest mainly in its core brands, Craven "A" and Matterhorn. The two new variants, one being Craven "A" Wild Rush and the other, Matterhorn Mojito Vybz, have so far provided innovation and enthusiasm among our consumers, and have resulted in an overall strengthening of our brands. "Fyah Grabba", having been successfully reintroduced in the market in September 2017, has been gaining traction and continues to excite our consumers in that segment. For the quarter ending March 2018, our campaign dubbed "Rhythm of Freshness" will be launched using the Bacchanal platform and will feature the Matterhorn Family, our flagship menthol brand. The Matterhorn family of three consists of the Original, Click & On and Mojito Vybz.

The strength of our brands, people and relationships continue to position us for the future.

Administrative, distribution and marketing expenses totalling \$1,495.5 million (2016: \$1,485.9 million) for the nine months ended December 31, 2017, is relatively flat compared to corresponding period in the prior year. Management continues to rigorously monitor and control expenses.

Interest and other investment income decreased by 21% to \$68.9 million for the period due mainly to lower market interest rates compared to the prior period.

For the nine-month period ended December 31, 2017, the Company distributed \$2.6 billion to shareholders representing a \$242.7 million or 10.2% increase over the comparative period last year. This demonstrates the Company's continued commitment in enhancing shareholder value.

Stockholders, I am also pleased to report that the Board of Directors has approved an interim dividend payment of \$0.20 per stock unit to be paid out of accumulated profits on March 14, 2018 to stockholders as shown on the Register of Members as at February 23, 2018.

On behalf of the Board



Marcus Steele
Managing Director

CARRERAS LIMITED

**Group Statement of Comprehensive Income
For the nine months ended December 31, 2017**

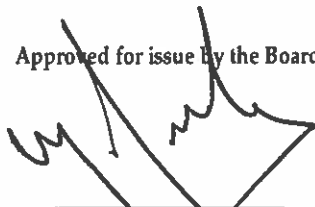
	Notes	Unaudited		Unaudited		Audited
		9 months		3 months		12 months
		Dec-17 \$'000	Dec-16 \$'000	Dec-17 \$'000	Dec-16 \$'000	Mar-17 \$'000
Operating revenue	4	9,533,555	10,479,140	3,470,153	4,106,752	13,509,228
Cost of operating revenue		(4,742,222)	(5,427,264)	(1,737,413)	(2,156,369)	(6,969,933)
Gross operating profit		4,791,333	5,051,876	1,732,740	1,950,383	6,539,295
Other operating income		56,614	171,071	(105,421)	29,751	342,922
		4,847,947	5,222,947	1,627,319	1,980,134	6,882,217
Administrative, distribution and marketing expenses		(1,495,533)	(1,485,884)	(505,852)	(515,812)	(1,840,028)
Employee benefits expense		-	-	-	-	(32,300)
Profit before income tax		3,352,414	3,737,063	1,121,467	1,464,322	5,009,889
Income tax	5	(837,523)	(945,314)	(279,303)	(359,602)	(1,203,567)
Profit for the period		2,514,891	2,791,749	842,164	1,104,720	3,806,322
Other comprehensive income						
Items that will never be reclassified to profit or loss:						
Remeasurement gain on obligation		-	-	-	-	33,200
Remeasurement gain on plan assets		-	-	-	-	413,200
Change in effect of asset ceiling		-	-	-	-	(453,900)
Income tax on other comprehensive income		(84)	(1,094)	512	(86)	344
Other comprehensive income, net of tax		(84)	(1,094)	512	(86)	(7,156)
Total comprehensive income for the year		2,514,807	2,790,655	842,676	1,104,634	3,799,166
Profit attributable to:						
Minority interests		5	64	(30)	5	89
Stockholders in parent		2,514,886	2,791,685	842,194	1,104,715	3,806,233
		2,514,891	2,791,749	842,164	1,104,720	3,806,322
Total comprehensive income attributed to:						
Minority interests		5	64	(30)	5	89
Stockholders in parent		2,514,802	2,790,591	842,706	1,104,629	3,799,077
		2,514,807	2,790,655	842,676	1,104,634	3,799,166
Earnings per ordinary stock unit	6	51.81¢	57.51¢	17.35¢	22.76¢	78.41¢

CARRERAS LIMITED


**Group Statement of Financial Position
As at December 31, 2017**

	Notes	Unaudited Dec-17 \$000	Unaudited Dec-16 \$000	Audited Mar-17 \$000
Assets				
Deferred Tax Asset	8	6,280	-	-
Retirement benefit asset		200,800	168,200	200,800
Property, plant and equipment		353,351	312,925	300,150
		560,431	481,125	500,950
Cash and cash equivalents		2,741,476	2,943,358	2,582,542
Accounts receivable		822,771	849,912	611,992
Income tax recoverable		17,860	33,726	8,496
Inventories		216,339	217,882	472,718
		3,798,446	4,044,878	3,675,748
Total Assets		4,358,877	4,526,003	4,176,698
Equity:				
Share capital	7	121,360	121,360	121,360
Unappropriated profits		1,900,182	2,066,237	2,006,755
Total attributable to stockholders of parent		2,021,542	2,187,597	2,128,115
Non-Controlling Interest		1,246	1,216	1,241
Total equity		2,022,788	2,188,813	2,129,356
Liabilities				
Deferred taxation liability	8	-	1,431	1,049
Retirement benefit obligation		273,800	218,700	273,800
Non-current liabilities		273,800	220,131	274,849
Current Liabilities				
Accounts payable		924,738	1,105,096	796,181
Income tax payable		1,137,551	1,011,963	976,312
		2,062,289	2,117,059	1,772,493
Total Liabilities		2,336,089	2,337,190	2,047,342
Total equity and liabilities		4,358,877	4,526,003	4,176,698

Approved for issue by the Board of Directors on February 7, 2018 and signed on its behalf by:



 Marcus Steele
 Managing Director



 Janene Shaw
 Finance Director

CARRERAS LIMITED

**Group Statement of Changes in Equity
For the nine months ended December 31, 2017**

	Share Capital	Unappropriated Profits	Capital Reserves	Total	Minority Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balances at March 31, 2016	121,360	1,631,980	22,322	1,775,662	1,152	1,776,814
Profit for the period	-	2,791,685	-	2,791,685	64	2,791,749
Transfers	-	22,322	(22,322)	-	-	-
Deferred tax on reserves of subsidiaries in liquidation	-	(1,094)	-	(1,094)	-	(1,094)
Total comprehensive income for the period	-	2,812,913	(22,322)	2,790,591	64	2,790,655
Transactions with owners						
Dividends paid, being total transactions with owners (note 9)	-	(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

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 subsidiaries in liquidation	-	(84)	-	(84)	-	(84)
Total comprehensive income for the period	-	2,514,802	-	2,514,802	5	2,514,807
Transactions with owners						
Transfer tax paid on intra-group distributions	-	-	-	-	-	-
Dividends paid, being total transactions with owners (note 9)	-	(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

CARRERAS LIMITED**Company Statement of Changes in Equity**
For the nine months ended December 31, 2017

	Share Capital	Revenue Reserves	Capital Reserves	Total
	\$'000	\$'000	\$'000	\$'000
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
Transfer		22,322	(22,322)	-
Total comprehensive income for the period	-	2,828,923	(22,322)	2,806,601
Dividends paid, being total transactions with owners (note 9)	-	(2,378,656)	-	(2,378,656)
Unaudited Balances at December 31, 2016	121,360	1,681,629	-	1,802,989

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 9)	-	(2,621,375)	-	(2,621,375)
Unaudited Balances at December 31, 2017	121,360	1,505,281	-	1,626,641

CARRERAS LIMITED**Group Statement of Cash Flows
For the nine months ended December 31, 2017**

	Unaudited		Audited
	9 months		12 months
	Dec-17	Dec-16	Mar-17
	\$'000	\$'000	\$'000
Cash flows from operating activities:			
Profit for the period	2,514,891	2,791,749	3,806,322
Adjustments for:			
Depreciation	55,703	41,946	57,407
Employee benefits	-	-	15,000
Gain on disposal of property, plant and equipment	(95)	(12,881)	(14,195)
Foreign exchange loss/(gain)	115,504	(49,078)	(52,202)
Income tax provision	837,523	945,314	1,203,567
Investment income earned	(68,929)	(87,175)	(108,262)
Items not affecting cash	3,454,597	3,629,875	4,907,637
Changes in:			
Accounts receivable	(218,118)	(407,488)	(163,198)
Inventories	256,379	2,997	(251,839)
Accounts payable	128,557	(29,967)	(338,882)
Cash generated from operations	3,621,415	3,195,417	4,153,718
Income tax paid	(693,061)	(531,879)	(799,497)
Net cash provided by operating activities	2,928,354	2,663,538	3,354,221
Cash provided by investing activities			
Investment income received	76,268	92,755	107,473
Additions to property, plant and equipment	(123,750)	(121,555)	(122,246)
Proceeds of disposal of property, plant and equipment	14,941	16,051	15,369
Net cash provided by investing activities	(32,541)	(12,749)	596
Cash used by financing activities			
Dividends paid, being net cash used by financing activities	(2,621,375)	(2,378,656)	(3,446,624)
Net increase/(decrease) in cash and cash equivalents before effect of foreign exchange rate changes	274,438	272,133	(91,807)
Effect of exchange rate changes on cash and cash equivalents	(115,504)	49,078	52,202
Cash and cash equivalents, at beginning of period	2,582,542	2,622,147	2,622,147
Cash and cash equivalents, at end of period	2,741,476	2,943,358	2,582,542

CARRERAS LIMITED

Notes to the Unaudited Financial Statements Nine months ended December 31, 2017

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 Jamaica 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 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 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 \$4,113,781,000 (2016: \$4,588,310,000).

CARRERAS LIMITED

Notes to the Unaudited Financial Statements Nine months ended December 31, 2017

5. Income tax

Income tax for the period comprises current and deferred tax based upon taxable profits.

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 number of issued and fully paid ordinary stock units.

	<u>2017</u>	<u>2016</u> (restated)
Profit for the period (\$'000)	2,514,886	2,791,685
Issued number of ordinary stock units	<u>4,854,400,000</u>	<u>4,854,400,000</u>
Basic earnings per stock unit	51.81¢	57.51¢

The issued number of ordinary stock units in the prior period has been restated for comparison purposes due to 10-for-1 stock split, which was effective September 20, 2017 (see note 7).

7. Share capital

	<u>2017</u> S'000	<u>2016</u> S'000
Authorised: 4,854,400,000 (2016: 485,440,000) ordinary shares of no par value		
Stated: Issued and fully paid: 4,854,400,000 (2016: 485,440,000) 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 issued ordinary shares in the capital of the Company be sub-divided into 10 ordinary shares. 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.

8. Deferred Tax

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

9. Dividends and Distributions

	<u>2017</u> S'000	<u>2016</u> S'000
Declared and paid:		
First quarter ended June 30, 2017 Ordinary - 0.21€ (2016: 0.17€)	<u>1,019,424</u>	<u>825,248</u>
Second quarter ended September 30, 2017 Ordinary -0.15€ (2016: 0.15€)	<u>728,160</u>	<u>728,160</u>
Third quarter ended December 31, 2017 Ordinary -0.18€ (2016: 0.17€)	<u>873,791</u>	<u>825,248</u>

The dividend per stock unit has been restated to reflect the 10-for-1 stock split, which was effective September 20, 2017 (see note 7).