Carreras Group Ltd 1999

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 subsdiaries, made up to March 31, 1999.

   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 are revalued on the gross replacement cost basis with the exception of hotel buildings, which are valued on the current depreciated replacement cost basis, by independent, qualified valuators, 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 valuators.

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 adjustments to depreciation attributable to prior years in respect of the annual revaluation of assets is charged or credited to capital reserve.

(d) Investment properties:

Investment properties are revalued at regular intervals to reflect current market value by professional valuators 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.

(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.

(k) Investments:

Quoted equity investments are shown at the lower of cost and market value. Other investments are shown at cost.

(l) Pension scheme costs:

The Group participates in a pension scheme (note 19), the assets of which are held separately from those of the Group. Contributions to the scheme, made on the basis provided for in the rules, are charged to the profit and loss account when due.

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 $1,205,514,600 (1998: $1,111,497,000) and excludes intra-group trading.

4. Exceptional items

	1999 $'000	1998 $'000	
Redundancy and reorganisation costs	9,706	16,860	
Fixed assets written-off	-	11,716	
Stock write-off	-	826	
Tobacco crop losses		-	187
Product launch in overseas market	-	38,911	
Receivables write-off	-	**6,750**	
	9,706	**75,250**	

5. Profit before taxation

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

	1999 $'000	1998 $'000

Depreciation	44,772	41,107
Transfer to reserve for replacement of furnished hotel property	23,788	19,829
Interest:		
Overdrafts and short-term borrowings	165	16
Fixed loans	316	1,097
Auditors' remuneration	5,079	6,637
Remuneration of directors:		
As directors	19	21
Management services	36,976	22,860
(Gain)/loss on disposal of fixed assets	(2,249)	8,887
Exchange gains	(68,559)	(48,208)
Gain on sale of investments	(100)	-
Diminution in value of investment	-	14,578
Interest income on cash and short-term deposits	(122,369)	(121,225)
Investment income - dividends and interest	**(1,442,173)**	**(1,011,669)**

6. Taxation

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

	1999 $'000	1998 $'000
Income tax @ 33 1/3%	1,000,662	874,555
Adjustment in respect of prior years	(116,805)	(83,425)
Deferred taxation	68,607	(30,660)
	952,464	**760,470**

(a) Profits for the year arising from prescribed agricultural activities and relieved from taxation amount to $Nil (1998: $32,160,000).

(b) Profits for the year arising from prescribed hotel operations and relieved from taxation amount to $29,663,000 (1998: $26,471,000*).

(c) At March 31, 1999, tax losses in subsidiaries amounting to $78,000

(1998: $351,000) are available for set off against future taxable profits, subject to agreement by the Commissioner of Income Tax.

* Restated.

7. Net profit attributable to stockholders

	1999 $'000	1998 $'000
Net profit attributable to stockholders, dealt with in the financial statements of the company	1,005,222	756,285

8. Dividends

	1999 $'000	1998 $'000
Interim dividend of 25¢ (1998: 25¢) paid	60,680	60,680
Interim dividend of 60¢ (1998: 60¢) proposed	145,632	145,632
	206,312	206,312
Final dividend of $1.00 (1998: 65¢) proposed	485,440	157,768
	691,752	364,080

The 1999 final dividend of $1.00 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.

The company is exempt from deducting income tax on dividends paid to residents in Jamaica as follows:

(a) Under the provisions of the Income Tax (Approved Farmer) Order 1983, and the Income Tax (Approved Farmer) (No. 3) Order 1993, out of tax-relieved profits derived from prescribed agricultural activities.

(b) Under the provisions of the Approved Extension (Sans Souci Hotel Amendment) Order, 1991, and the Approved Hotel

Extension (Grand Lido Sans Souci) Order, 1998 out of tax-relieved profits derived from prescribed hotel operations.

9. Reserves

The Group

	Capital reserves			**Revenue reserves**		
	Realised $'000	Unrealised $'000	Replace-ment reserve $'000	Unappro-priated profits $'000	Insurance claims $'000	Total $'000
Balance at March 31, 1998	51,781	1,828,488	18,616	5,181,521	270,564	7,350,970
Provision for the year	-	-	23,788	-	-	23,788
Retained profit for year	-	-	-	1,610,801	-	1,610,801
Transfer from/(to) profit and loss account	2,335	(253)	-	-	113,559	115,641
Utilisation for the year	-	-	(14,013)	-	-	(14,013)
(Gain)/loss on translation					-	
of foreign subsidiary	-	2,648	-	(267)	16,823	19,204
Reserves arising on acquisition of minority shareholding in a subsidiary	-	139,692	-	-	-	139,692
Revaluation adjustments	-	121,345	-	-	-	121,345
Balance at March 31, 1999	54,116	2,091,920	28,391	6,792,055	400,946	9,367,428

The Company

Balance at March 31, 1998	10,520	225,749	-	1,099,667	-	1,335,936
Retained profit for year	-	-	-	313,265	-	313,265
Transfer from profit and loss account	205	-	-	-	-	205

Revaluation adjustments	-	16,833	-	-	-	16,833
Balance at March 31, 1999	10,725	242,582	-	1,412,932		1,666,239

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 $581,000 (1998: $581,000).

. Profits arising from prescribed agricultural activities and relieved from taxation amounting to $Nil for the Group and the company at March 31, 1999 (1998: $32,160,000'.*~ for the Group and the company).

. Profits arising from prescribed hotel operations and relieved from taxation amounting to $161,964,000 for the Group and $Nil for the company at March 31, 1999 (1998: $132,301,000-.*: for the Group and $Nil for the company).

. Franked income of $11,413,000 (1998: $8,742,000) for the Group and the company.

* Restated.

10. Earnings per ordinary stock unit

The calculation of earnings per stock unit is based on the profit attributable to stockholders and on the 242,720,000 stock units in issue.

11. Share capital

	1999 $'000	1998 $'000
Authorized:		
242,720,000 ordinary shares of 25c each	**60,680**	**60,680**
Issued and fully paid:		
242,720,000 ordinary stock units of 25c each	**60,680**	**60,680**

12. Short-term investments, at cost

	The Group		The company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
At cost				
Local registered stocks	110,000	118,310	110,000	118,310
Other	3,701,030	2,597,041	3,286,721	2,484,808
	3,811,030	2,715,351	3,396,721	2,603,118

13. Inventories

	The Group		The company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
Finished leaf	65,909	42,944	-	-
Material and supplies	150,464	134,685	510	412
Work-in-progress	6,974	8,652	-	-
Finished products	81,614	68,382	-	-
	304,961	**254,663**	**510**	**412**

14. Accounts payable

Accounts payable for the Group include:

	The Group	
	1999	1998
	$'000	$'000
Special consumption tax payable	104,301	88,572
Payable to associated companies	12,946	12,400

15. Long-term loan

	The Group	
	1999	1998
	$'000	$'000
16% bank loan	-	4,211
Less: current maturities	-	(4,211)

			-	-

This loan was fully repaid during the year.

16. Long-term investments

	The Group		The company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
Quoted				
Equities	32,177	32,177	32,177	32,177
Less provision for diminution in value	(14,578)	-	(14,578)	-
	17,599	32,177	17,599	32,177
Local registered stocks, at cost	2,629,051	1,241,229	2,629,051	1,241,229
Other, at cost	629,302	1,007,097	364,241	772,700
	3,275,952	**2,280,503**	**3,010,891**	**2,046,106**
Market value of quoted equities	**21,862**	**36,583**	**21,862**	**36,583**

17. Fixed assets

The Group

	Freehold land	Buildings and leasehold improvements	Machinery, equipment & vehicles	Total
	$'000	$'000	$'000	$'000
At cost or valuation:				
March 31, 1998	158,872	1,998,066	542,956	2,699,894
Additions	-	19,489	25,436	44,925
Revaluation adjustments	-	139,191	33,860	173,051
Disposals	-	(125)	(2,095)	(2,220)
March 31, 1999	158,872	2,156,621	600,157	2,915,650

Broken down as follows:				
At cost	1,922	3,753	59,831	65,506
At valuation	156,950	2,152,868	540,326	2,850,144
	158,872	2,156,621	600,157	2,915,650
Depreciation:				
March 31, 1998	-	353,294	285,974	639,268
Charge for the year	-	11,759	53,013	44,772
Revaluation adjustments	-	28,118	23,666	51,784
Eliminated on disposals	-	-	(1,369)	(1,369)
March 31, 1999	-	393,171	341,284	734,455
Net book values:				
March 31, 1999	**158,872**	**1,763,450**	**258,873**	**2,181,195**
March 31, 1998	**158,872**	**1,644,772**	**256,982**	**2,060,626**

The Company

	Freehold land $'000	Buildings $'000	Machinery, equipment & vehicles $'000	Total $'000
At cost or valuation:				
March 31, 1998	10,542	394,371	4,170	409,083
Additions	-	-	1,316	1,316
Revaluation adjustments		31,538	-	31,538
Disposals	-	-	(513)	(513)
March 31, 1999	10,542	425,909	4,973	441,424
Broken down as follows:				
At cost	42	135	4,973	5,150
At valuation	10,500	425,774	-	436,274
	10,542	425,909	4,973	441,424
Depreciation:				
March 31, 1998	-	183,905	2,314	186,219
Charge for the year		6,442	648	7,090

Revaluation adjustments		14,705	-	14,705
Eliminated on disposals		-	(433)	(433)
March 31, 1999	-	205,052	2,529	207,581
Net book values:				
March 31, 1999	**10,542**	**220,857**	**2,444**	**233,843**
March 31, 1998	**10,542**	**210,466**	**1,856**	**222,864**

The Group's buildings include furnished hotel buildings at a valuation of $1,397,092,000 (1998: $1,294,590,000).

All revaluation ad)ustments attributable to the Group in these financial statements have been reflected in capital reserve, net of depreciation (note 9).

18. Related party transactions

		1999 $'000	1998 $'000
(a) Purchases from associated companies	- raw materials	21,366	33,800
	- fixed assets	8,434	296
	- other charges	**19,885**	9,492
(b) Technical fees paid to associated company		**14,196**	4,085

19. Pension plan

The Group participates in the Carreras Group Limited Superannuation Scheme. The scheme provides pension benefits calculated by 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, 1998, 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, 1998.

The contributions during the year aggregated $13,406,000 (1998: $10,818,000) for the Group and $1,264,000 (1998: $918,000) 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:

Name of company	**Principal activity**	**Percentage of ordinary shares held by the company**
Cigarette Company of Jamaica Limited	Manufacturing and marketing of cigarettes.	99.7 (1998: 91)
Agricultural Products of Jamaica Limited	Farming and sale of tobacco	100

Jamaica Biscuit Company Limited (see note 25)	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	Owners and operators of hot property and developers of real estate.	100
Twickenham Insurance Company (Incorporated in the Cayman Islands)	General insurance underwriters	100

22. Contractual commitments

Commitments at March 31, are payable as follows:

	The Group		The company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
Within one year	22,814	17,474	8,735	7,782
Subsequent years	**23,181**	**16,762**	**5,485**	**6,232**
	45,995	**34,236**	**14,220**	**14,014**

Payments made during the year ended March 31, aggregated:

	1999	1998
	$'000	$'000
The Group	24,202	25,405
The company	8,422	9,834

23. Capital commitment

At March 31,1999 approximately $1,119,000 (1998: $23,890,000) had been committed by the Group and $Nil (1998: $Nil) by the company in respect of capital expenditure for which no provision has been made in these financial statements.

24. 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.

25. Subsequent event

Subsequent to March 31, 1999, the company exchanged its shareholding in a subsidiary, Jamaica Biscuit Company Limited, for a debenture issued by Caribbean Brands Limited which after maturity produced a gain on disposal of $705,508,000 for the Group and a realised capital gain of $1,469,000,000 for the company.

26. Year 2000 issue

The Year 2000 issue arises because many computerised systems used two digits rather than four to identify a year. Date-sensitive systems may recognise the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issues affecting an entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.