

# CARRERAS GROUP LIMITED & SUBSIDIARIES

Unaudited Results for six months ended: September 30, 2004

## GROUP PROFIT & LOSS ACCOUNT

For Six Months ended SEPTEMBER 30, 2004

	UNAUDITED 6 months to		UNAUDITED 3 months to		AUDITED 12 months
	September-04	September-03	September-04	September-03	March-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross operating revenue	2,963,153	2,692,612	1,569,265	1,496,602	5,942,333
Cost of operating revenue	(1,545,055)	(1,425,168)	(814,369)	(789,279)	(3,136,794)
Gross operating profit	1,418,098	1,267,444	754,896	707,323	2,805,539
Interest and other investment income	685,639	1,044,726	324,806	506,928	1,977,413
Other operating income:					
Exchange gains	117,398	384,463	107,924	75,344	560,959
Other income	562,906	61,989	557,569	10,539	97,697
Administrative and marketing expenses	(1,008,835)	(602,994)	(690,892)	(285,085)	(1,388,629)
Profit before income tax	1,775,206	2,155,628	1,054,303	1,015,049	4,052,979
Income tax	(571,238)	(577,954)	(304,329)	(290,837)	(1,203,294)
Profit after income tax but before minority interest	1,203,968	1,577,674	749,974	724,212	2,849,685
Minority interests	(653)	(1,801)	(480)	(944)	(3,186)
Net profit attributable to stockholders	1,203,315	1,575,873	749,494	723,268	2,846,499
Earnings per ordinary stock unit of 25c each	247.9c	324.6c	154.4c	149.0c	586.4c

GROUP BALANCE SHEET

For Six Months ended SEPTEMBER 30,2004

	Unaudited 30-Sep-04 \$ '000	Audited 31-Mar-04 \$ '000	Restated 30-Sep-03 \$ '000	Restated 31-Mar-03 \$ '000
Current Assets				
Cash and cash equivalent	7,180,201	8,288,762	5,102,762	4,994,249
Repurchase Agreements	2,562,572	1,468,499	5,395,034	5,356,894
Short-term investments	435,733	533,783	1,117,698	1,416,699
Accounts receivable	1,131,231	537,137	424,814	397,350
Income tax recoverable	597,193	438,543	501,969	280,802
Inventories	121,526	154,470	147,032	151,991
	12,028,456	11,421,194	12,689,309	12,597,985
Current Liabilities				
Accounts payable	1,372,325	735,537	560,253	585,681
Income tax payable	1,138,170	1,011,361	1,214,700	855,853
Dividend payable	-	-	485,440	-
	2,510,495	1,746,898	2,260,393	1,441,534
Net Current Assets	9,517,961	9,674,296	10,428,916	11,156,451
Long-term Investments	2,283,333	4,376,078	2,885,627	1,861,230
Investment Properties, at Valuation	-	-	153,000	153,000
Fixed Assets	531,640	544,970	562,579	545,963
	12,332,934	14,595,344	14,030,122	13,716,644
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Financed by-				
Share Capital	121,360	121,360	121,360	121,360
Reserves:				
Capital	4,847,703	4,746,900	75,013	75,013
Investments Revaluation	273,249	310,078	138,030	84,889
Other	3,341,286	3,874,204	3,864,172	3,741,002
Revenue	3,114,633	4,939,876	9,712,480	9,592,927

	<u>11,576,871</u>	<u>13,871,058</u>	<u>13,789,695</u>	<u>13,493,831</u>
Stockholders' Equity	11,698,231	13,992,418	13,911,055	13,615,191
Minority Interests	15,961	15,307	26,768	25,017
Deferred Taxation	541,542	510,419	28,899	13,036
Employee Benefit Obligation	<u>77,200</u>	<u>77,200</u>	<u>63,400</u>	<u>63,400</u>
	<u>12,332,934</u>	<u>14,595,344</u>	<u>14,030,122</u>	<u>13,716,644</u>
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## GROUP STATEMENT OF CASH FLOWS

For Six Months ended SEPTEMBER 30,2004

	6 months 30-Sep-04 \$'000	12 months 31-Mar-04 \$'000	6 months 30-Sep-03 \$'000
<b>Cash flows from operating activities:</b>			
Net profit for the period attributable to stockholders	1,203,315	2,846,499	1,573,873
Items not affecting cash	<u>(1,183,464)</u>	<u>1,425,831</u>	<u>173,742</u>
	19,851	4,272,330	1,749,615
Changes in working capital	<u>716,550</u>	<u>(1,207,633)</u>	<u>89,747</u>
Cash provided by operating activities	736,401	3,064,697	1,839,362
Cash (used)/ provided by investing activities	1,076,662	2,563,455	(759,969)
Cash used by financing activities	<u>(2,921,624)</u>	<u>(2,333,639)</u>	<u>(970,880)</u>
Increase/ (Decrease) in cash and short-term deposits	(1,108,561)	3,294,513	108,513
Cash and cash equivalent, at beginning of period - audited	<u>8,288,762</u>	<u>4,994,249</u>	<u>4,994,249</u>
<b>Cash and cash equivalent, at end of period - unaudited</b>	<u><b>7,180,201</b></u>	<u><b>8,288,762</b></u>	<u><b>5,102,762</b></u>
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## STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Six Months ended September 30, 2004

	Share Capital \$ '000	Capital Reserves \$ '000	Investments Revaluation Reserves \$ '000	Other Reserves \$ '000	Revenue Reserves \$ '000	Total \$ '000
Balance at March 31, 2004 - audited	121,360	4,746,900	310,078	3,874,204	4,939,876	13,992,418
Change in fair values of Available For Sale Investments			(36,829)			(36,829)
Gain on translation of foreign subsidiary's financials				24,338		24,338
Total net (losses) and gains not recognised in the profit and loss account	-	-	(36,829)	24,338	-	(12,491)
Translation gains released on disposal of foreign subsidiary				(557,256)		(557,256)
Net profit for the period attributable to stockholders					1,203,315	1,203,315
Dividends		(1,941,760)			(970,880)	(2,912,640)
Transfer of amount equivalent to intra-group, capital distribution		119,786			(119,786)	-
Transfer tax on capital distribution		(8,984)				(8,984)
Increase in deferred tax on reserves of subsidiaries in liquidation					(6,131)	(6,131)
Transfer from/(to) profit and loss account		1,931,761			(1,931,761)	-
<b>Balance at September 30, 2004 - unaudited</b>	<b>121,360</b>	<b>4,847,703</b>	<b>273,249</b>	<b>3,341,286</b>	<b>3,114,633</b>	<b>11,698,231</b>

For the Six Months ended September 30, 2003  
Statement of Changes in Stockholders' Equity

	Share Capital \$ '000	Capital Reserves \$ '000	Investments Revaluation Reserves \$ '000	Other Reserves \$ '000	Revenue Reserves \$ '000	Total \$ '000
Restated balance at March 31, 2003 - audited	121,360	75,013	84,889	3,741,002	9,592,927	13,615,191
Change in fair values of Available For Sale Investments			53,141			53,141
Gain on translation of foreign subsidiary's financials				123,170		123,170

Total net (losses) and gains not recognised in the profit and loss account	-	53,141	123,170		176,311
Net profit for the period attributable to stockholders				1,575,873	1,575,873
Dividends				(1,456,320)	(1,456,320)
<b>Balance at September 30, 2003 - unaudited</b>	<b>121,360</b>	<b>75,013</b>	<b>138,030</b>	<b>3,864,172</b>	<b>9,712,480</b>
					<b>13,911,055</b>

## FINANCIAL INFORMATION BY BUSINESS SEGMENT

	Six Months to September 30, 2004		
	Tobacco	Hospitality	GROUP
<b>REVENUE</b>	<u>2,697,639</u>	<u>265,514</u>	<u>2,963,153</u>
<b>RESULTS</b>			
Segment operating result	<u>916,681</u>	<u>(507,418)</u>	409,263
Investment income			685,639
Exchange gains			117,398
Other operating income			<u>562,906</u>
Profit before income tax			1,775,206
Income tax			<u>(571,238)</u>
Profit after income tax			1,203,968
Minority interest			<u>(653)</u>
Net profit			<u>1,203,315</u>
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**Six Months to September 30, 2003**

	<b>Tobacco</b>	<b>Hospitality</b>	<b>GROUP</b>
<b>REVENUE</b>	<u>2,569,642</u>	<u>122,970</u>	<u>2,692,612</u>
<b>RESULTS</b>			
Segment result	** <u>821,563</u>	<u>(157,113)</u>	664,450
Investment income			1,044,726
Exchange gains			384,463
Other operating income			<u>61,989</u>
Profit before income tax			2,155,628
Income tax			<u>(577,954)</u>
Profit after income tax			1,577,674
Minority interest			<u>(1,801)</u>
Net profit			<u>1,575,873</u>
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\*\*Reclassified to conform with current year presentation

**Notes to the Financial Statements**

**September 30, 2004**

**1 General**

Carreras Group Limited is incorporated under the Laws of Jamaica. The activities of the company and its subsidiaries (collectively "the Group") are organised into the following business segments:

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

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

The segment information is contained in a statement attached to these financial statements.

## **2 Basis of Preparation**

- (i) 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 Jamaican dollars (J\$'000) except where otherwise indicated.

The financial statements 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.

## **3 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.

- (i) Operating revenue represents:

The invoiced value of products and services sold by the Group, inclusive of special consumption and excise taxes amounting to approximately \$701,765,000 (2003: \$675,841,000) and excludes intra-group trading.

- (ii) On April. 1, 2003 new excise taxes, which are included above, were levied on tobacco products to provide funding for the National Health Fund.

For the 6 months ended September 30, 2004 this new excise tax amounted to J\$495,402,000 (2003: \$462,236,000).

## **4 Income Tax**

Income tax for the year comprises current and deferred tax.

## **5 Attributable Profit**

Net profit attributable to stockholders for the quarter is inclusive of \$544.392 million representing accumulated foreign exchange translation gains realised upon disposal of Twickenham Insurance Company. This amount is included in other income. The results also reflect the provision of US\$6.035 million plus costs which represents the award to VRL Services Limited handed down in the Arbitration ruling on July 16, 2004. The matter is being contested.

## **6 Earnings per stock unit**

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

**7 Deferred tax**

The group's statement of changes in stockholders' equity includes transfer tax of J\$387,888,000 paid on capital distributions by subsidiaries in voluntary liquidation.

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

**8 Contingencies**

A subsidiary, Cigarette Company of Jamaica Limited (In Voluntary Liquidation), received tax assessments in respect of the years 1997 to 2002 from the Commissioner, Taxpayer Audit & Assessment totalling \$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. The appeal has been heard and the decision is awaited.

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.

ON BEHALF OF THE BOARD

Michael Bernard  
General Manager

Michael McNally  
Group Finance Director

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