

CARRERAS GROUP LIMITED.

CHAIRMAN ' S STATEMENT

GROUP RESULTS

The group's results for the year under review show operating profit after exceptional items and before taxation of \$1,218 million, an increase of 18% over the previous year after charging depreciation of \$41.8 million (1994 : \$38.2 million).

Profit attributable to stockholders amounted to \$843 million or earnings per stock unit of 695 cents compared with 543 cents in 1994, an increase of 28%. For the year under review, group results reflect declining exchange gains and substantially lower levels of interest and investment income.

Although profit growth in the year under review is modest by comparison with the previous year, profit growth is to a large extent a corollary of the rate of inflation which for the period was reported as 26%.

MANUFACTURING

CIGARETTE COMPANY OF JAMAICA

Cigarette sales again declined by about 2% in the year under review and the recent tax increase announced by the Minister of Finance in April 1995, does not augur well for the immediate future. With a stick price of \$3.50 and a pack price between \$55 and \$65, this commodity may soon be out of the reach of many of our loyal customers, most of whom represent the lower socio-economic groupings. At present, special consumption tax and general consumption tax account for 47% of

the manufacturer's selling price.

Cigarettes like any other commodity manufactured in Jamaica are not immune to competition from imports. The higher the duty on any given commodity, the greater is the temptation and the reward for unscrupulous activity where imports are concerned. The recent revelation in regard to illicit imports of alcohol is a case in point. When cigarettes are imported, one may have to safeguard against unrealistic transfer prices between supplier and importer which deprives Government of its just duty expectations. Your company will continue to be vigilant in this regard and work closely with government in order to protect the local domestic tobacco growing and manufacturing industry.

Ongoing security problems associated with the product distribution continue to add to our overall costs. Your company continues to cooperate with the authorities to contain these ongoing risks with a view to achieving its forecasted profit growth through orderly trade and marketing practice.

JAMAICA BISCUIT COMPANY

Volumes in the domestic markets were up by 10% for the second successive year while exports showed a modest 6% increase; but it must be remembered that this export performance is following on a 26% increase of the year before. Profits after tax grew by 40%. The capital investment programme of J\$11 million alluded to in my last report was completed on schedule and now places the company in a position to cope with any future increase in volumes in an efficient and cost effective manner. This subsidiary's foreign exchange earnings continue to provide comfortably for its foreign exchange requirements.

PRINT DIVISION

The movements in the print industry in Jamaica have influenced management to take the opportunity, during the year under review, to rationalize the operations of the two subsidiaries which comprise this division. Surplus equipment was either sold or mothballed and both enterprises are now housed in one premises from which they very largely serve the requirements of the Cigarette Company and the Jamaica Biscuit Company.

There was, unfortunately, need to reduce staff complements at all levels. These

rationalization manoeuvres account for most of the cost in your accounts shown under the heading of 'exceptional items'. Management is confident that in its new format, the Print Division will show a modest profit and be totally self-sufficient in its working capital needs, and will, at the same time, cater efficiently to the needs of its two fellow subsidiaries.

AGRICULTURAL PRODUCTS OF JAMAICA LIMITED

The activity of growing Virginia tobacco for use by the Cigarette Company is of significant importance to the overall economy in the parishes in which these activities take place, namely, St. Thomas and Clarendon. However, management is mindful that there is another dimension to these activities which is that the cost of producing the tobacco must be competitive with the option of imports.

With this in mind, a restructuring exercise is being carried out by management to streamline the operations which will include the abandonment of marginal lands and acreage which are far distant from the central processing points. This restructuring exercise should be completed and in place in time for the beginning of the 1995/96 crop year which is in September. On the brighter side, I am pleased to report that this company's application for an extension of the tax relief which it has enjoyed under the Income Tax (Approved Farmer) Order of 1983 has been granted by the appropriate Ministry.

TOURISM

Sans Souci Lido

Under the first full year of management by VRL Services Limited, trading as Superclubs, the hotel met both its performance targets for occupancy and profitability. In addition, in a relatively short time, the hotel was granted the prestigious triple 'A' (AAA), 4 Diamond award which puts it in a company of worldwide resorts that offer exceptional accommodation, superior facilities, attractive service and a high standard of hospitality. The performance so far for the current financial year exceeds forecast and despite the gloomy picture being painted of tourism in general, we are confident that this resort will continue to do well. If this successful trend continues, your board may very well be disposed to giving serious consideration to some expansion of the facilities on this property.

DIVIDENDS

Your directors are recommending a 1 for 1 stock bonus to be issued out of the current year's profits of the company by way of a capitalization amounting to \$30,340,000. In order to accommodate this increase in issued stock, it is proposed that the authorised share capital of the company be increased by \$30,340,000 to \$60,680,000 by creation of an additional 121,360,000 ordinary shares of a par value of 25 cents each.

The Directors recommend that a final dividend of 65 cents per stock unit (less income tax) be declared payable on the issued stock after the bonus issue and be paid on October 20, 1995, to stockholders registered at the close of business on September 29, 1995, out of accumulated unfranked profits on which income tax has been paid or is payable.

These recommendations are subject to confirmation by the stockholders at the Annual General Meeting scheduled to be held on September 15, 1995.

DIRECTORS ' REPORT

To the Thirty-third Annual General Meeting to be held at the Regency Room, Terra Nova Hotel, on Friday, September 15, 1995, commencing at 3:00 p.m.

The Directors are pleased to submit their annual report to the members together with the audited accounts of the group and of the company for the financial year ended March 31, 1995.

PRINCIPAL ACTIVITIES

The principal activity of the company during the financial year has been that of an investment holding company. There have been no significant changes in the activities of its subsidiary companies. A new subsidiary - Twickenham Insurance

Company - was incorporated as an exempted company under the companies law in the Cayman Islands on June 7, 1994. Twickenham Insurance Company writes insurance policies with varying limits of liability for the Carreras Group of Companies, and re-insures the fire and allied perils and consequential loss risks with unrelated re-insurers.

ACCOUNTS

The group's pre-tax profit for the financial year to March 31, 1995 was \$1218.747 million an increase of 18.4 percent. This improved result includes a nine-month contribution from Twickenham Insurance Company.

Earnings per share at 694.8 cents improved by 27.9 percent compared with the previous year.

The current assets ratio moved from 1.58 at March 31, 1994 to 1.96 at March 31, 1995. The net worth of the group at March 31, 1995 was \$3,339.748 million (1994 - \$2,494.132 million).

SHARE CAPITAL

We are recommending that the authorised share capital of the company be increased by \$30,340,000 to \$60,680,000 by the creation of an additional 121,360,000 ordinary shares of a par value of 25 cents each.

BONUS SHARES

We are recommending that the sum of \$30,340,000 of the current year's profit of the company be capitalised and be apportioned to and amongst stockholders of record on September 29, 1995, on the basis of one fully paid ordinary share of a par value of 25 cents for every one ordinary stock unit held by such stockholders respectively on that date. We also recommend that the shares, when issued, shall be converted into ordinary stock units and shall rank for dividend from and after the passing of the resolution at the Annual General Meeting.

DIVIDENDS

An Interim Dividend of 25 cents per stock unit was paid on February 3, 1995

We have declared a second interim dividend of 45 cents per stock unit to be paid on June 16, 1995. Both interim Dividends were declared payable out of Agricultural Profits, relieved of Taxation, to stockholders who, on the record date, have Jamaican addresses: and out of Unfranked Profits to Stockholders who, on the relevant record date, have non-Jamaican addresses.

We further recommend THAT a Final Dividend of 65 cents per stock unit (Less Income Tax) be declared payable on the issued stock after the bonus issue and be paid on October 20, 1995, to stockholders registered at the close of business on September 29, 1995, out of the Accumulated Unfranked Profits on which Income Tax has been paid or is payable.

The total dividends declared paid and proposed for this financial year will total \$242,720 million compared with \$194,176 million paid for financial year 1993/94.

AUDITORS

Messrs. KPMG Peat Marwick have expressed their willingness to continue in office.

DIRECTORATE

The Directors in office at the date of this Report are as follows:

George Ashenheim

John D. Hall

Emil George

Joseph Heffernan

David Lord

David Michod

Dennis Robertson

Marlene Sutherland

The Directors due to retire in accordance with the provisions of Article 84 of the Articles of Association are Mr. David Michod and Mr. Dennis Robertson, and who being eligible, offer themselves for re-election.

TEN LARGEST STOCKHOLDERS AS AT MARCH 31,1995

Rothmans of Pall Mall (International)Ltd	57,247,280
Lascelles DeMercado & Co. Limited	18,565,786
West Indies Trust Company Limited A/C WT13	3,260,976
West Indies Trust Company Limited A/C WT89	2,187,509
Investment Nominees Limited	2,164,984
Estate John Clinton Edmund Hart (Dec'd)	1,643,108
Life of Jamaica Limited	1,554,790
Clinton Hart & Company Insurance Limited	1,474,996
Scotiabank Jamaica Trust & Merchant Bank Ltd. A/C 319	1,296,809
Medsalco Limited	1,262,410
TOTAL	90,658,648

DIRECTORS' AND SENIOR MANAGERS' STOCKHOLDERS INTERESTS

	Stock units held
Emil George	2,000
Dudley Hendricks	5,261
Patrick Smith	8,666
Marlene Sutherland	932
Ashwell Thomas	2,400
Mortimer Thompson	1,006
Maureen Wright	10,132
	30,397

There has been no change in the Directors' interests occurring between the end of the company's financial year and the date of the Notice convening

the Annual General Meeting.

At no time during or at the end of the financial year has any Director had any material interest in any contract or arrangement in relation to the business of the company or any of its subsidiaries.

ON BEHALF OF THE BOARD

Marlene Sutherland
Secretary