

# CARRERAS GROUP LIMITED.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. THE COMPANY

The company is incorporated under the laws of Jamaica and these financial statements are presented in Jamaican Dollars. Its principal activity is the provision of Management and other services to its operating subsidiary companies details of which are set out in note 21.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Accounting Convention:

The financial statements are prepared under the historical cost convention, modified for the inclusion of investment properties and certain fixed assets at valuation.

#### (b) Basis of Consolidation:

The consolidated financial statements include the financial statements of the company and all its subsidiaries, made up to March 31, 1995.

The company and its subsidiary companies are collectively referred to in the financial statements as "The Group".

All significant intra-group transactions have been eliminated.

(c) FIXED ASSETS AND DEPRECIATION:

Freehold land is restated at current market value, and buildings, except for furnished hotel property, are revalued on the gross replacement cost basis by independent, qualified valuers, every three years. At the end of each of the two intervening years between such valuations, the gross replacement cost of buildings is adjusted by indices provided by these valuers. Furnished Hotel Property is revalued annually by independent, qualified valuers to reflect current market value.

Further, certain major items of plant and machinery are revalued by the Directors on current replacement cost, using externally provided bases, as follows:

(i) Where the existing assets cannot be replaced by equivalent second-hand assets, gross replacement cost is used.

(ii) Where the existing assets can be replaced by equivalent second-hand assets, current market replacement cost is used.

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

Buildings	1.4%	to	6.7%
Machinery and Equipment	2.4%	to	20%
Motor Vehicles	10%	to	33.3%
Leasehold Improvements	2%	to	10%

For furnished hotel property, a percentage of gross hotel revenue is transferred to a reserve for replacement. The Directors estimate that this charge is sufficiently representative of the consumption of assets for the year.

The annual charge for depreciation is based on cost or valuation where appropriate. Any additional depreciation attributable to prior years in respect of the annual revaluation of assets is charged to capital reserve.

(d) Investment Properties:

Investment properties are revalued at regular intervals to reflect current market value by professional valuers and chartered surveyors.

(e) Replacement Reserve:

A percentage of gross Hotel revenue is credited to a reserve for replacement of furnished Hotel property. Replacements are charged against the reserve as incurred.

(f) Reinsurance premiums ceded and unearned premium reserve:

Reinsurance premiums ceded are recorded on a pro rata time basis over the terms of the respective policies and the prepaid portion at the balance sheet date is transferred to prepaid reinsurance premium.

(g) Insurance Claim Reserve:

A percentage of net insurance income is transferred to a reserve to be held for future claims under its hurricane and earthquake catastrophe policies.

(h) Inventories:

Inventories are valued at the lower of cost, determined principally on a weighted average basis, and estimated realisable value. The valuation of work-in-progress and finished products includes a relevant portion of production labour and overheads.

(i) Foreign Currencies:

Foreign currency balances outstanding at the balance sheet date are translated at the rates of exchange ruling on that date.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates have been

included in the profit and loss account, with the exception of gains and losses on loans in respect of the development of hotel property which are included in the cost of these assets.

(j) Deferred Taxation:

All timing differences resulting from the reporting of income and expense items differently for tax and financial statements purposes are accounted for as deferred taxation at expected applicable rates, except where it is thought reasonably probable that the tax effects of such deferrals will continue for the foreseeable future.

**3. TURNOVER**

Turnover represents the invoiced value of products and services sold by the group and is stated inclusive of special consumption taxes amounting to \$721,461,441 (1994: \$605,927,748) and excludes intra-group trading.

**4. EXCEPTIONAL ITEMS**

	1995 \$'000	1994 \$'000
Redundancy and reorganisation costs	5,780	10,059
Loss on disposal of fixed assets	-	5,364
Stock write-off	691	-
TOBACCO crop losses	3,075	-
	<b>9,546</b>	<b>15,423</b>

**5. PROFIT BEFORE TAXATION**

Profit before taxation is stated after taking account of the following items:

	1995 \$'000	1994 \$'000
Depreciation	41,775	38,233
Transfer to reserve for replacement of		

furnished hotel property	13,832	7,283
Interest:		
Overdrafts and short term borrowings	1,086	7,723
Fixed loans	9,500	11,494
Auditors' remuneration	3,870	3,024
Remuneration of directors:		
As directors	16	10
Management services	6,122	3,336
(Profit)/Loss on sale of fixed assets	( 3,194)	2,612
Exchange gains	( 8,236)	(172,658)
Interest income	(136,840)	(157,750)
Investment income	(259,335)	(131,258)

## 6. TAXATION

Taxation, based on the profit for the year adjusted for taxation purposes, is made up as follows:

	1995	1994
	\$'000	\$'000
Income tax @ 33 1/3%	368,854	289,696
Adjustment in respect of prior years	( 51,399)	( 4,841)
Deferred taxation	15,092	53,453
	<b>332,547</b>	<b>338,308</b>

(A) Profits for the year arising from prescribed agricultural activities and relieved from taxation amount to \$60,497,504 (1994: \$53,388,353).

(B) At March 31, 1995, tax losses in subsidiaries amounting to \$46,050,629 (1994: \$60,207,538) are available for set off against future taxable profits, subject to agreement by the Commissioner of Income Tax.

## 7. NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS

	1995	1994
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	\$'000	\$'000
Net profit attributable to stockholders, dealt with in the financial statements of the company	<b>280,941</b>	<b>315,590</b>

#### 8. DIVIDENDS

	1995 \$'000	1994 \$'000
Interim dividend of 25cents (1994: 25cents) paid	30,340	30,340
Interim dividend of 45cents (1994: 45cents) proposed	54,612	54,612
	<b>84,952</b>	<b>84,952</b>
Final dividend of 65c (1994: 90c) proposed	157,768	109,224
	<b>242,720</b>	<b>194,176</b>

The 1995 final dividend of 65c per stock unit is computed on the increased stock units in issue after the 1:1 bonus issue as recommended by the directors for confirmation at the annual general meeting.

Under the provisions of the Income Tax (Approved Farmer) Order 1983, and the Income Tax (Approved Farmer) (no. 3) Order 1993, the company is exempt from deducting income tax on dividends paid to residents in Jamaica, out of tax-relieved profits derived from prescribed agricultural activities.

#### 9. Reserves

	Capital reserves		Revenue reserves		
	Realised	Unrealised	Replace- ment reserve	Unappro- priated profits	Insurance claims
Total	\$'000	\$'000	\$'000	\$'000	\$'000
\$'000					

**The Group**

Balance at March 31, 1994	36,822	1,225,918	458	1,200,594	-
2,463,792					
Provision for the year	-	-	13,832	-	-
13,832					
Retained profit for year	-	-	-	565,690	-
565,690					
Reserves on acquisition of minority interest	-	21	-	( 11)	-
10					
Transfer from/(to) profit and loss account	3,753	( 2,365)	-	-	33,438
34,826					
Utilisation for the year	-	-	( 9,502)	-	-
9,502)					(
Translation loss on acquisition of subsidiary	-	( 500)	-	-	-
500					
Revaluation adjustments	-	241,260	-	-	-
241,260					
Balance at March 31, 1995	<b>40,575</b>	<b>1,464,334</b>	<b>4,788</b>	<b>1,766,273</b>	<b>33,438</b>
<b>3,309,408</b>					

**The Company**

Balance at March 31, 1994	6,524	118,433	-	226,641	-
351,598					
Retained profit for year	-	-	-	36,767	-
36,767					
Transfer from profit and loss account	1,454	-	-	-	-
1,454					

Revaluation adjustments	-	38,519	-	-	-
38,519					
Balance at					
March 31, 1995	<b>7,978</b>	<b>156,952</b>	-	<b>263,408</b>	-
<b>428,338</b>					

Unappropriated profits include profits distributable tax free to resident stockholders as follows:

- . Profits from operations of a subsidiary, relieved from taxation under the provisions of the Industrial Incentives Act, at the expiration of incentive status in June 1975, aggregating \$581,227 (1994: \$581,227).
- . Profits of the group and the company arising from prescribed agricultural activities and relieved from taxation amounting to \$9,959 for the group and \$nil for the company at March 31, 1995 (1994: \$30,226,321 for the group and \$20,686,205 for the company).
- . Franked income of \$5,404,757 (1994: \$4,438,575) for the group and the company.

#### 10. Earnings per ordinary stock unit

The calculation of earnings per stock unit is based on the profit attributable to stockholders and on the 121,360,000 stock units in issue.

#### 11. Share capital

	1995	1994
	\$'000	\$'000
Authorized:		
121,360,000 ordinary shares of 25cents each	30,340	30,340
Issued and fully paid:		
121,360,000 ordinary stock units of 25cents each	<b>30,340</b>	<b>30,340</b>

## 12. Long-term loans

	The Group		The Company	
	1995	1994	1995	1994
	\$'000	\$'000	\$'000	\$'000
( i) 16% Bank loan	16,832	21,039	-	-
( ii) 16% Bank loan	-	895	-	-
(iii) 17% Bank loan	-	251	-	-
( iv) 17-20% Bank loans	1,072	1,786	-	-
( v) 10% Bank loan	-	17,044	-	-
( vi) 10% Bank loan	-	29,193	-	-
(vii) First Mortgage Debenture Stock - 1996	-	3,300	-	-
	17,904	73,508		
Less: current maturities	4,922	22,616	-	-
	<b>12,982</b>	<b>50,892</b>	-	-

- ( i) This loan is being repaid by thirty-two quarterly instalments, the last instalment being due in March 1999.
- (ii) and (iii) These loans have been repaid.
- (iv) These loans are being repaid in quarterly instalments, the last instalment being due in September 1996.
- (v) - (vii) These loans have been repaid.

## 13. Inventories

	The Group		The Company	
	1995 \$'000	1994 \$'000	1995 \$'000	1994 \$'000
Finished leaf	92,258	76,904	-	-
Tobacco leaf crop in progress	35,238	23,941	-	-
Material and supplies	110,852	135,845	546	370
Work-in-progress	3,468	6,701	-	-
Finished products	48,550	35,488	-	-
	<b>291,066</b>	<b>278,879</b>	<b>546</b>	<b>370</b>

#### 14. Accounts payable

Accounts payable for the group include:

	1995 \$'000	1994 \$'000
Special consumption tax payable	52,458	77,516
Short term loans received on behalf of Tobacco farmers	-	18,925
Payable to associated companies	5,968	13,561

#### 15. Investments

	The Group		The Company	
	1995 \$'000	1994 \$'000	1995 \$'000	1994 \$'000
Quoted, at cost	249,177	102,116	249,177	102,116
Unquoted, at cost	967,757	740,366	894,675	740,284

	<b>1,216,934</b>	<b>842,482</b>	<b>1,143,852</b>	<b>842,400</b>
Market value of quoted Investments	295,627	117,316	295,627	117,316

#### 16. Investment properties

	The Group		The Company	
	1995 \$'000	1994 \$'000	1995 \$'000	1994 \$'000
At beginning of year	115,000	56,400	-	-
Surplus on revaluation	-	58,600	-	-
At end of year	<b>115,000</b>	<b>115,000</b>	-	-

The surplus arising on revaluation has been included in capital reserve (note 9).

#### 17. Fixed assets

	Freehold land \$'000	Buildings \$'000	Machinery, equipment & vehicles \$'000	Total \$'000
<b>The Group</b>				
At cost or valuation				
March 31, 1994	122,495	1,208,918	461,810	1,793,223
Additions	-	3,997	17,978	21,975
Revaluation adjustments	-	281,236	44,013	325,249
Disposals	-	( 420)	( 9,143)	( 9,563)
March 31, 1995	<b>122,495</b>	<b>1,493,731</b>	<b>514,658</b>	<b>2,130,884</b>

Broken down as follows:

At cost	1,885	66,784	62,592	131,261
At valuation	120,610	1,426,947	452,066	1,999,623
	<b>122,495</b>	<b>1,493,731</b>	<b>514,658</b>	<b>2,130,884</b>

Depreciation:

March 31, 1994	-	221,879	194,104	415,983
Charge for the year	-	12,280	29,495	41,775
Revaluation adjustments	-	61,047	22,377	83,424
Released on disposals	-	( 250)	( 4,819)	( 5,069)
March 31, 1995	-	<b>294,956</b>	<b>241,157</b>	<b>536,113</b>

Net book values:

March 31, 1995	122,495	1,198,775	273,501	1,594,771
March 31, 1994	<b>122,495</b>	<b>987,039</b>	<b>267,706</b>	<b>1,377,240</b>

**The Company**

	Freehold land \$'000	Buildings \$'000	Machinery, equipment & vehicles \$'000	Total \$'000
At cost or valuation				
March 31, 1994	6,505	215,756	2,052	224,313
Additions	-	-	1,068	1,068
Revaluation adjustments	-	64,683	-	64,683
Disposals	-	-	( 307)	( 307)
March 31, 1995	6,505	280,439	2,813	289,757

Broken down as follows:				
At cost	5	135	2,813	2,953
At valuation	6,500	280,304	-	286,804
	6,505	280,439	2,813	289,757
Depreciation:				
March 31, 1994	-	87,286	859	88,145
Charge for the year	-	4,223	341	4,564
Revaluation adjustments	-	26,164	-	26,164
Released on disposals	-	-	( 11)	( 11)
March 31, 1995	-	117,673	1,189	118,862
Net book values:				
March 31, 1995	6,505	162,766	1,624	170,895
March 31, 1994	<b>6,505</b>	<b>128,470</b>	<b>1,193</b>	<b>136,168</b>

The group's buildings include furnished hotel property appraised at \$865,526,809 (1994: \$713,242,142) on a current market value basis at March 31, 1995.

All revaluation adjustments in these financial statements have been reflected in capital reserve, net of depreciation (note 9).

## 18. Related Party Transactions

	1995	1994
	\$'000	\$'000
(A) Purchases from associated companies		
- Raw Materials	6,146	19,908
- Fixed Assets	89	384
- Other Charges	13,594	14,727

(B) Technical Fees Paid to Associated Company	3,601	2,568
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#### **19. PENSION PLAN**

The group participates in the Carreras Group Limited Superannuation Scheme. The scheme provides pension benefits calculated by the reference to earnings in the three years prior to retirement, and is funded by contributions from employees at a fixed rate with the participating employers being responsible for meeting the balance of the costs of the scheme.

The scheme is subject to periodic actuarial valuations carried out by an independent firm of consulting actuaries. The most recent actuarial valuation carried out as at December 31, 1992, disclosed that the accumulated assets of the scheme were, on the basis of valuation adopted, sufficient to meet the liabilities arising in respect of service up to December 31, 1992.

The contributions during the year aggregated \$7,283,000 (1994: \$3,802,000) for the group and \$501,435 (1994: \$272,000) for the company.

#### **20. National Housing Trust Contributions**

Contributions to the National Housing Trust which were expensed for the period to July 31, 1979 and are refundable between 2001/2005, are as follows

	\$'000
The Group	622
The Company	13

#### **21. Subsidiary Companies**

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

<b>Name of Company</b>	<b>Principal Activity</b>	<b>Percentage Of Ordinary Shares Held By The Company</b>
Cigarette Company Of Jamaica Limited	Manufacturing And Marketing Of Cigarettes.	91
Agricultural Products Of Jamaica Limited	Farming And Sale Of Tobacco	100
Jamaica Biscuit Company Limited	Manufacturing And Marketing Of Biscuits.	100
Graphic Arts Limited	Producing Packaging Materials.	100
Jamaica Flexographic Limited	Printing Packaging Materials.	100
Sans Souci Development Limited And Its Subsidiary, Sans Souci Limited	Operators And Managers Of Hotel Property And Developers Of Real Estate.	100
Twickenham Insurance Company (Incorporated In The Cayman Islands)	General Insurance Underwriters	100

## **22. Lease commitments**

Unexpired lease commitments at March 31, are payable as follows:

	<b>The Group</b>		<b>The Company</b>	
	1995 \$'000	1994 \$'000	1995 \$'000	1994 \$'000
Within one year	16,547	7,639	4,724	3,792

Subsequent years	19,050	12,937	2,895	5,954
	<b>35,597</b>	<b>20,576</b>	<b>7,619</b>	<b>9,746</b>

Lease payments made during the year ended March 31, aggregated:

	1995	1994
	\$'000	\$'000
The Group	18,119	9,760
The Company	4,654	3,191

### **23. Contingent Liability**

The company has given, in the ordinary course of business, guarantees in respect of the facilities provided by its bankers to its subsidiary companies.