CARRERAS LIMITED

FINANCIAL STATEMENTS

MARCH 31 2011

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
CARRERAS LIMITED

Report on the Financial Statements

We have audited the financial statements of Carreras Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 3 to 44, which comprise the group's and company's statement of financial position as at March 31, 2011 the group's and company's statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

To the Members of
CARRERAS LIMITED

Report on the Financial Statements, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company as at March 31, 2011 and of the group's and company's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

May 17, 2011

CARRERAS LIMITED

Group Statement of Comprehensive Income
Year ended March 31, 2011

	Notes	2011	2010
		$'000	$'000
Operating revenue	4	12,935,692	10,410,178
Cost of operating revenue		(6,950,221)	(5,327,592)
Gross operating profit		5,985,471	5,082,586
Employee benefit income	14(i)(d),14(ii)(c)	550,400	711,200
Other operating income	5	126,877	285,594
		6,662,748	6,079,380
Distribution and marketing expenses		(827,797)	(816,613)
Administrative expenses		(854,457)	(768,282)
		(1,682,254)	(1,584,895)
Profit before income tax	6	4,980,494	4,494,485
Income tax	7	(1,666,418)	(1,492,610)
Profit for the year		3,314,076	3,001,875
Other comprehensive income			
Defined benefit plan actuarial losses	14(i)(e),14(ii)(d)	(463,400)	(570,000)
Change in unrecognised employee benefit asset	14(i)(e)	(118,300)	(38,800)
Income tax on other comprehensive income		193,900	202,933
Deferred tax on subsidiaries		41,519	(155)
Other comprehensive losses, net of tax		(346,281)	(406,022)
Total comprehensive income for the year		2,967,795	2,595,853
Profit attributable to:			
Non-controlling interests		(21)	6
Stockholders' interests		3,314,097	3,001,869
		3,314,076	3,001,875
Total comprehensive income attributed to:			
Non-controlling interests		(21)	6
Stockholders in parent		2,967,816	2,595,847
		2,967,795	2,595,853
Earnings per ordinary stock unit	9	682.70¢	618.38¢

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Company Statement of Comprehensive Income
Year ended March 31, 2011

	Notes	2011	2010
		$'000	$'000
Operating revenue	4	12,935,692	10,410,178
Cost of operating revenue		(6,950,221)	(5,327,592)
Gross operating profit		5,985,471	5,082,586
Other operating income	5	129,370	254,530
Employee benefit income		550,400	711,200
		6,665,241	6,048,316
Expenses:			
Administrative, distribution and marketing		(1,663,442)	(1,548,374)
Profit before income tax	6	5,001,799	4,499,942
Income tax	7	(1,664,068)	(1,491,924)
Profit for the year	8	3,337,731	3,008,018
Other comprehensive (loss)/income			
Defined benefit plan actuarial losses	14(i)(e),14(ii)(d)	(463,400)	(570,000)
Change in unrecognised employee benefit asset	14(i)(e)	(118,300)	(38,800)
Income tax on other comprehensive income		193,900	202,933
Other comprehensive loss net of tax		(387,800)	(405,867)
Total comprehensive income for the year		2,949,931	2,602,151

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Group Statement of Financial Position
March 31, 2011

	Notes	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	10	1,769,750	1,464,345
Resale agreements	11	997,318	741,029
Accounts receivable	12	422,961	312,259
Income tax recoverable		111,174	152,172
Inventories	3 (e)	359,527	211,098
		3,660,730	2,880,903
Current liabilities			
Accounts payable	13	932,822	965,468
Income tax payable		1,268,710	932,256
		2,201,532	1,897,724
Net current assets		1,459,198	983,179
Non-current assets:			
Retirement benefit asset	14	278,100	259,200
Income tax recoverable	24	1,733,137	1,733,137
Property, plant and equipment	15	140,190	114,724
		3,610,625	3,090,240
Equity:			
Share capital	16	121,360	121,360
Reserves:			
Unappropriated profits		1,317,333	776,717
Capital		22,322	22,322
Other		1,870,762	1,870,762
		3,210,417	2,669,801
Total attributable to stockholders of the parent		3,331,777	2,791,161
Non-controlling interest		4,785	4,806
Total equity		3,336,562	2,795,967
Non-current liabilities:			
Deferred tax liability	17	118,063	169,973
Retirement benefit obligation	14	156,000	124,300
		3,610,625	3,090,240

The financial statements on pages 3 to 44 were approved for issue by the Board of Directors on May 17, 2011 and signed on its behalf by:

____________________ Director
Richard Pandohie

____________________ Director
Marcus Steele

The accompanying notes form an integral part of the financial statements.

Company Statement of Financial Position
March 31, 2011

	Notes	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	10	1,316,078	991,334
Resale agreements	11	946,785	693,347
Accounts receivable	12	420,463	310,618
Income tax recoverable		28,848	65,448
Inventories	3 (e)	359,527	211,099
		3,071,701	2,271,846
Current liabilities			
Accounts payable	13	895,927	937,854
Income tax payable		1,176,905	834,326
		2,072,832	1,772,180
Net current assets		998,869	499,666
Non-current assets:			
Investment in subsidiary companies	22	206,294	206,294
Retirement benefit asset	14	278,100	259,200
Property, plant and equipment	15	148,559	122,884
		1,631,822	1,088,044
Equity:			
Share capital	16	121,360	121,360
Reserves:			
Capital		22,322	22,322
Unappropriated profits		1,296,485	773,754
		1,318,807	796,076
Total equity		1,440,167	917,436
Non-current liabilities:			
Deferred tax liability	17	35,655	46,308
Retirement benefit obligation	14	156,000	124,300
		1,631,822	1,088,044

The financial statements on page 3 to 44 were approved for issue by the Board of Directors on May 17, 2011 and signed on its behalf by:

_______________ Director
Richard Pandohie

_______________ Director
Marcus Steele

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Statement of Changes in Equity
Year ended March 31, 2011

The Group

	Share capital (note 16) $'000	Unappropriated profits $'000	Capital reserves $'000	Other reserve $'000	Total attributable to equity holders $'000	Non-controlling interest $'000	Total $'000
Balances at March 31, 2009	121,360	1,578,950	22,322	1,870,762	3,593,394	4,800	3,598,194
Profit for the year	-	3,001,869	-	-	3,001,869	6	3,001,875
Defined benefit plan actuarial gains/(losses), net of tax	-	(380,000)	-	-	(380,000)	-	(380,000)
Change in unrecognised employee benefit asset, net of tax	-	(25,867)	-	-	(25,867)	-	(25,867)
Deferred tax on reserves of subsidiaries in liquidation	-	(155)	-	-	(155)	-	(155)
Total comprehensive income for the year	-	2,595,847	-	-	2,595,847	6	2,595,853
Dividends paid (note 21), being total transactions with owners	-	(3,398,080)	-	-	(3,398,080)	-	(3,398,080)
Balances at March 31, 2010	121,360	776,717	22,322	1,870,762	2,791,161	4,806	2,795,967
Profit for the year	-	3,314,097	-	-	3,314,097	(21)	3,314,076
Defined benefit plan actuarial gains/(losses), net of tax	-	(308,933)	-	-	(308,933)	-	(308,933)
Change in unrecognised employee benefit asset, net of tax	-	(78,867)	-	-	(78,867)	-	(78,867)
Deferred tax on reserves of subsidiaries in liquidation	-	41,519	-	-	41,519	-	41,519
Total comprehensive income for the year	-	2,967,816	-	-	2,967,816	(21)	2,967,795
Dividends paid (note 21), being total transactions with owners	-	(2,427,200)	-	-	(2,427,200)	-	(2,427,200)
Balances at March 31, 2011	121,360	1,317,333	22,322	1,870,762	3,331,777	4,785	3,336,562

Statement of Changes in Equity
Year ended March 31, 2011

The Company

	Share capital (note 16) $'000	Unappropriated profits $'000	Capital reserves $'000	Total $'000
Balances at March 31, 2009	121,360	1,569,683	22,322	1,713,365
Profit for the year	-	3,008,018	-	3,008,018
Defined benefit plan actuarial gains/(losses), net of tax	-	(380,000)	-	(380,000)
Change in employee benefit asset net of tax	-	(25,867)	-	(25,867)
Total comprehensive income for the year	-	2,602,151	-	2,602,151
Dividends paid (note 21), being total transactions with owners	-	(3,398,080)	-	(3,398,080)
Balances at March 31, 2010	121,360	773,754	22,322	917,436
Profit for the year	-	3,337,731	-	3,337,731
Defined benefit plan actuarial gains/(losses), net of tax	-	(308,933)	-	(308,933)
Change in unrecognised employee benefit asset, net of tax	-	(78,867)	-	(78,867)
Total comprehensive income for the year	-	2,949,931	-	2,949,931
Dividends paid (note 21), being total transactions with owners	-	(2,427,200)	-	(2,427,200)
Balances at March 31, 2011	121,360	1,296,485	22,322	1,440,167

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Statement of Group Cash Flows
Year ended March 31, 2011

	Notes	2011 $'000	2010 restated $'000
Cash flows from operating activities			
Profit for the year		3,314,076	3,001,875
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Items not involving cash:			
Depreciation	15	48,884	40,833
Employee benefits		(568,900)	(727,600)
Income tax expense	7	1,666,418	1,492,610
Foreign exchange gain		48,911	(4,945)
Gain on disposal of property, plant and equipment and investments		(3,533)	(1,039)
Investment income earned		(138,890)	(269,142)
Operating profit before changes in working capital and provisions		4,366,966	3,532,592
Changes in:			
Accounts receivable		(101,182)	16,479
Inventories		(148,429)	(25,283)
Accounts payable		(32,646)	(384,994)
Cash generated from operations		4,084,709	3,138,794
Income tax paid		(1,105,457)	(1,671,959)
Net cash provided by operating activities		2,979,252	1,466,835
Cash flows from investing activities			
Resale agreement, net		(256,289)	1,312,443
Investment income received		129,370	283,685
Additions to property, plant and equipment	15	(75,262)	(53,913)
Proceeds of disposal of property, plant and equipment, investments and investment properties		4,445	1,310
Net cash (used)/provided by investing activities		(197,736)	1,543,525
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities		(2,427,200)	(3,398,080)
Net increase/ (decrease) in cash and cash equivalents before effect of foreign exchange rate changes		354,316	(387,720)
Effect of exchange rate changes on cash and cash equivalents		(48,911)	4,945
Cash and cash equivalents at beginning of year		1,464,345	1,847,120
Cash and cash equivalents at end of year	10	1,769,750	1,464,345

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED

Statement of Company Cash Flows
Year ended March 31, 2011

	Notes	2011 $'000	2010 restated $'000
Cash flows from operating activities			
Profit for the year		3,337,731	3,008,018
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Items not involving cash:			
Depreciation	15	48,675	39,552
Employee benefits		(568,900)	(727,600)
Gain on disposal of property, plant and equipment and investments		(3,533)	(1,039)
Foreign exchange gain		30,081	(3,378)
Income tax expense	7	1,664,068	1,491,924
Investment income earned		(122,553)	(245,684)
Operating profit before changes in working capital and provisions		4,385,569	3,561,793
Changes in:			
Accounts receivable		(101,183)	19,600
Inventories		(148,428)	(25,283)
Accounts payable		(41,926)	(386,592)
Cash generated from operations		4,094,032	3,169,518
Income tax paid		(1,101,643)	(1,666,303)
Net cash provided by operating activities		2,992,389	1,503,215
Cash flows from investing activities			
Investments, net		(253,438)	1,229,688
Investment income received		113,891	260,263
Additions to property, plant and equipment	15	(75,262)	(53,913)
Proceeds of disposal of property, plant and equipment, investments and investment properties		4,445	1,310
Net cash (used)/provided by investing activities		(210,364)	1,437,348
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities		(2,427,200)	(3,398,080)
Net increase/(decrease) in cash and cash equivalents before effect of foreign exchange rate changes		354,825	(457,517)
Effect of foreign exchange rate changes		(30,081)	3,378
Cash and cash equivalents at beginning of year		991,334	1,445,473
Cash and cash equivalents at end of year	10	1,316,078	991,334

The accompanying notes form an integral part of the financial statements.

1. **Identification and principal activity**

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 is Twickenham Park, St. Catherine, Jamaica.

2. **Statement of compliance and basis of preparation**

(a) Statement of compliance:

New and revised standards and interpretations that became effective during the year

A certain new and revised standards and interpretations which was in issue came into effect for the current financial year, as follows:

- Revised IFRS 3, *Business Combinations,* and Amended IAS 27, *Consolidated and Separate Financial Statements*, amended the definition of business combination and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements were introduced. The standard did not have a significant impact on the financial statements.

New and revised standards and interpretations that are not yet effective

At the date of approval of the financial statements, certain new and revised standards and interpretations were in issue but are not yet effective and have not been early-adopted. Management has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has concluded as follows:

- Amendment to IFRS 7, *Disclosures – Transfer of Financial Assets,* is effective for annual reporting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets. The Group is assessing the impact the amendment will have on the financial statements.

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

New and revised standards and interpretations that are not yet effective (cont'd)

(a) Statement of compliance (cont'd):

- *IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* The amendment is effective for annual reporting periods beginning on or after January 1, 2011. It applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset. Management is assessing the impact that the interpretation will have on the financial statements.

- IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2013, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, *Financial Instruments: Recognition and Measurement,* on the recognition and de-recognition of financial assets and financial liabilities. Management does not expect the amendment to this standard to have a significant impact on its financial statements.

- IAS 24, *Related Party Disclosures, Revised,* which is effective for annual reporting periods beginning on or after January 1, 2011, amends the definition of a related party and also expands the list of transactions that require disclosure. Management is assessing the impact that the amendment will have on the financial statements.

- *Improvements to IFRS* (2010) contain amendments to six standards and to one interpretation and are effective for annual reporting periods beginning on or after July 1, 2010 or January 1, 2011. The main applicable amendment is as follows:

  - IAS 1, *Presentation of Financial Statements,* which is effective for annual reporting periods beginning on or after January 1, 2011, is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners. Management does not expect the amendment to this standard to have a significant impact on the financial statements.

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

(b) 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 group and the company.

(c) Accounting estimates and judgements:

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgements, 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 reporting date and the income and expenses for the year 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts could differ from these estimates.

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.

(i) Key source of estimation uncertainty

- Employee benefits:

  The amounts recognised in the statement of financial position and statement of comprehensive income for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised 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.

Notes to the Financial Statements (Continued)
March 31, 2011

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

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

(i) Key source of estimation uncertainty (cont'd)

- Allowance for losses

  In determining amounts recorded for allowance for losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from investments, notes receivable and other financial assets, for example, repayment default and adverse economic conditions. The specific counterparty of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparties' financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and estimate of cash flows considered recoverable are independently approved by the Credit and Market Risk functions.

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

3. **Significant accounting policies**

(a) Basis of consolidation:

Subsidiaries are entities controlled by the company. Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements combine the financial position of the company and its subsidiaries as at March 31, 2011 and their results of operations and cash flows for the year then ended, after eliminating all significant intra-group amounts. The company and its subsidiaries are collectively referred to in the financial statements as "the Group".

(b) Cash and cash equivalents:

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The amounts included are short-term fixed deposits.

3. **Significant accounting policies (cont'd)**

(c) Securities purchased under resale agreements:

Securities purchased under resale agreements ('resale agreements') are short-term transactions in which the group and the company make funds available to other parties and in turn receive securities which they agree to resell on a specified date at a specified price. Resale agreements are accounted for as short-term collateralised lending, and carried at amortised cost.

The difference between the purchase and resale consideration is recognised on the accrual basis over the period of the contract using the effective interest method and is included in interest income.

(d) Accounts receivable:

Trade and other receivables are stated at amortised cost, less impairment losses.

(e) Inventories:

Inventories comprising finished products are valued at the lower of cost, determined principally on the weighted average cost basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(f) Accounts payable:

Accounts payable are stated at amortised cost.

A provision is recognised in the statement of financial position when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(g) Related parties:

A party is related to the group, if:

(i) directly, or indirectly through one or more intermediaries, the party:

(a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(b) has an interest in the entity that gives it significant influence over the entity; or

(c) has joint control over the entity;

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venturer;

3. **Significant accounting policies (cont'd)**

(g) Related parties (cont'd):

A party is related to the group, if (cont'd):

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(h) Property, plant and equipment:

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses [note (o)].

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the group and the company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

With the exception of freehold land, on which no depreciation is provided, property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of such assets, at the following annual rates:

Buildings	1.4% to 2.5%
Leasehold improvements	8% to 11%
Machinery, furniture and equipment	3.3% to 33.3%
Motor vehicles	20% to 33.3%

The depreciation methods, useful lives and residual values are reassessed annually at the reporting date.

(i) Income tax:

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

3. **Significant accounting policies (cont'd)**

(i) Income tax (cont'd):

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

(ii) Deferred income tax

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. The group's and the company's monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling at that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(k) Revenue recognition:

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, receipt of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods.

(l) Other operating income:

Other operating income comprises interest income, dividend income, gains on disposal of property, plant and equipment, investment property and investments. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the group's and the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Notes to the Financial Statements (Continued)
March 31, 2011

3. **Significant accounting policies (cont'd)**

(m) Leases:

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease.

(n) Employee benefits:

Employee benefits are all forms of consideration given by the group and the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, vacation leave; non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

Post-employment benefits are accounted for as described below. Other long-term benefits are not considered material and are charged off when incurred.

Post-employment benefits, comprising pensions and other post-employment obligations included in the financial statements, are actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the group's and the company's post-employment benefit obligation as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

(i) Defined-benefit pension plan

The group's and the company's net obligation in respect of their defined-benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted.

The discount rate applied is the yield at the reporting date on long-term government instruments that have maturity dates approximating the terms of the group's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of comprehensive income on the straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the group's and the company's profit or loss.

3. **Significant accounting policies (cont'd)**

(n) Employee benefits (cont'd):

(ii) Post-employment health and group life insurance benefits

The group and the company provide post-employment health care and group life insurance benefits, which are not entitlements, to certain of its retirees. These benefits are usually conditional upon the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans and the present value of future benefits at the reporting date is shown as an obligation on the reporting.

(o) Impairment:

The carrying amounts of the group's and the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the group's and the company's profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of the group's and the company's investments in loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. An impairment loss in respect of an available-for-sale investment is calculated by reference to its current fair value. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. **Significant accounting policies (cont'd)**

(o) Impairment (cont'd):

(ii) Reversals of impairment

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversal of impairment losses is recognised in profit or loss, except for available-for-sale equity securities, which is recognised in other comprehensive income.

(p) Fair value:

Definition of fair value

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price. If no quoted market price exists, the fair value is determined using other appropriate valuation methodologies.

Fair values shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

Determination of fair value

The fair value of all financial instruments included in current assets and current liabilities are considered to approximate their carrying values, due to their short-term nature. The fair values of amounts due from and due to subsidiary companies are assumed to approximate carrying values. The fair value of the underlying securities of resale agreements is based on the bid price of the securities at the end of the reporting period.

4. **Operating revenue**

Operating revenue for the group and the company represents the invoiced value of products and services sold, inclusive of special consumption and excise taxes, and exclude intra-group trading.

5. **Other operating income**

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest income:				
Cash and cash equivalents	72,565	74,070	60,217	58,484
Resale agreements	66,325	195,072	62,336	187,200
Exchange(loss)/gains	(48,911)	4,945	(30,081)	3,378
Gain on disposal of property, plant, equipment and investment properties	3,533	1,039	3,533	1,039
Miscellaneous income	33,365	10,468	33,365	4,429
	126,877	285,594	129,370	254,530

6. **Profit before income tax**

The following are among the items charged in arriving at profit before income tax:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Depreciation	48,884	40,833	48,675	39,552
Auditors' remuneration	5,470	4,972	4,840	4,400
Directors' emoluments:				
Fees	5,827	5,886	5,827	5,886
Management services	206,335	233,720	206,335	233,720

7. **Income tax**

The Group

(a) Income tax is computed at 33⅓% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2011	2010
	$'000	$'000
Current:		
Provision for charge on current year's profit	1,482,817	1,255,502
Adjustment in respect of prior year's provision	92	2,945
	1,482,909	1,258,447
Deferred:		
Origination and reversal of temporary differences	183,509	234,163
	1,666,418	1,492,610

Notes to the Financial Statements (Continued)
March 31, 2011

7. **Income tax (cont'd)**

The Group (cont'd)

(b) Reconciliation of effective tax rate and charge:

	2011		2010	
	%	$'000	%	$'000
Profit before taxation		4,980,494		4,494,485
Computed "expected" tax charge	33.33	1,660,165	33.33	1,498,162
Taxation difference between profit for financial statements and tax reporting purposes on –				
Effect of tax losses	0.06	2,937	0.05	2,546
Depreciation and capital allowances	(0.14)	(7,131)	(0.19)	(8,807)
Gain on sale of investments and fixed assets	(0.03)	(1,482)	(0.01)	(346)
Unrealised foreign exchange gains/(loss)	0.24	12,029	(0.04)	(2,246)
Other adjustments	-	(100)	0.07	3,301
Actual tax rate and charge	33.46	1,666,418	33.25	1,492,610

(c) At March 31, 2011 taxation losses in subsidiaries, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, amounted to approximately $803,298,523 (2010: $794,444,728).

The Company

(d) Income tax is computed at 33⅓% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2011	2010
	$'000	$'000
Current:		
Provision for charge on current year's profit	1,480,821	1,254,517
Adjustment in respect of prior year's provision	-	3,245
	1,480,821	1,257,762
Deferred:		
Origination and reversal of temporary differences	183,247	234,162
	1,664,068	1,491,924

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2011

7. **Income tax (cont'd)**

The Company (cont'd)

(e) Reconciliation of effective tax rate and charge:

	2011		2010	
	%	$'000	%	$'000
Profit before taxation		5,001,799		4,499,942
Computed "expected" tax charge	33.33	1,667,266	33.33	1,499,981
Taxation difference between profit for financial statements and tax reporting purposes on –				
Depreciation and capital allowances	(1.43)	(7,131)	(0.20)	(9,234)
Gain on sale of investments and fixed assets	(0.30)	(1,482)	(0.01)	(346)
Unrealised foreign exchange gains	0.11	5,654	(0.04)	(1,723)
Other adjustments	(0.05)	(239)	0.07	3,246
Actual tax rate and charge	31.68	1,664,068	33.15	1,491,924

8. **Profit for the year**

	2011 $'000	2010 $'000
Profit for the year, dealt with in the financial statements of the company	3,337,731	3,008,018
This amount is made up as follows:		
Amount reported in the financial statements of the company	3,337,731	3,008,018
Amount dealt with in consolidated profit for the year	3,337,731	3,008,018

9. **Earnings per ordinary stock unit**

Earnings per ordinary stock unit is calculated by dividing $3,314,097,000 (2010: $3,001,869,000) the profit attributable to stockholders arising by 485,440,000, the number of stock units in issue.

10. **Cash and cash equivalents**

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Demand and call deposits	981,825	1,044,918	587,567	634,134
Short-term fixed deposits	787,925	419,427	728,511	357,200
	1,769,750	1,464,345	1,316,078	991,334

11. **Resale agreements**

This represents purchases of Government of Jamaica securities under agreements that they will be resold by the group and the company to financial institutions and brokers on specified dates, at specified amounts. These are, in effect, collateralised lending to the financial institutions and brokers.

11. **Resale agreements (cont'd)**

The market value of the underlying securities as at March 31, 2011 was $1,106,957,573 and $1,051,890,476 (2010: $774,106,635 and $725,098,885) for the group and the company, respectively.

12. **Accounts receivable**

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade accounts receivable	156,055	145,658	156,055	145,658
Interest and other investment income receivable	14,051	4,531	12,606	3,944
Prepayments	16,108	18,243	16,108	18,243
Other receivables and				
advances - pension scheme	5,792	5,792	5,792	5,792
- other related parties	99,256	99,891	99,256	99,891
- other	136,817	45,201	135,764	44,147
	428,079	319,316	425,581	317,675
Less: Provision for doubtful debts	(5,118)	(7,057)	(5,118)	(7,057)
	422,961	312,259	420,463	310,618

During the year, net bad debts recognised aggregated $3,614,000 (2010: $162,000) in the group and the company.

The group and the company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 20.

13. **Accounts payable**

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade accounts payable	22,705	12,891	22,705	12,891
General consumption tax payable	27,067	70,122	27,067	70,122
Other related parties	71,644	31,881	71,644	31,881
Unclaimed Dividends	551,023	533,059	551,023	533,059
Other	260,383	317,515	223,488	289,901
	932,822	965,468	895,927	937,854

Article 117 of the Articles of Association provides that dividends declared after the date of adoption of this Article which remain unclaimed after a period of twelve years from the date of declaration shall be forfeited and revert to the Company.

14. Retirement benefit (asset)/obligation

Retirement benefits currently comprise the following:

- Pensions, which are provided for by means of a contributory pension scheme for all employees who have satisfied certain minimum service requirements. This is a trustee-administered contributory scheme, the assets of which are held separately from those of the group and the company.

The Carreras Group Limited Superannuation Scheme "the old scheme" was discontinued with effect from 31 December 2006 and a replacement fund ("the new fund") was established with effect from 1 January 2007. The new fund has two sections – a defined benefit (DB) section and a defined contribution (DC) section. The current pensioners and deferred pensioners will be transferred to the DB section of the new fund and current employees have opted to transfer their actuarial reserve or a part thereof to the new fund. The transfer will take effect once the scheme of distribution of surplus in the old scheme has been approved by the Financial Services Commission (FSC).

The employees who were members of the old scheme are now participating in the DB section of the new fund whilst the employees after 31 December 2006 are participating in the DC section of the new fund.

Various benefit improvements have been proposed for the pensioners, deferred pensioners and active members of the old scheme. Once the scheme of distribution has been approved by the FSC, transfers will be made to the new fund in respect of service up to 31 December 2006.

The actuarial valuation has been prepared allowing for the improvement in benefits in the new fund both in respect of service before and after 31 December 2006.

- Post-employment health and group life insurance benefits.

The amounts recognised in the group's and company's statement of financial position in respect of retirement benefits are as follows:

	The Group and The Company	
	2011	2010
	$'000	$'000
Pension benefits	(278,100)	(259,200)
Post employment health and group life insurance benefits	156,000	124,300

The amounts recognised are computed as follows:

(i) Pension benefits

(a) Asset recognised in the statement of financial position:

	The Group and The Company	
	2011	2010
	$'000	$'000
Present value of funded obligations	2,440,200	1,932,600
Fair value of plan assets	(8,828,700)	(8,183,900)
Present value of net obligations	(6,388,500)	(6,251,300)
Unrecognised amount due to limitation	6,110,400	5,992,100
Asset recognised in balance sheet	(278,100)	(259,200)

Notes to the Financial Statements (Continued)
March 31, 2011

14. **Retirement benefit (asset)/obligation (cont'd)**

The amounts recognised are computed as follows (cont'd):

(i) Pension benefits (cont'd)

(b) Movements in the net asset recognised in the statement of financial position:

	The Group and The Company	
	2011 $'000	2010 $'000
Net asset at beginning of year	(259,200)	(108,400)
Contributions paid	(9,300)	(9,800)
Expenses recognised in the statement of comprehensive income	(9,600)	(141,000)
Net asset at end of year	(278,100)	(259,200)

(c) Movements in plan assets:

	The Group and The Company	
	2011 $'000	2010 $'000
Fair value of plan assets at beginning of year	8,183,900	7,056,600
Expected return on plan assets	815,700	978,900
Contributions paid	21,100	22,500
Benefits paid	(74,100)	(151,100)
Actuarial (loss)/gain on plan assets	(117,900)	277,000
Fair value of plan assets at end of year	8,828,700	8,183,900

	The Group and The Company	
	2011 $'000	2010 $'000
Plan assets consist of the following:		
Equities	1,586,800	1,424,100
Real property	565,000	526,800
Resale agreements	5,787,100	5,436,300
Leased assets	33,700	50,600
Net current assets	856,100	746,100
	8,828,700	8,183,900

14. **Retirement benefit (asset)/obligation (cont'd)**

The amounts recognised are computed as follows (cont'd):

(i) Pension benefits (cont'd)

(d) Expenses recognised in the group's and company's statements of comprehensive income:

	The Group and The Company	
	2011	2010
	$'000	$'000
Past service costs	-	88,400
Current service costs	24,600	11,000
Interest costs	222,000	150,700
Expected return on plan assets	(815,700)	(978,900)
	(569,100)	(728,800)
Actual return on plan assets	697,800	1,255,900

(e) Actuarial losses recognised in the group and company's other comprehensive income:

	2011	2010
	$'000	$'000
Change in disallowed asset	118,300	38,800
Actuarial losses, net	441,200	549,000
	559,500	587,800

(f) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2011	2010
	%	%
Discount rate	10.5	11.5
Expected return on plan assets	7.5	10.0
Future salary increases	7.5	8.5
Future pension increases	6.0	6.0

Assumptions regarding future mortality are based on PA (90) Tables with ages reduced by six years.

(g) The expected long-term rate of return is based on 7.5% per annum.

(h) The pension plan assets include ordinary shares issued by the company with a fair value of $847,242,484 (2010: $ 679,194,388).

Notes to the Financial Statements (Continued)
March 31, 2011

14. **Retirement benefit (asset)/obligation (cont'd)**

(ii) Post employment health and group life insurance benefits

(a) Liability recognised in statement of finanacial position

	The Group and The Company	
	2011	2010
	$'000	$'000
Present value of funded obligations, being liability recognised in statement of financial position	156,000	124,300

(b) Movements in the net liability recognised in the Group's and the Company's statement of financial position:

	The Group and The Company	
	2011	2010
	$'000	$'000
Net liability at the beginning of the year	124,300	92,300
Contributions paid	(9,200)	(6,600)
Expense recognised in the statement of comprehensive income	40,900	38,600
Net liability at the end of the year	156,000	124,300

(c) Expense recognised in the group and the company's statements of comprehensive income:

	The Group and The Company	
	2011	2010
	$'000	$'000
Past service costs	600	-
Current service costs	3,900	2,900
Interest on obligation	14,200	14,700
	18,700	17,600

(d) Actuarial loss recognised in the group and the company's other comprehensive income:

	2011	2010
	$'000	$'000
Recognised during period	22,200	21,000

14. **Retirement benefit (asset)/obligation (cont'd)**

(ii) Post employment health and group life insurance benefits (cont'd)

(e) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2011 %	2010 %
Discount rate	10.5	11.5
Annual increase in health care costs	9.5	10.5

(f) Assumed health care cost trends have a significant effect on the amounts recognised in the statement of comprehensive income. A one percent point change in assumed health care cost trend rates would have the following effects:

	One percentage point increase		One percentage point decrease	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Effect on the aggregate service and interest cost	3,600	3,100	2,700	2,300
Effect on the defined benefit obligation	24,300	18,700	19,200	14,900

(g) Historical information:

(i) Defined benefit pension plan:

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Present value of the defined benefit obligation	(2,440,200)	(1,932,600)	(994,900)	(1,287,500)	(896,800)
Fair value of plan assets	8,828,700	8,183,900	7,056,600	7,168,100	5,867,000
Experience adjustments on plan liabilities	(85,600)	(202,300)	87,700	254,500	(73,500)
Experience adjustments arising on plan assets	(117,900)	277,000	(953,200)	869,000	467,100

Notes to the Financial Statements (Continued)
March 31, 2011

14. **Retirement benefit (asset)/obligation (cont'd)**

(ii) Post employment health and group life insurance benefits (cont'd)

(g) Historical information (cont'd):

(ii) Post employment medical and life insurance benefits:

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Present value of the defined benefit obligation	156,000	124,300	92,300	74,500	63,100
Experience adjustments arising on plan liabilities	(22,000)	(20,200)	(11,200)	1,400	3,000

15. **Property, plant and equipment**

The Group

	Freehold land $'000	Buildings and leasehold improvements $'000	Work-in-progress, machinery, furniture, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2009	342	54,474	236,465	291,281
Additions		2,938	50,975	53,913
Disposals and write offs	-	-	(2,324)	(2,324)
March 31, 2010	342	57,412	285,116	342,870
Additions		21,550	53,712	75,262
Disposals and write offs	-	-	(20,231)	(20,231)
March 31, 2011	342	78,962	318,597	397,901
Depreciation:				
March 31, 2009	-	30,051	159,315	189,366
charge for the year		4,944	35,889	40,833
Eliminated on disposals and write offs	-	-	(2,053)	(2,053)
March 31, 2010	-	34,995	193,151	228,146
Charge for the year	-	6,333	42,551	48,884
Eliminated on disposals and write offs	-	-	(19,319)	(19,319)
	-	41,328	216,383	257,711
Net book values:				
March 31, 2011	342	37,634	102,214	140,190
March 31, 2010	342	22,417	91,965	114,724
March 31, 2009	342	24,423	77,150	101,915

15. **Property, plant and equipment (cont'd)**

The Company

	Freehold land and buildings $'000	Work-in-progress $'000	Machinery, furniture, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2009	45,459	46,056	142,534	234,049
Additions	-	53,913	-	53,913
Transfers	2,938	(84,931)	81,993	-
Disposals	-	-	(2,324)	(2,324)
March 31, 2010	48,397	15,038	222,203	285,638
Additions	-	75,262	-	75,262
Transfers	21,550	(90,300)	68,750	-
Disposals	-	-	(20,231)	(20,231)
March 31, 2011	69,947	-	270,722	340,669
Depreciation:				
March 31, 2009	23,208	-	102,047	125,255
charge for the year	4,944	-	34,608	39,552
Eliminated on disposals	-	-	(2,053)	(2,053)
March 31, 2010	28,152	-	134,602	162,754
charge for the year	6,333	-	42,342	48,675
Eliminated on disposals	-	-	(19,319)	(19,319)
March 31, 2011	34,485	-	157,625	192,110
Net book values:				
March 31, 2011	35,462	-	113,097	148,559
March 31, 2010	20,245	15,038	87,601	122,884
March 31, 2009	22,251	46,056	40,487	108,794

16. **Share capital**

	2011 ($'000)	2010 ($'000)
Authorised:		
485,440,000 (2010: 485,440,000) ordinary shares of no par value		
Stated, issued and fully paid:		
485,440,000 (2010: 485,440,000) stock units of no par value	121,360	121,360

17. **Deferred tax asset/(liability)**

(a) Deferred tax assets and liabilities are attributable to the following:

The Group

	Assets		Liabilities		Net	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Deferred tax on reserves of subsidiaries in liquidation	-	-	(81,960)	(123,479)	(81,960)	(123,479)
Accounts payable	2,679	339	-	-	2,679	339
Property, plant and equipment	6,568	-	-	(366)	6,568	(366)
Retirement benefit obligation	52,000	41,433	(92,700)	(86,400)	(40,700)	(44,967)
Accounts receivable	-	-	(4,650)	(1,500)	(4,650)	(1,500)
	61,247	41,772	(179,310)	(211,745)	(118,063)	(169,973)

The Company

	Assets		Liabilities		Net	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Accounts payable	2,679	339	-	-	2,679	339
Property, plant and equipment	6,568	-	-	(366)	6,568	(366)
Retirement benefit obligation	52,000	41,433	(92,700)	(86,400)	(40,700)	(44,967)
Accounts receivable	-	-	(4,202)	(1,314)	(4,202)	(1,314)
	61,247	41,772	(96,902)	(88,080)	(35,655)	(46,308)

(b) Movement in temporary differences during the year are as follows:

The Group

	Balance at 01.04.10 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.11 $'000
Deferred tax on reserves of subsidiaries in liquidation	(123,479)	41,519	-	(81,960)
Accounts payable	339	-	2,340	2,679
Property, plant and equipment	(366)	-	6,934	6,568
Retirement benefit obligation	(44,967)	193,900	(189,633)	(40,700)
Interest receivable	(1,500)	-	(3,150)	(4,650)
	(169,973)	235,419	(183,509)	(118,063)

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2011

17. **Deferred tax asset/(liability) (cont'd)**

(c) Movement in temporary differences during the year are as follows (cont'd):

The Company

	Balance at 01.04.10 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.11 $'000
Accounts payable	339	-	2,340	2,679
Property, plant and equipment	(366)	-	6,934	6,568
Retirement benefit obligation	(44,967)	193,900	(189,633)	(40,700)
Accounts receivable	(1,314)	-	(2,888)	(4,202)
	(46,308)	193,900	(183,247)	(35,655)

(d) The group and the company have not recognised a deferred tax asset arising in subsidiaries in respect of the following items:

	2011 $'000	2010 $'000
Tax losses	246,766	264,815

A deferred tax asset has not been recognised because it is not probable that the subsidiaries will have sufficient taxable profits in the foreseeable future to realise the benefit.

18. **Related party transactions**

The group's and the company's statement of revenue and expenses includes the following expenses incurred in transactions with related parties, in the ordinary course of business.

	The Group and the Company 2011 $'000	2010 $'000
(a) Purchases from related companies - cigarettes	523,679	503,083
(b) Technical fees paid to parent company	101,746	121,600
(c) Technical fees paid to other related company	201,387	211,905
(d) Carreras Limited Superannuation Scheme:		
Expenses incurred with the scheme:		
Lease of motor vehicles and equipment	27,588	29,228
Dividends	70,020	98,028
(e) Key management personnel - short-term employee benefits	106,837	94,530
- post-employment benefits	40,400	136,700
- other long-term benefits	120,791	5,407
	268,028	236,637

All related party transactions were undertaken in the normal course business.

Notes to the Financial Statements (Continued)
March 31, 2011

19. Staff costs

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Salaries and profit-related pay	484,969	447,693	484,969	447,693
Statutory payroll contributions	38,950	39,113	38,950	39,113
	523,919	486,806	523,919	486,806
Cost of post-retirement benefits, net	22,100	(109,000)	22,100	(109,000)
	546,019	377,806	546,019	377,806

The number of employees at the end of the year was as follows:

	2011	2010
Permanent	89	82
Temporary	7	5
	96	87

20. Financial instruments

Financial risk management

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the group's and the company's risk management framework. Senior management has responsibility for monitoring the group's risk management policies and report to the Board of Directors on their activities, on a monthly basis.

The risk management policies are established to identify and analyse the risks faced by the group and the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed on a regular basis and reflect changes in market conditions and the group's and the company's activities.

20. **Financial instruments (cont'd)**

Financial risk management (cont'd)

(i) Credit risk:

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations, and arises principally from the group's receivables from customers and investment securities.

Trade receivables

The group's and the company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each customer is analysed for creditworthiness prior to being offered a credit facility. Each customer is given a credit period which represents the maximum time allowed for having balances outstanding; these are reviewed monthly. Management has procedures in place to restrict customer orders if the customers have not cleared outstanding debts within the credit period. Customers that fail to meet the group's and the company's benchmark creditworthiness may transact business with the group and the company on a cash basis.

Credit risk is monitored according to each customer's characteristics, such as whether it is an individual or company, its geographic location, industry, aging profile, and previous financial difficulties. Trade receivables relate mainly to the group's and the company's wholesale customers.

The group and the company establish an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

The group's and the company's average credit period on the sale of goods is 28 days for major supermarket chains and 7 days for other customers. Trade receivables over 90 days are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

Investments

Management has an investment policy in place and the group's and company's exposure to credit risk is monitored on an ongoing basis. Cash and investments are held with financial institutions which management considers to be sound and financially strong. With regard to securities purchased under resale agreements, management has a policy of obtaining collateral in the form of pledged Government of Jamaica instruments.

Notes to the Financial Statements (Continued)
March 31, 2011

20. **Financial instruments (cont'd)**

Financial risk management (cont'd)

(i) Credit risk (cont'd):

The maximum exposure to credit risk at the reporting date was:

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Cash and cash equivalents	1,769,750	1,464,345	1,316,078	991,334
Resale agreements	997,318	741,029	946,785	693,347
Trade receivables, net	150,937	138,601	150,937	138,601
Other receivable	142,609	50,993	141,556	49,939
Due from related parties	99,256	99,891	99,256	99,891
	3,159,870	2,494,859	2,654,612	1,973,112

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	The Group Carrying amount		The Company Carrying amount	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Wholesale customers	74,497	88,604	74,497	88,604
Retail customers	76,440	49,997	76,440	49,997
	150,937	138,601	150,937	138,601

The age of trade receivables at the reporting date was:

	The Group		The Company	
	Gross 2011 $'000	Impairment 2011 $'000	Gross 2010 $'000	Impairment 2010 $'000
Not past due	126,374	-	130,156	-
Past due 0-30 days	24,299	-	8,445	-
Past due 31-120 days	3,665	(3,401)	1,493	(1,493)
More than one year	1,717	(1,717)	5,564	(5,564)
	156,055	(5,118)	145,658	(7,057)

20. **Financial instruments (cont'd)**

Financial risk management (cont'd)

(i) Credit risk (cont'd):

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2011 $'000	2010 $'000
Balance at 1 April	7,057	6,919
Impairment loss (reversed)/recognised	(1,939)	138
Balance at 31 March	5,118	7,057

(ii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The group and the company incur financial liabilities. All transactions are carried out within guidelines set by management.

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

At the reporting date the interest profile of the company's and the group's interest-bearing financial instruments was:

	The Group Carrying amount		The Company Carrying amount	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Variable rate instruments:				
Cash and cash equivalents	1,578,403	1,240,628	1,135,379	779,792
Resale agreements	997,318	741,029	946,785	693,347

Cash flow sensitivity analysis for variable rate instruments:

A change in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Notes to the Financial Statements (Continued)
March 31, 2011

20. **Financial instruments (cont'd)**

Financial risk management (cont'd)

(ii) Market risk (cont'd):

(a) Interest rate risk (cont'd)

	The Group Profit or loss		The Company Profit or loss	
	1% Increase $'000	1% Decrease $'000	1% Increase $'000	1% Decrease $'000
March 31, 2011				
Cash and cash equivalents	15,784	(15,784)	11,353	(11,353)
Resale agreements	9,973	(9,973)	9,467	(9,467)

	The Group Profit or loss		The Company Profit or loss	
	5% Increase $'000	10% Decrease $'000	5% Increase $'000	10% Decrease $'000
March 31, 2010				
Cash and cash equivalents	62,032	(124,063)	38,990	(77,979)
Resale agreements	37,051	(74,103)	34,667	(69,335)

(b) Foreign currency risk

The group and the company incur foreign currency risk primarily on purchases that are denominated in a currency other than the Jamaica dollar. The principal foreign currency risks of the group and the company, represented by balances in the respective currencies, are as follows:

The Group

	2011			2010		
	US$ '000	GBP (£) '000	Euro '000	US$ '000	GBP (£) '000	Euro (€) '000
Cash and cash equivalents	11,070	35	-	9,680	58	-
Resale agreements	478	-	-	517	-	-
Related party receivables	1,158	-	-	1,116	-	-
Other receivables	65	-	-	68	-	-
Trade payables	-	-	-	-	(1)	-
Related party payables	(838)	-	-	(361)	-	-
Other payables	(123)	(203)	-	(681)	(308)	(44)
Exposure, net	11,810	(168)	-	10,339	(251)	(44)

Notes to the Financial Statements (Continued)
March 31, 2011

20. **Financial instruments (cont'd)**

Financial risk management (cont'd)

(i) Market risk (cont'd)

The Company

	2011 US$ '000	2011 GBP (£) '000	2011 Euro (€) '000	2010 US$ '000	2010 GBP (£) '000	2010 Euro (€)
Cash and cash equivalents	5,927	32	-	4,638	54	-
Resale agreements	478	-	-	517	-	-
Related party receivables	1,158	-	-	1,116	-	-
Other receivables	64	-	-	64	(1)	-
Related party payables	(838)	-	-	(361)	-	-
Other payables	(68)	(200)	-	(627)	(305)	(44)
Exposure, net	6,721	(168)	-	5,347	(252)	(44)

Sensitivity analysis

Strengthening or weakening of the currencies against the Jamaica dollar would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

The Group

	2011 Profit/(Loss) $'000 1% Strengthening	2011 Profit/(Loss) $'000 1% Weakening	2010 Profit/(Loss) $'000 5% Strengthening	2010 Profit/(Loss) $'000 15% Weakening
US ($)	10,489	(10,489)	45,913	(137,740)
GBP (£)	(217)	217	1,626	(4,877)
Euro (€)	-	-	299	(897)

The Company

	2011 Profit/(Loss) $'000 1% Strengthening	2011 Profit/(Loss) $'000 1% Weakening	2010 Profit/(Loss) $'000 5% Strengthening	2010 Profit/(Loss) $'000 15% Weakening
US ($)	5,740	(5,740)	23,783	(71,350)
GBP (£)	(231)	231	1,682	(5,045)
Euro (€)	-	-	299	(897)

Notes to the Financial Statements (Continued)
March 31, 2011

20. **Financial instruments (cont'd)**

Financial risk management (cont'd)

(ii) Market risk (cont'd)

(b) Foreign currency risk (cont'd)

Sensitivity analysis (cont'd)

Exchange rates, in terms of Jamaica dollars, were as follows:

	US$	£
At March 31, 2010:	89.5082	135.0720
At March 31, 2011:	85.7486	137.2759
At May 17, 2011:	85.7352	138.7550

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group and the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity problems may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed facilities. The group manages its liquidity risk by maintaining a substantial portion of its financial assets in liquid form. An analysis of the contractual maturities of the group's and the company's financial liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

The following are the contractual maturities of financial liabilities

The Group

		Contractual undiscounted cash flows			
	Carrying amount $'000	Total cash outflow $'000	Within 1 year $'000	1-2 years $'000	2-5 years $'000
March 31, 2011					
Trade accounts payable	22,705	22,705	22,705	-	-
Due to related parties	71,644	71,644	71,644	-	-
Unclaimed Dividends	551,023	551,023	551,023	-	-
Other payables	260,383	260,383	260,383	-	-
	905,755	905,755	905,755	-	-
March 31, 2010					
Trade accounts payable	12,891	12,891	12,891	-	-
Due to related parties	31,881	31,881	31,881	-	-
Unclaimed Divideds	533,059	533,059	533,059	-	-
Other payables	317,515	317,515	317,515	-	-
	895,346	895,346	895,346	-	-

20. **Financial instruments (cont'd)**

Financial risk management (cont'd)

(iii) Liquidity risk (cont'd):

The Company

		Contractual undiscounted cash flows			
	Carrying amount $'000	Total cash outflow $'000	Within 1 year $'000	1-2 years $'000	2-5 years $'000
March 31, 2011					
Trade accounts payable	22,705	22,705	22,705		
Due to related parties	71,644	71,644	71,644		
Unclaimed Divivdends	551,023	551,023	551,023	-	-
Other payables	223,488	223,488	223,488	-	-
	868,860	868,860	868,860	-	-
March 31, 2010					
Trade accounts payable	12,891	12,891	12,891	-	-
Due to related parties	31,881	31,881	31,881	-	-
Unclaimed Dividends	533,059	533,059	533,059	-	-
Other payables	289,901	289,901	289,901	-	-
	867,732	867,732	867,732	-	-

Capital management

The group's and the company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders. The Board of Directors monitors the return on capital, which the group and the company define as net operating income divided by total shareholders' equity.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the group's and the company's approach to capital management during the year. Also, the group and the company are not exposed to any externally imposed capital requirements.

Fair value disclosure

The amounts reflected in the financial statements for cash and cash equivalents, resale agreements, short-term investments, accounts receivable, related party balances, and accounts payable are considered to approximate to their fair values. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

Notes to the Financial Statements (Continued)
March 31, 2011

21. Dividends

	2011 $'000	2010 $'000
Declared:		
First quarter ended June 30, 2010 - 100¢ (June 30, 2009: 300¢)	485,440	1,456,320
Second quarter ended Sep 30, 2010 - 100¢ (Sept 30, 2009: 100¢)	485,440	485,440
Third quarter ended Dec 31, 2010 - 150¢ (Dec 31, 2009: 100¢)	728,160	485,440
Fourth quarter ended Mar 31, 2011 - 150¢ (Mar 31, 2010: 200¢)	728,160	970,880
	2,427,200	3,398,080

22. Subsidiary companies

The operating subsidiary companies, all of which are incorporated in Jamaica, except as noted below, are as follows:

Name of company	Principal activity	Percentage of ordinary shares held by Company 2011 %	Company 2010 %	Subsidiary 2011 %	Subsidiary 2010 %
Cigarette Company of Jamaica Limited (In Voluntary Liquidation)	Inactive (voluntary liquidation in process)	99.99	99.99	-	-
Sans Souci Development Limited and its subsidiary,	Dormant	100.00	100.00	-	-
Sans Souci Limited	Dormant	-	-	100.00	100.00

23. Contractual commitments

Lease commitments at March 31, are payable as follows:

	The Group 2011 $'000	The Group 2010 $'000	The Company 2011 $'000	The Company 2010 $'000
Within one year	31,208	30,614	31,208	30,614
Subsequent years	17,981	39,723	17,981	39,723
	49,189	70,337	49,189	70,337

Payments made during the year ended March 31, 2011 aggregated:

	2011 $'000	2010 $'000
Group	37,044	38,197
Company	37,044	38,197

24. **Tax assessment**

On February 12, 2010, the Court of Appeal handed down its judgement in the appeal by its subsidiary Cigarrette Company of Jamaica Limited (in voluntary liquidation) (CCJ) against the assessment by Commissioner Taxpayer Audit and Assessment. The court allowed the Appeal with costs in the Court of Appeal and the Court below to be CCJ's; such costs to be taxed if not agreed. Based on this judgement of the Court of Appeal the amount paid of $1,733.1 million is reflected in the financial statement as taxation recoverable, and interest, as determined by the Court will be payable thereon.

On April 26, 2010 the Court of Appeal granted the application by the Commissioner for leave to appeal to the Privy Council, however, the application for a stay of execution was refused.

Final leave to Appeal to the Privy Council was granted on February 28, 2011. CCJ has filed its Notice of Objection and the next step is for the Commissioner to finalise the Record of Proceedings and provide a draft Statement of Facts and Issues to the Privy Council.

25. **Contingency**

On July 16, 2004 an award was made against Sans Souci Limited a subsidiary company, in arbitration proceedings between it and VRL Services Limited whereby Sans Souci Limited was ordered to pay VRL Services Limited the sum of J$370,705,264 together with interest of 21% per annum and costs. An application was made to the Supreme Court pursuant to Section 12 of the Arbitration Act and the inherent Jurisdiction of the Court to set aside the award or alternatively to reduce the amount of the said award. Under a Consent Order for stay of execution, Sans Souci Limited paid VRL Services the said sum of J$370,705,264 together with interest of J$68,037,111 and J$10,000,000.00 on account of costs, secured by bank guarantees to be repaid to Sans Souci Limited with simple interest thereon, should it succeed in setting aside or varying the Award.

Since then there have been other proceedings, namely, the Appeal in the execution of the Award Proceedings, the hearing to set aside the Award and the Appeal against the Judgment.

On 12th December, 2008 the following Order was made by the Court of Appeal.

1. The Appeal against the order of Mrs. Harris, J., refusing to set aside the award is dismissed in part.

2. The Appeal against the award of damages is allowed and the matter is remitted to the Arbitrators to determine the issue of damages only.

3. Half the costs of this appeal and of the costs below are to be paid by the respondent, such costs to be agreed or taxed."

25. **Contingency (cont'd)**

The extent of the jurisdiction of the Arbitrators with respect to Item 2 of the Order is in dispute. The Court of Appeal heard the appeal of Sans Souci Limited against the order that the jurisdiction of the Arbitrators relating to the issue of damages was limited to 'unrecoverable expenses' on July 13 & 14, 2009.

The Court of Appeal handed down its judgment on September 25, 2009 in favour of VRL. SSL applied for Leave to Appeal to the Privy Council.

While the Appeals were in train, the arbitrators re-considered the question of damages but only in respect of the "unrecoverable expenses" and not in the broader context as SSL had asked them to. The arbitrators made a new award confirming the one they made in 2004. SSL has applied to have this new award set aside, primarily on the basis that the arbitrators had no jurisdiction to award interest in the manner they did.

That application was dismissed on June 19, 2009 with leave to appeal. Sans Souci appealed and that matter was heard on July 13th & 14th, September 25th and November 25th 2009 but the appeal was also dismissed

SSL appealed to the Privy Council. The Record of Appeal has been finalized and the Notice and Grounds of Appeal was prepared and filed at the Privy Council.

VRL applied directly to the Privy Council for permission to cross-appeal in relation to costs that were awarded in SSL's favour in the appeal which resulted in the remission of the arbitral award. Leave to cross-appeal was granted and VRL is taking steps to have certain documents included in the Record of Appeal. No date has yet been set for the hearing, but the company's Attorneys expect that it might be heard at the end of 2011 or early 2012.

No provision has been made in the accounts with respect to any positive outcome which may arise.