Carreras Group Ltd.

Notes to the Financial Statements

31 March, 2004

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1 Identification and principal activity

Carreras Group Limited ("the company") is incorporated under the laws of 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 p1c, incorporated in the United Kingdom. The principal activities of the company are the manufacturing and marketing of cigarettes.

2 Bases of preparation and consolidation

Basis of preparation:

The financial statements are prepared on the historical cost basis, except for available-for-sale investments, which are stated at fair value, and are presented in thousands of Jamaica dollars ($'000), except where otherwise indicated. They comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, practice statements issued by the Institute of Chartered Accountants of Jamaica, and the relevant provisions of the Companies Act.

These are the company's first financial statements prepared in accordance with IFRS.

Consequently, there have been significant changes in the accounting policies followed in these financial statements compared with the policies used in previous years. Accordingly, comparative figures have been restated or reclassified to conform to the provisions of IFRS, including the significant accounting policies in note 3 below.

IFRS 1, First-time Adoption of International Financial Reporting Standards, effective for accounting periods beginning on or after January 1, 2004, has been adopted early in the preparation of these financial statements. An explanation of the effects of the transition to IFRS on the equity, results of operations, financial position and cash flows is provided in note 24.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

Basis of consolidation:

The consolidated financial statements combine the financial position of the company and its subsidiaries as at March 31, 2004 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".

3 Significant accounting policies

(a) Property, plant and equipment:

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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, i.e., at the following annual rates:

Buildings	1.4% to 2.5%
Machinery and equipment	3.3% to 33.3%
Motor Vehicles	20% to 33.3%

(b) Investment properties:

Investment properties are revalued annually to reflect current market values by professional valuators and chartered surveyors.

(c) 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.

(d) Accounts payable:

Accounts payable, including provisions, is stated at cost. A provision is recognised in the balance sheet when the company 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.

(e) Inventories:

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

(f) Accounts receivable:

Trade and other receivables are stated at cost, less provisions for doubtful debts.

(g) Revenue recognition:

Revenue from the sale of goods is recognised in the statement of revenue and expenses when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs or the possible return of goods.

(h) Foreign currencies:

Foreign currency balances 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 are included in the statement of revenue and expenses.

The reporting currency of the foreign subsidiary (see note 28) is also its functional currency, i.e., the currency in which economic decisions are formulated. For the purpose of these financial statements, revenues, expenses, gains and losses. of that subsidiary have been translated at the average exchange rates prevailing during the year under review; assets and liabilities have been translated at exchange rates ruling at the balance sheet date; and shareholders' equity has been translated at historical exchange rates.

Unrealised gains and losses arising on translation of net shareholders' equity in the foreign subsidiary are taken to other reserves on the group balance sheet and added or deducted to reflect the underlying group cash flows on the statement of group cash flows.

(i) Income tax:

Deferred 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 balance sheet 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 loss 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) Investments:

Investments acquired at the time of primary issue are classified as originated loans and are stated at amortised cost less impairment losses (note 3 (m)]. Other investments held by the group are classified as being available-for-sale and are stated at fair value with changes in fair value taken to investment revaluation reserve. Where fair value cannot be reliably measured, these investments are stated at cost. Available-for-sale investments include equity securities, The fair value of stock-exchange-traded equities is their quoted bid price.

Investments originated by the group are recognised/derecognised on the day they are transferred to/by the group. Available-for-sale investments are recognised/derecognised by the group on the date it commits to purchase or sell the investments.

(k) Employee benefits:

Employee benefits are all forms of consideration given by the group 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 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 net obligation in respect of its 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 is determined by reference to the yield at the balance sheet date on long-term government bonds of maturities approximating the terms of the company'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 group statement of revenue and expenses 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 statement of revenue and expenses.

All actuarial gains and losses as at April 1, 2002, the date of transition to IFRS, and subsequently are recognised.

Where the calculation results in a pension surplus to the group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

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

The group provides 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 balance sheet date is shown as an obligation on the balance sheet.

(l) Securities purchased under resale agreements:

Securities purchased under resale agreements ('resale agreements') are short-term transactions in which the company makes funds available to other parties and in turn receives securities which it agrees to resell on a specified date at a specified price. Resale agreements are accounted for as short-term collateralised lending.

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

(m) Impairment:

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

(i) Calculation of recoverable amount

The recoverable amount of the group's investments in originated and held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. 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 pretax 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.

(ii) Reversals of impairment

An impairment loss in respect of an originated and held-to-maturity security or receivable 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.

(n) Segment reporting:

A segment is a distinguishable component of the group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4 Operating revenue

Operating revenue represents the invoiced value of products and services sold by the Group, inclusive of special consumption and excise taxes amounting to approximately $2,482,899,000 (2003: $1,468,134,000), and excludes intra-group trading.

5 Other operating income

	2004 $'000	2003 $'000
Interest and other investment income	1,977,412	1,349,153
Exchange gains	560,959	1,052,054
(Loss)/gain on disposal of fixed assets and investment proper-ties	(21,986)	1,055
Gain on disposal of investments	74,345	-
Miscellaneous income	45,339	47,557
	2,636,069	2,449,819
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6 Exceptional items

Exceptional items comprise rationalisation and restructuring costs,

7 Profit before income tax

The following are among the items charged/(credited) in arriving at profit before income tax:

	2004 $'000	2003 $'000
Depreciation	50,363	39,816
Auditors'remuneration	3,351	4,233
Directors' emoluments:		

Fees	16	16
Management services	84,370	48,580
Appreciation in fair value of investments	-	(1,943)
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8 Income tax

(a) Income tax is computed at 33 1/3% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2004 $'000	2003 $'000
Current:		
Provision for charge on current year's profit	1,212,990	972,144
Less tax credit arising on issue of bonus shares	-	(122,708)
	1,212,990	849,436
Adjustment in respect of prior year's provision	-	(5,469)
	1,212,990	843,967
Deferred:		
Origination and reversal of temporary difference	(9,696)	(1,891)
	1,203,294	842,076
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(b) Reconciliation of effective tax rate:

	2004		2003	
	%	$'000	%	$'000
Computed "expected" tax charge	33 1/3	1,350,993	33. 1/3	1,398,878
Taxation difference between profit for financial statements and tax reporting purposes on				
Credit arising on bonus issue	-	-	(6.04)	(122,708)
Effect of tax losses	0.96	38,11	0.06	2,048
Depreciation and capital allowances	0.19	78,58	0.18	6,098
Gain on sale of investments and fixed assets	(0.54)	(218,69)	(0.02)	(537)
Disallowed expenses	1.97	79,764	0.27	9,070
Unrealised foreign exchange gains	(4.34)	(175,794)	(10.39)	(348,491)
Prior year adjustments	-	-	(0.16)	(5,469)
Other adjustments	(0.41)	(16,689)	(2.04)	(68,495)

Employee benefits	(0.06)	(2,483)	0.10	3,211
Exempt income and capital gains	(1.41)	(57,297)	(0.94)	(31,529)
Actual tax charge	29.69	1,203,294	16.73	842,076
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(c) At March 31, 2004, taxation losses in subsidiaries, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, available for set off against future taxable profits, amounted to approximately $291,000,000 (2003: $63,635,000).

9 Net profit for the year attributable to stockholders

	2004 $'000	2003 $'000
Net profit for the year attributable to stockholders, dealt with in the financial statements of the company	1,695,375	1,680,400
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This amount is made up as follows:

Amount reported in the financial statement of the company	6,368,426	1,680,400
Intra-group capital distribution	(4,673,051)	-
Amount dealt with in consolidated net profit	1,695,375	1,680,400
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10 Earnings per ordinary stock unit

Earnings per ordinary stock unit is calculated by dividing $2,846,499,000 (2003: $3,350,939,000) the profit attributable to stockholders, by 485,440,000, the number of stock units in issue.

11 Cash and cash equivalents

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Cash at bank	5,781,436	4,133,926	3,387,797	3,953,860
Short-term deposits	2,507,326	860,323	1,696,750	369,976

	8,288,762	4,994,249	5,084,547	4,323,836
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12 Investments

(a) Short-term:

	The Group 2004 $'000	The Group 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Available for sale securities:				
Government of Jamaica securities	-	134,620	-	134,620
Originated loans and securities:				
Government of Jamaica securities	121,110	1,017,079	-	860,444
Fixed deposit	282,673	-	-	-
Corporate securities	130,000	265,000	130,000	265,000
	533,783	1,282,079	130,000	1,125,444
	533,783	1,416,699	130,000	1,260,064
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(b) Long-term:

The Group

	2004 1-5 years $'000	2004 Over 5 years $'000	2004 No maturity date $'000	2004 Total $'000	2003 Total $'000
Available for sale securities:					
Quoted equities	-	-	212,003	212,003	103,620
Government of Jamaica securities	989,792	-	-	989,792	651,097
	989,792		212,003	1,201,795	754,717
Originated loans and securities:					
Government of Jamaica Securities	3,174,283	-	-	3,174,283	1,106,513
	4,164,075	-	212,003	4,376,078	1,861,230

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The Company

	2004				2003
	1-5 years $'000	Over 5 years $'000	No maturity date $'000	Total $'000	Total $'000
Available for sale securities:					
Quoted equities	-	-	212,003	212,003	103,620
Government of Jamaica securities	8,408	-	-	8,408	308,656
	8,408	-	212,003	220,411	412,276
Originated loan and securities:					
Government of Jamaica securities	-	-	-	-	741,022
	8,408	-	212,003	220,411	1,153,298
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13 Resale agreements

Included in resale agreements of the group is an amount of $22,908,000 which has been deposited with and invested by the Group's Attorney-at-Law. The amount will contribute towards the settlement of the net amounts, if any, due to, and/or claimed by, VRL Services Limited, Village Resorts Limited and International Lifestyles Inc. (see note 16).

14 Accounts receivable

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Trade accounts receivable	75,253	95,793	46,066	-
Interest and other investment income receivable	136,904	103,410	3,869	86,368
Prepayments	43,127	112,993	32,135	1,988
Other receivables and advances	281,944	87,772	105,581	7,390
	537,228	399,968	187,651	95,746
Less: Provision for doubtful debts	(91)	(2,618)	(91)	-

	537,137	397,350	187,560	95,746
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Other receivables include approximately $63,310,000 (2003: $721,000) due from related companies and $5,657,000 (2003:$5,657,000) due from the pension scheme to the company, and approximately $69,141,000 (2003: $44,716,000) due from related companies and $136,183,000 (2003: $5,657,000) due from the pension scheme to the group. The pension scheme is described in note 20.

15 Inventories

	The Group		The company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Finished leaf	19,642	21,994	19,642	-
Material and supplies	55,985	56,357	42,122	416
Work-in-progress	442	873	442	-
Finished products	78,401	72,767	78,401	-
	154,470	151,991	140,607	416
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16 Accounts payable

	The Group		The company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Trade accounts payable	131,882	113,150	67,804	-
Special and general consumption taxes payable	141,215	179,153	141,215	-
Excise tax payable	101,337		101,337	-
Other payables and provisions	361,103	293,378	291,324	135,860
	735,537	585,681	601,680	135,860
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Other payables include:

(a) approximately $1,978,000 (2003:$5,355,000) and $31,499,000 (2003: Nil) due to parent company and other related companies, respectively, for the company, and $1,978,000

(2003: $5,460,000) and $31,499,000 (2003: $26,843,000) due to parent company and other related companies, respectively, for the group; and

(b) amounts payable to VRL Services Limited, Village Resorts Limited, and International Lifestyle Inc. (see note 13).

17 Deferred tax asset/(liability)

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

The Group

	Assets		Liabilities		Net	
	2004	2003	2004	2003	2004	2003
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax on reserves of subsidiaries in liquidation	-	-	(507,079)	-	(507,079)	-
Accounts payable	-	-	-	4,965	-	4,965
Property, plant and equipment	-	-	(6,754)	(11,788)	(6,754)	(11,788)
Retirement benefits obligation	-	-	25,733	21,133	25,733	21,133
Accounts receivable	-	-	(22,319)	(27,346)	(22,319)	(27,346)
	-	-	(510,419)	(13,036)	510,419	(13,036)

The Company

	Assets		Liabilities		Net	
	2004	2003	2004	2003	2004	2003
	$'000	$'000	$'000	$'000	$'000	$'000
Accounts payable	-	227	-	-	-	227
Property, plant and equipment	-	-	(6,754)	(156)	6,754	(156)
Retirement benefits obligation	25,733	21,133	-	-	25,733	21,133
Accounts receivable	-	-	(1,290)	(25,796)	1,290	(25,796)
	25,733	21,360	8,044	25,952	17,689	(4,592)

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

The Group

	Balance at 01.04.03 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.04 $'000
Transfer tax on reserves of subsidiaries in liquidation	-	(507,079)	-	(507,079)
Accounts payable	4,965	-	(4,965)	-
Property, plant and equipment	(11,788)	-	5,035	(6,754)
Retirement benefit obligation	21,133	-	4,600	(25,733)
Interest receivable	(27,346)	-	5,027	(22,319)
	(13,036)	(507,079)	9,696	(510,419)
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The Company

	Balance at 01.04.03 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.04 $'000
Accounts payable	227	-	(227)	-
Property, plant and equipment	(156)	-	(6,598)	(6,754)
Retirement benefit obligation	21,133	-	4,600	25,733
Accounts receivable	(25,796)	-	24,506	(1,290)
	(4,592)	-	22,281	17,689
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(c) The Group has not recognised a deferred tax asset arising in subsidiaries in respect of the following items:

	2004 $'000	2003 $'000
Tax losses	97,000	19,006
Fixed assets	31,291	30,047
Accounts payable	1,388	825
Accounts receivable	(358)	-
Other items	(859)	-
	128,462	49,872
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A deferred tax asset has not been recognised because it is not probable that sufficient taxable profits will be available in the foreseeable future to enable the Group to benefit.

18 Property, plant and equipment

The Group

	Freehold land $'000	Buildings and leasehold improvements $'000	Machinery, equipment and vehicles $'000	Total $'000
Cost:				
March 31,2003	67,342	540,348	242,939	850,629
Additions	-	15,958	41,237	57,195
Disposals and write offs	-	(148)	(27,321)	27,469
March 31, 2004	67,342	556,158	256,855	880,355
Depreciation:				
March 31, 2003	-	164,357	140,309	304,666
Charge for the year	-	20,741	29,622	50,363
Eliminated on disposals and write offs	-	-	(19,644)	(19,644)
March 31, 2004	-	185,098	150,287	335,385
Net book values:				
March 31, 2004	67,342	371,060	106,568	544,970
March 31, 2003	67,342	375,991	102,630	545,963

The Comany

	Freehold land and building $'000	Construction -in-progres $'000	Machinery, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2003	3,719	-	6,113	9,832
Additions	25,529	12,815	201,652	239,996

Write-offs	-	-	(6,312)	(6,312)
Transfers	-	(10,975)	10,975	-
Disposals	-	-	(1,644)	(1,644)
March 31, 2004	29,248	1,840	210,784	241,872
Depreciation:				
March 31, 2003	1,813	-	4,533	6,346
Charge for the year	852	-	14,050	14,902
Eliminated on disposals	-	-	(363)	(363)
March 31, 2004	2,665	-	18,220	20,885
Net book values:				
March 31, 2004	26,583	1,840	192,564	22,987
March 31, 2003	342	1,564	1,580	3,486

Freehold land and buildings includes a subsidiary's land and furnished hotel buildings valued at $900,000,000, on the open market basis as of March 31, 2004 by D.C. Tavares and Finson Company Limited, professional valuatoTs, of Kingston, Jamaica. As the management has elected to carry property, plant and equipment at cost less accumulated depreciation and, if any, impairment, as permitted by IAS 16, the excess of market value over the carrying value has not been brought to account.

19 Share capital

	2004	2003
	$'000	$'000
Authorised in shares, issued and fully paid in stock units:		
485,440,000 ordinary stock units of 25c each	121,360	121,360

20 Retirement benefits obligation

Retirement benefits currently provided 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 company. The benefits are computed by reference to earnings in the three years immediately prior to retirement.

- Post-employment health and group life insurance benefits.

The amounts recognised in the company's and group's balance sheet in respect of retirement benefits are as follows:

	2004 $'000	2003 $'000
Pension benefits	-	-
Post employment health and group life insurance benefits	77,200	63,400
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The amounts recognised are computed as follows:

(i) Pension benefits

(a) Asset recognised in the balance sheet:

	2004 $'000	2003 $'000
Present value of funded obligations	709,600	579,900
Fair value of plan assets	(3,965,000)	(2,674,000)
Present value of net obligations	(3,255,400)	(2,094,100)
Unrecognised amount due to limitation	3,255,400	2,094,100
Amount recognised in balance sheet	-	-
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(b) Movements in the net asset recognised in the balance sheet:

	2004 $'000	2003 $'000
Net asset at beginning of the year	-	-
Contributions paid	(15,300)	(11,600)
Expenses recognised in the statement of revenue and expenses	15,300	11,600
Net asset at end of the year	-	-

(c) Expenses recognised in the statement of group revenue and expenses:

	2004 $'000	2003 $'000
Current service costs	8,600	11,500
Interest costs	69,800	68,900
Change in disallowed assets	204,000	139,400
Expected return on plan asset	(266,900)	(224,800)
Losses on curtailment and settlement	-	16,600
Actuarial gains	(200)	-
	15,300	11,600

(d) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2004 %	2003 %
Discount rate	15.0	12.5
Expected return on plan assets	12.0	10.0
Future salary increases	10.0	8.0
Future pension increases	7.0	6.0

(e) The pension plan assets include ordinary shares issued by the company with a fair value of $678,494,000 (2003:$455,130,000). Plan assets also include property occupied by the group with a fair value of $5,600,000 (2003:$4,800,000).

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

(a) Liability recognised in balance sheet:

	2004 $'000	2003 $'000
Present value of funded obligations, being liability recognised in balance sheet	77,200	63,400

(b) Movements in the net liability recognised in the balance sheet:

	2004 $'000	2003 $'000
Net liability at beginning of the year	63,400	66,900
Contributions paid	(3,200)	(1,900)
Expense recognised in the statement of group revenue and expenses	17,000	(1,600)
Net liability at end of the year	77,200	63,400

(c) Expenses recognised in the statement of group revenue and expenses:

	2004 $'000	2003 $'000
Current service costs	3,600	3,200
Interest on obligation	7,700	8,400
Actuarial loss/(gain)	5,700	(800)
Loss on curtailment and settlement	-	(12,400)
	17,000	(1,600)

(d) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2004 %	2003 %
Discount rate	15.0	12.5
Annual increase in health care costs	13.0	11.0

21 Staff costs

	The Group 2004 $'000	2003 $'000
Salaries and profit related pay	468,216	447,471
Statutory payroll contributions	36,504	31,303

Pension cost	15,300	11,600
Other	88,832	70,394
	608,852	560,768
	=======	=======

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

	2004	2003
Permanent	322	346
Contract	97	34
Temporary	31	50
	450	430
	=====	=====

22 Related party transactions

Related parties are those which control or exercise significant influence over, or are controlled or significantly influenced by, the company in making financial and operating decisions or, along with the company, are subject to common control or significant influence.

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

		2004 $'000	2003 $'000
(a)	Purchases from associated companies - raw materials	175,513	165,064
	- other charges	2,164	6,581
		=======	=======
(b)	Technical fees paid to parent company	34,614	20,433
		=======	=======
(c)	Technical fees paid to associated company	90,103	109,590
		=======	=======

23 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial assets comprise cash and cash equivalents, investments, resale agreements, accounts receivable and due from subsidiary companies. Financial liabilities comprise accounts payable and due to, subsidiary companies. Information on fair values and financial instruments risks is presented below:

(a) 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 the company's available-for-sale investments are the carrying values. The fair values of amounts due from and due to subsidiary companies are assumed to approximate carrying value.

The fair values of the Group's and the company's financial instruments where they differ from their carrying values are as follows:

The Group

	2004		2003	
	Fair value $'000	Carrying value $'000	Fair value $'000	Carrying value $'000
Originated loans and securities:				
Government of Jamaica securities	3,619,636	32,595,393	2,194,545	2,123,592

The Company

	2004		2003	
	Fair value $'000	Carrying value $'000	Fair value $'000	Carrying value $'000
Originated loans and securities:				
Government of Jamaica securities	-	-	1,644,533	1,601,466
	=========	==========	=========	==========

(b) Financial instruments risks:

The Group does not use derivatives as a risk management strategy. Accordingly, exposure to credit, interest rate, foreign currency, liquidity, market and cash flow risks arises in the ordinary course of the Group's operations.

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market rates. The Group manages this risk by investing in a balanced portfolio. At balance sheet date there were.no borrowings.

(ii) Credit risk:

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations.

Management has an investment policy in place and the 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 Government of Jamaica instruments. At balance sheet date, there were no significant concentrations of risk attaching to accounts receivable; however, there is a concentration of investments in Government of Jamaica securities.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions that are undertaken in foreign currencies. The Group ensures that the net foreign currency exposure is kept to an acceptable level and there are net foreign currency assets at the balance sheet date.

(iv) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Group 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.

(v) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market, The directors do not believe this risk is significant because the substantial majority of its financial assets comprises debt securities which the Group has the ability and intention to hold to maturity. Investments which are convertible to cash only by trading in the market are subject to continual monitoring by management

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The Group manages this risk by ensuring, as far as possible, that fluctuation in cash flows relating to monetary financial assets and liabilities are matched to mitigate any significant adverse cash flows.

24 Explanation of transition to IFRS

An explanation of the effects of the transition from Jamaican Generally Accepted Accounting Principles (JGAAP) to IFRS [see note 2(a)] on equity, financial position, results of operations and cash flows is set out in the following tables and the notes:

(a) The summarised effects of the implementation of IFRS on the group's and company's financial position as at March 31, 2003 and on the preparation of the opening IFRS balance sheets as at April 1, 2002 (the group's and company's date of transition) are as follows:

The Group

	April 1, 2002			March 31, 2003		
	Previous JGAAP $'000	Effect of transition to IFRS $'000	IFRS $'000	Previous JGAAP $'000	Effects of transition to IFRS $'000	IFRS $'000
CURRENT ASSETS						
Cash and cash equivalents	4,775,910	(4,050)	4,771,860	4,806,964	187,285	4,994,249
Short-term investments	1,327,117	19,574	1,346,691	1,417,395	(696)	1,416,699
Resale agreements	3,543,501	2,849	3,546,350	5,544,180	(187,286)	5,356,894
Accounts receivable	449,521	(13)	449,508	397,350	-	397,350
Income tax recoverable	668,030	-	668,030	280,802	-	280,802
Inventories	123,263	-	123,263	151,991	-	151,991
	10,887,342	18,360	10,905,702	12,598,682	(697)	12,597,985
CURRENT LIABILITIES						
Accounts payable	497,873	(73,989)	423,884	780,612	(194,931)	585,681
Income tax payable	1,114,876	-	1,114,876	855,857	(4)	855,853
Dividends proposed	1,456,320	(1,456,320)	-	970,880	(970,880)	-
	3,069,069	(1,530,309)	1,538,760	2,607,349	(1,165,815)	1,441,534
NET CURRENT ASSETS	7,818,273	1,548,669	9,366,942	9,991,333	1,165,118	11,156,451
LONG-TERM INVESTMENTS	2,434,944	76,976	2,511,920	1,775,644	85,586	1,861,230

TRADEMARKS AT COST	303	(303)	-	303	(303)	-
INVESTMENT PROPERTIES	190,000	(34,000)	156,000	190,000	(37,000)	153,000
PROPERTY, PLANT AND EQUIPMENT	218,299	(1,633,197)	549,762	1,643,838	(1,097,875)	545,963
	12,626,422	(41,855)	12,584,624	13,601,118	115,526	13,716,644

	April 1, 2002			March 31, 2003		
	Previous JGAAP $'000	Effects of transition to IFRS $'000	IFRS $'000	Previous JGAAP $'000	Effects of transition to IFRS $'000	IFRS $'000
STOCKHOLDERS'EQUITY						
Share capital	121,360	-	121,360	121,360	-	121,360
Reserves [note (b)]	12,450,014	(89,984)	12,360,030	13,427,453	66,378	13,493,831
	12,571,374	(89,984)	12,481,390	13,548,813	66,378	13,615,191
MINORITY INTERESTS	21,306	102	21,408	24,959	58	25,017
DEFERRED TAX LIABILITY	33,799	(18,873)	14,926	27,346	(14,310)	13,036
RETIREMENT BENEFITS OBLIGATION	-	66,900	66,900	-	63,460	63,400
	12,626,479	(41,855)	12,584,624	13,601,118	115,526	13,716,644
	==========	=======	===========	==========	=======	==========

The Company

	April 1, 2002			March 31, 2003		
	Previous JGAAP $'000	Effect of transition to IFRS $'000	IFRS $'000	Previous JGAAP $'000	Effects of transition to IFRS $'000	IFRS $'000
CURRENT ASSETS						
Cash and cash equivalents	4,481,751	-	4,481,751	4,323,836	-	4,323,836
Short-term investments	1,178,461	-	1,178,461	1,261,991	(1,927)	1,260,064
Resale agreements	3,179,744	-	3,179,744	4,388,269	-	4,388,269

Accounts receivable	133,888	-	133,888	95,746	-	95,746
Dividends receivable	4,651	(4,483)	168	5,388	(5,216)	172
Income tax recoverable	645,487	-	645,487	264,537	-	264,537
Due from subsidiary companies	22,714	-	22,714	40,486	-	40,486
Inventories	91	-	91	416	-	416
	9,646,787	(4,483)	9,642,304	10,380,669	(7,143)	10,373,526
CURRENT LIABILITIES						
Accounts payable	118,580	(21,666)	96,914	280,854	144,994	135,860
Due to subsidiary companies	26,908	-	26,908	21	-	21
Dividends proposed	1,456,320	(1,456,320)	-	970,880	(970,880)	
Income tax payable	678,405	-	678,405	305,106	-	305,106
	2,280,213	1,477,986	802,227	1,556,861	(1,115,874)	440,987
NET CURRENT ASSETS	7,366,574	1,473,503	8,840,077	8,823,808	1,108,731	9,932,539
DUE FROM SUBSIDIARY	171,855	-	171,855	178,604	-	178,604
INVESTMENT IN SUBSIDIARY COMPANIES	237,552	-	237,552	237,552	-	237,552
LONG-TERM INVESTMENT	1,693,525	78,061	1,771,586	1,067,751	85,547	1,153,298
TRADEMARKS, AT COST	303	(303)	-	303	(303)	-
PROPERTY, PLANT AND EQUIPMENT	193,870	(189,987)	3,883	204,869	(201,383)	3,486
	9,663,679	1,361,274	11,024,953	10,512,887	992,592	11,505,479
STOCKHOLDERS'EQUITY						
Share capital	121,360	-	121,360	121,360		121,360
Reserves[note (b)]	993,253	1,316,937	2,310,190	618,553	950,396	1,568,649
	1,114,613	1,316,937	2,431,550	739,913	950,396	1,690,309
DEFERRED TAX LIABILITY	33,504	(22,563)	10,941	25,796	(21,204)	4,592
DUE TO SUBSIDIARY COMPANIES	8,515,562	-	8,515,562	9,747,178	-	9,747,178
RETIREMENT BENEFITS OBLIGATION	-	66,900	66,900	-	63,400	63,400
	9,663,679	1,361,274	11,024,953	10,512,887	992,592	11,505,479
	=========	=========	==========	==========	=======	==========

(b) The following is an analysis of the effect of the adjustinents set out in (a) above on equity at April 1, 2002

	Notes	Share Capital	Replacement reserve	Unappro-priated profits	Insurance claims	Realised	Unrealise	Investment revaluati reserve	Other reserve	Total
				Revenue reserves		Capital reserves				
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group										
IAS 12 Income taxes	(f)(i)	-	-	18,873	-	-		-		18,873
IAS 16 Property, Plant and equipment	(f)(ii)	-	-	(81,838)	-	-	1,599,413	(1,681,25)		
IAS 19 Employee benefits	(f)(iii)	-	-	(78,832)	-	-		(78,832)		
IAS 37 Provisions, contingent liabilities and contingent assets	(f)(iv)	-	(49,200)	134,939					85,739	
IAS 38 Intangible assets	(f)(v)	-	-	(303)	-	-		-		(303)
IAS 39 Financial instruments: Recognition and measurement	(f)(vi)	-	-		-	-		95,349		95,349
Transfer between reserves				(2,579,913)	-	(7)	(271,735)	2,851,655	-	
IAS 21 The effects of changes in foreign exchange rates	(f)(vii)	-	-	51,392	(142,830)	-	(87,756)	179,194	-	
IAS 40 Investment property	(f)(viii)	-	-	108,465	-	-	(94,344)	14,121		

IAS 10 Events after balance sheet date	(f)(ix)	-	-	1,456,320	-	-	-	-	-	1,456,320
Net effect [see (a)]		-	(49,200)	(970,897)	(142,830)	(7)	(2,053,24	95,349	3,030,849	(89,984)
The Company										
IAS 12 Income taxes	(f)(i)	-	-	22,563	-	-	-	-	-	22,563
IAS 16 Property, plant and equipment	(f)(ii)	-	-	19,062	-	-	-	-	-	19,062
IAS 19 Employee benefits	(f)(iii)	-	-		-	-	-	-	-	(68,315)
IAS 37 Provisions, contingent					(68,315)					
liabilities and contingent assets	(f)(iv)	-	-	23,081	-	-	-	-	-	23,081
IAS 38 Intangible assets	(f)(v)	-	-	(303)	-	-	-	-	-	(303)
IAS 39 Financial instruments: Recognition and measurement	(f)(vi)	-	-	-	-	-	-	78,061	-	78,061
IAS 10 Events after balance sheet date	(f)(ix)	-	-	1,451,837	-	-	-	-	-	1,451,837
Transfer between reserves		-	-	66,592	-	(66,592)	(209,049)	-	-	(209,049)
Net effect [see (a)]		-	-	1,514,517	-	(66,592)	(209,049)	78,061	-	1,316,937

(c) The summarised effects of (b) on the group's results of operations for the year ended March 31, 2003 are as follows:

	Previous JGAAP $'000	Effects of transition to IFRS $'000	IFRS $'000
Gross operating revenue	4,972,405	-	4,972,405
Cost of operating revenue	(2,114,956)	-	(2,114,956)
Gross profit	2,857,449	-	2,857,449
Other operating income	2,449,788	31	2,449,819
Administrative and marketing expenses	(1,084,198)	54	(1,084,144)
Profit before exceptional items	4,223,039	85	4,223,124
Exceptional items	(153,252)	126,780	(26,472)
Profit before income tax	4,069,787	126,865	4,196,652
Income tax	(837,514)	(4,562)	(842,076)
Profit after income tax but before minority interests	3,232,273	122,303	3,354,576
Minority interests	(3,654)	17	(3,637)
Net profit for the year attributable to stockholders	3,228,619	122,320	3,350,939
Earnings per stock unit (cents)	665.1	25.2	690.3

(d) The following is an analysis of the effect of the adjustments set out in (c) above on net profit for year ended March 31, 2003:

	Group $'000
As previously reported	3,228,619
Effect of first-time adoption of IFRS:	
1AS 12 - Income taxes [(f)(i)]	(4,562)
IAS 19 - Employee benefits [(f)(iii)]	3,500
IAS 37 - Provisions, contingent liabilities and contingent assets[(f)(iv)]	123,668

1AS 10 - Events after balance sheet date [(f)(ix)]	(303)
IAS 16 - Property, plant and equipment [(f)(ii)]	17
Total effect of first-time adoption of IFRS	122,320
As restated	3,350,939

(e) Effect on statement of cash flows:

There are no material differences between the statement of cash flows presented under IFRS and that presented under previous Jamaica GAAP.

(f) Notes to IFRS adjustments:

(i) IAS 12 - Income taxes (deferred taxation): Provision is made for deferred tax on all temporary differences between carrying amounts of assets and liabilities using the balance sheet liability method and tax rates enacted at the balance sheet date. Deferred taxation arose primarily on the health obligation, property, plant and equipment and tax losses which were not accounted for under JGAAP.

(ii) IAS 16 - Property, plant and equipment: Certain property, plant and equipment, previously carried at valuation, are now being carried at cost.

(iii) IAS 19 - Employee benefits:. Retirement benefit asset and retirement benefit obligation relating to the provision of health benefits to pensioners are recognised under IFRS based on the results of valuations of the schemes carried out by independent actuaries. Also, the value of outstanding vacation leave not recognised under previous JGAAP has been accrued under IFRS.

(iv) IAS 37 - Provisions, contingent liabilities and contingent assets: General provisions made under previous JGAAP have been reversed under IFRS.

(v) IAS 38 - Intangible assets: Trademarks, which were capitalised under previous JGAAP, have been written off to conform to IFRS.

(vi) IAS 39 - Financial instruments: recognition and measurement: In accordance with IFRS, originated securities are measured at amortised cost using the effective interest rate method, while available-for-sale investments are carried at fair value with changes in fair value taken to investment revaluation reserve.

(vii) IAS 21 - The effects of changes in foreign exchange: Translation differences previously included in reserves are now shown as a separate component in equity.

(viii) IAS 40 - Investment property: Revaluation surplus arising on the valuation of investment property has been reclassified to revenue reserves.

(ix) 1AS 10 - Events after balance sheet date: Proposed dividends, previously disclosed as a current liability in the financial statements has been revised to conform with IFRS.

25 Segment reporting

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment. as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Business segments:

The group is organised into two business segments. These are:

(a) Tobacco segment - this comprises the manufacturing, marketing and distribution of cigarettes.

(b) Hospitality segment- this comprises the operation of a hotel property.

	Tobacco		Hospitality		Total	
	2004	2003	2004	2003	2004	2003

	$'000	$'000	$'000	$'000	$'000	$'000
Operating revenue, being revenue from external customers	5,602,885	4,507,997	339,448	464,408	5,942,333	4,972,405
Cost of operating revenue	(2,893,500)	(1,908,874)	(243,294)	(206,082)	(3,136,794)	(2,114,956)
Segment results	2,709,385	2,599,123	96,154	258,326	2,805,539	2,857,449
Interest and other investment income					1,977,412	1,349,153
Other operating income					658,657	1,100,666
Administrative and marketing expenses					(1,303,384)	(1,084,144)
Profit before exceptional items					4,138,224	4,223,124
Exceptional items					(85,245)	(26,472)
Profit before income tax and minority interests					4,052,979	4,196,652
Income tax					(1,203,294)	(842,076)
Minority interests					(3,186)	(3,637)
Net profit for the year attributable to stockholders					2,846,499	3,350,939
Depreciation	32,520	29,406	17,843	10,410	50,363	39,816
Capital expenditure	42,973	35,168	14,222	3,803	57,195	38,971
Segment assets	13,639,629	12,842,449	546,909	689,531	14,186,538	13,531,980
Unallocated assets					2,155,704	1,626,198
Total assets					16,342,242	15,158,178
Segment liabilities	724,445	458,341	102,001	105,550	826,446	563,891
Unallocated liabilities					1,596	110,207
Total liabilities					828,044	674,098

Geographical segments

The group operates in two principal geographical areas, Jamaica and the Cayman Islands. The geographical location of the group's entire revenue, however, is Jamaica, based on the geographical location of its customers. All the group's assets are geographically located in Jamaica.

26 Dividends

	2004 $'000	2003 $'000
First interim in respect of 2003/2004		
100cents (2001-2003: 200cents) per stock unit	485,440	970,880
Second interim in respect of 2002/2003		
200cents (2001/2002:-200c) per stock unit	970,880	970,880
Final in respect of 2002/2003		
100cents (2001/2002: 100cents) per stock unit	485,440	485,440
	1,941,760	2,427,200

27 National Housiniz 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

28 Subsidiary companies

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

Percentage of ordinary shares held by the

Name of company	Principal activity	company 2004 %	2003 %
Cigarette Company of Jamaica Limited	Manufacturing and marketing of cigarettes.	99.9	99.9
(In Voluntary Liquidation)		100	100
Agricultural Products of Jamaica Limited	Lease of land to farmers.		
(In Voluntary Liquidation)		100	100
Graphic Arts Limited (In Voluntary Liquidation)	Lease of building.		
Sans Souci Development Limited and its subsidiary, Sans Souci Limited	Owners and operators of hotel property and developers of real estate (see note 30).	100	100
Twickenham Insurance Company Limited (incorporated in The Cayman Islands)	General insurance underwriters,	100	100

29 Contractual commitments

Lease commitments at March 31, are payable as follows:

	The Group 2004 $'000	2003 $'000	The Company 2004 $'000	2003 $'000
Within one year	17,559	24,413	12,627	8,908
Subsequent years	17,804	16,681	16,443	8,545
	35,363	41,094	29,070	17,543

Payments made during the year ended March 3 1, aggregated:

	2004 $'000	2003 $'000
Group	25,451	31,005
Company	11,288	10,366

30 Contingencies

(a) A subsidiary, Cigarette Company of Jamaica Limited (In Voluntary Liquidation), has received income tax assessments in respect of the years 1997 to 2002 from the Commissioner, Taxpayer Audit & Assessment, totaling $5,716 million, being income tax of $2,172 million and penalties of $3,544 million.

An objection to the assessments has been filed and the decision of the Commissioner, Taxpayer Audit and Assessment, has been appealed to the Commissioner, Taxpayer Appeals. Counsel for the company has advised that, although the results of litigation are not predictable, it is his opinion that there is no proper basis in law or fact for the assessments, which should therefore be discharged. The Directors are unanimously of the same view. No provision for this amount has been made in the financial statements.

(b) Sans Souci Development Limited owns the hotel operated as " Sans Souci Resort & Spa". A dispute arose between the then manager, VRL Services Limited, and the operator, Sans Souci Limited (a subsidiary of Sans Souci Development Limited) regarding the termination of the management agreement of the hotel on March 4, 2003. The dispute has been referred to Arbitration by VRL Services Limited. As advised by the subsidiary's Attorney-at-Law, this termination was lawful and, although the results of the arbitration are not certain, no provision has been made for any liability arising therefrom.