

**CARRERAS LIMITED & SUBSIDIARIES**  
**UNAUDITED GROUP FINANCIAL STATEMENTS**

For 6 months to September 30, 2011

	Group Statement of Comprehensive Income				
	UNAUDITED		UNAUDITED		AUDITED
	6 months		3 months to		12 months
	September-11 \$'000	September-10 \$'000	September-11 \$'000	September-10 \$'000	March-11 \$'000
Gross operating revenue	5,219,234	6,077,082	2,640,233	3,103,674	12,935,692
Cost of operating revenue	(2,776,427)	(3,262,334)	(1,400,496)	(1,668,129)	(6,950,221)
Gross operating profit	2,442,807	2,814,748	1,239,737	1,435,545	5,985,471
Employee benefit income		-	-	-	550,400
Interest and other investment income	66,116	57,819	30,867	29,967	138,890
Other operating income:					
Exchange gains/(Loss)	5,646	(20,321)	4,514	5,702	(48,911)
Other income	3,903	30,481	756	16,625	36,898
Distribution and marketing expenses	(416,888)	(359,693)	(185,748)	(177,366)	(827,797)
Administrative expenses	(418,760)	(392,881)	(196,511)	(191,203)	(854,457)
Profit before income tax	1,682,823	2,130,153	893,614	1,119,270	4,980,494
Income tax	(565,848)	(709,078)	(300,071)	(372,095)	(1,666,418)
Profit for the period	1,116,975	1,421,075	593,543	747,175	3,314,076
<b>Other comprehensive income</b>					
Defined benefit plan actuarial losses	-	-	-	-	(463,400)
asset	-	-	-	-	(118,300)
Income tax on other comprehensive income	-	-	-	-	193,900
Deferred tax on subsidiaries	-	-	-	-	41,519
<b>Other comprehensive income, net of tax</b>	-	-	-	-	(346,281)
Total comprehensive income for the year	1,116,975	1,421,075	593,543	747,175	2,967,795
Attributable to:					
Minority interests	(7)	-	(7)	-	(21)
Stockholders in parent	1,116,982	1,421,075	593,549	747,175	3,314,097
	1,116,975	1,421,075	593,543	747,175	3,314,076
Total comprehensive income attributed to:					
Minority interests	(7)	-	(7)	-	(21)
Stockholders in parent	1,116,982	1,421,075	593,549	747,175	2,967,816
	1,116,975	1,421,075	593,543	747,175	2,967,795
Earnings per ordinary stock unit of 25c each	230.10¢	292.74¢	122.27¢	153.92¢	682.70¢

# CARRERAS LIMITED & SUBSIDIARIES

## UNAUDITED GROUP FINANCIAL STATEMENTS

As at September 30, 2011

Group Statement of Financial Position		
	Unaudited	Audited
	30-Sep-11	31-Mar-11
	\$000	\$000
<b>Current Assets</b>		
Cash and cash equivalents	1,563,281	1,769,750
Resale Agreements	920,637	997,318
Accounts receivable	419,745	422,961
Income tax recoverable	129,102	111,174
Inventories	273,174	359,527
	3,305,939	3,660,730
<b>Current Liabilities</b>		
Accounts payable	939,572	932,822
Income tax payable	1,240,452	1,268,710
	2,180,024	2,201,532
<b>Net Current Assets</b>	1,125,915	1,459,198
<b>Non-current assets:</b>		
Retirement benefit asset	278,100	278,100
Taxation Recoverable	1,733,137	1,733,137
Fixed Assets	132,028	140,190
	3,269,180	3,610,625
<b>Equity:</b>		
Share Capital	121,360	121,360
Reserves:		
Unappropriated profits	978,111	1,317,333
Capital	22,322	22,322
Other	1,870,762	1,870,762
	2,871,195	3,210,417
<b>Total attributable to stockholders of parent</b>	2,992,555	3,331,777
Minority interests	4,778	4,785
<b>Total equity</b>	2,997,333	3,336,562
<b>Non-current liabilities:</b>		
Deferred taxation liability	115,847	118,063
Retirement benefit obligation	156,000	156,000
	3,269,180	3,610,625

ON BEHALF OF THE BOARD

  
 Richard Pandohie  
 Managing Director

  
 Patrice Gray  
 Finance Director

**CARRERAS LIMITED**

**Statement of Changes in Equity  
For 6 Months ended September 30, 2011**

**The Group**

**Audited balance at March 31, 2010**

**Profit for the year**

Dividends paid, being total transactions with owners

Net movements for the year

**Unaudited balance at September 30, 2010**

Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Other Reserves \$'000	Total \$'000	Minority Interest \$'000	Total \$'000
121,360	776,717	22,322	1,870,762	2,791,161	4,806	2,795,967
	1,421,074			1,421,074		1,421,074
	(970,880)			(970,880)		(970,880)
-	450,194	-	-	450,194	-	450,194
121,360	1,226,911	22,322	1,870,762	3,241,355	4,806	3,246,161

**Audited balance at March 31, 2011**

**Profit for the year**

Deferred tax on reserves of subsidiaries in liquidation

Dividends paid, being total transactions with owners

Net movements for the year

**Unaudited balance at September 30, 2011**

Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Other Reserves \$'000	Total \$'000	Minority Interest \$'000	Total \$'000
121,360	1,317,333	22,322	1,870,762	3,331,777	4,785	3,336,562
	1,116,982			1,116,982	(7)	1,116,975
	116			116		116
	(1,456,320)			(1,456,320)		(1,456,320)
-	(339,222)	-	-	(339,222)	(7)	(339,229)
121,360	978,111	22,322	1,870,762	2,992,555	4,778	2,997,333



**CARRERAS LIMITED**  
**Statement of Changes in Equity**  
**For 6 Months ended September 30, 2011**

**The Company**

**Audited balance at March 31, 2010**

Profit for the year

Dividends paid, being total transactions with owners

**Unaudited balance at September 30, 2010**

Share Capital \$'000	Revenue Reserves \$'000	Capital Reserves \$'000	Total \$'000
121,360	773,754	22,322	917,436
	1,421,074		1,421,074
	(970,880)		(970,880)
-	450,194	-	450,194
121,360	1,223,948	22,322	1,367,630

**Audited balance at March 31, 2011**

Profit for the year

Dividends paid, being total transactions with owners

**Unaudited balance at September 30, 2011**

121,360	1,296,485	22,322	1,440,167
	1,119,883		1,119,883
	(1,456,320)		(1,456,320)
-	(336,437)	-	(336,437)
121,360	960,048	22,322	1,103,730

# CARRERAS LIMITED & SUBSIDIARIES

## UNAUDITED GROUP FINANCIAL STATEMENTS

For 6 Months ended September 30, 2011

### Cash flows from operating activities:

Net profit for the period

Items not affecting cash

Changes in working capital

Cash provided by operating activities

Cash (used)/provided by investing activities

Cash used by financing activities

Increase/(Decrease) in cash and cash equivalents

Effect of exchange rate changes on cash and cash equivalents

Cash and cash equivalents, at beginning of period

Cash and cash equivalents, at end of period

Group Statement of Cash Flows		
6 Months		12 months
30-Sep-11	30-Sep-10	31-Mar-11
\$'000	\$'000	\$'000
1,116,975	1,421,074	3,314,076
523,750	695,878	1,052,888
1,640,725	2,116,952	4,366,964
(524,117)	(656,399)	(1,387,714)
1,116,608	1,460,553	2,979,250
127,597	22,539	(197,734)
(1,456,320)	(970,880)	(2,427,200)
(212,115)	512,212	354,316
5,646	(20,321)	(48,911)
1,769,750	1,464,345	1,464,345
1,563,281	1,956,236	1,769,750

## **CARRERAS LIMITED AND SUBSIDIARIES**

### **Notes to the Financial Statements September 30, 2011**

#### **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 is Twickenham Park, St. Catherine, Jamaica.

#### **2. (a) Basis of Preparation**

The financial statements are presented on the historical cost basis. Unless otherwise stated, the financial statements are presented in thousands of Jamaican dollars (\$'000), which is the functional currency of the company and the group.

#### **(b) Accounting estimates and 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 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 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.

In particular, the significant areas of estimation uncertainty and critical judgements 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 year 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 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.

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.

##### **(ii) There are no critical accounting judgements 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 financial statements.

#### **4. Income Tax**

Income tax for the year comprises current and deferred tax based upon taxable profits. Capital gains, which are not subject to taxation, are excluded.

#### **5. Earnings per Stock Unit**

The calculation of earnings per stock unit is based on the net profit for the period attributable to stockholders and the 485,440,000 issued and fully paid ordinary stock units.

#### **6. Deferred Tax**

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

## 7. Tax Assessment

On February 12, 2010, the Court of Appeal handed down its judgement in the appeal by its subsidiary Cigarette 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 had filed its Notice of Objection.

The Privy Council has set the procedural timetable for the appeal and the date for the appeal hearing. The hearing will take place in Q4 of the 2011/12 fiscal year. The parties written submissions are to be exchanged in January 2012.

## 8. 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.

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 will be heard mid 2012.

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

ON BEHALF OF THE BOARD

  
Richard Pandohie  
Managing Director

  
Patrice Gray  
Finance Director