

# CARRERAS GROUP LIMITED & SUBSIDIARIES

## INTERIM REPORT TO STOCKHOLDERS for Nine Months to December 31, 2003

The Directors present UNAUDITED RESULTS of the GROUP for NINE MONTHS to December 31, 2002 compared with unaudited results for nine months to December 31, 2003

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### GROUP PROFIT & LOSS ACCOUNT

	UNAUDITED 9 months to December-03 \$'000	RESTATED 9 months to December-02 \$'000	UNAUDITED 3 months to December-03 \$'000	RESTATED December-02 \$'000	RESTATED 12 months March-03 \$'000
Gross operating revenue	4,318,039	3,558,102	1,625,427	1,294,904	4,972,405
Cost of operating revenue	<u>(2,267,048)</u>	<u>(1,506,768)</u>	<u>(841,880)</u>	<u>(540,930)</u>	<u>(2,114,956)</u>

Gross operating profit	2,050,991	2,051,334	783,547	753,974	2,857,449
Interest and other investment income	1,537,587	957,766	492,861	348,483	1,349,153
Other operating income:					
Exchange gains	493,306	422,971	108,843	216,860	1,052,054
Other income	71,471	43,513	9,482	5,219	52,081
Administrative and marketing expenses	<u>(1,041,707)</u>	<u>(800,680)</u>	<u>(442,060)</u>	<u>(268,376)</u>	<u>(1,086,815)</u>
Profit before exceptional items	3,111,648	2,674,904	952,673	1,056,160	4,223,922
Exceptional items	<u>(18,153)</u>	<u>(24,451)</u>	<u>(14,806)</u>	<u>(20,552)</u>	<u>(26,472)</u>
Profit before income tax	3,093,495	2,650,453	937,867	1,035,608	4,197,450
Income tax	<u>(799,229)</u>	<u>(514,739)</u>	<u>(254,563)</u>	<u>(221,498)</u>	<u>(827,496)</u>
Profit after income tax but before minority	2,294,566	2,135,729	683,304	814,110	3,369,954
Minority interests	(2,648)	(2,609)	(847)	(914)	(3,634)
Net profit attributable to stockholders	<u>2,291,618</u>	<u>2,133,130</u>	<u>682,457</u>	<u>813,196</u>	<u>3,366,320</u>
<b>Earnings per ordinary stock unit of 25c each</b>	<b>472.1¢</b>	<b>439.4¢</b>	<b>140.6¢</b>	<b>167.5¢</b>	<b>693.5¢</b>

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**GROUP BALANCE SHEET**

	<b>Unaudited 31-Dec-03 \$000</b>	<b>Restated 31-Mar-03 \$000</b>	<b>Restated 31-Dec-02 \$000</b>	<b>Restated 31-Mar-02 \$000</b>
<b>Current Assets</b>				
Cash and short-term deposits	5,653,678	4,994,249	4,093,832	4,771,860
Repurchase Agreements	4,830,090	5,356,894	5,496,544	3,546,350
Short-term investments	1,568,662	1,358,103	1,093,439	1,346,691
Accounts receivable	631,251	397,350	334,023	449,508
Income tax recoverable	611,856	280,802	496,462	668,030
Inventories	177,993	151,991	138,910	123,263
	<u>13,473,530</u>	<u>12,539,389</u>	<u>11,653,210</u>	<u>10,905,702</u>
<b>Current Liabilities</b>				
Accounts payable	787,688	578,881	438,861	417,932
Income tax payable	1,410,474	855,541	1,003,046	1,114,876
Dividend payable	-	-	-	-
	<u>2,198,162</u>	<u>1,434,422</u>	<u>1,441,907</u>	<u>1,532,808</u>
<b>Net Current Assets</b>	11,275,368	11,104,967	10,211,303	9,372,894
Long-term Investments	2,866,520	1,934,318	1,898,579	2,511,920
Investment Properties, at Valuation	-	153,000	156,000	156,000
Fixed Assets	557,790	545,961	551,549	549,762
Deferred Tax Asset	176,784	92,171	93,052	84,671
	<u>14,876,462</u>	<u>13,830,417</u>	<u>12,910,483</u>	<u>12,675,247</u>
<b>Financed by:</b>				
Share Capital	121,360	121,360	121,360	121,360
Reserves:				
Capital	351,517	359,838	359,103	359,103
Investments Revaluation	162,361	99,381	101,081	95,349
Other	3,890,973	3,741,002	3,602,461	3,030,849
Revenue	10,179,813	9,344,515	8,592,845	8,891,106
	<u>14,584,664</u>	<u>13,544,736</u>	<u>12,655,490</u>	<u>12,376,407</u>





Total net (losses) and gains not recognised in the profit and loss account	-	-	-	62,980	149,971			
212,951								
Transfer of Reserves realised on asset disposal	66,592	(74,989)						
(8,397)								
Reserves acquired on acquisition of minority interest			76					
76								
Net profit for the period attributable to stockholders							2,291,618	
2,291,618								
Dividends							(1,456,320)	
(1,456,320)								
<b>Balance at December 31, 2003</b>	<b>121,360</b>	<b>141,605</b>	<b>209,912</b>	<b>162,361</b>	<b>3,890,973</b>	<b>-</b>	<b>10,179,813</b>	<b>-</b>
<b>14,706,024</b>								
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**Statement of Changes in Stockholders' Equity**

Total	Capital Reserves		Investment	Revenue Reserves		
	Share		Revaluation	Other	Replacement	Unappropriated Insurance



Transfer between reserves			(7)	7				
-								
-								
Restated balance at 31.03.2002	121,360	74,297	284,806	95,349	3,030,849	-	8,891,106	-
<u>12,497,767</u>								
Change in fair values of Available For Sale Investments				5,732				
5,732								
Foreign currency translation adjustments					81,981			
<u>81,981</u>								
Total net (losses) and gains not recognised in the profit and loss account	-	-	-	5,732	81,981	-	-	-
87,713								
Reserves arising on consolidation					489,631		(489,631)	
-								
Net profit for the period attributable to stockholders							2,133,130	
2,133,130								
-								
Dividends							(1,941,760)	
(1,941,760)								
<b>Balance at December 31, 2002 unaudited</b>	<b>121,360</b>	<b>74,297</b>	<b>284,806</b>	<b>101,081</b>	<b>3,602,461</b>	<b>-</b>	<b>8,592,845</b>	<b>-</b>
<b>12,776,850</b>								
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**GROUP STATEMENT OF CASH FLOWS**



	UNAUDITED 9 months 31-Dec-03 \$'000	RESTATED 12 months 31-Mar-03 \$'000	RESTATED 9 months 31-Dec-02 \$'000
Cash flows from operating activities:			
Net profit for the period attributable to stockholders	2,291,618	3,366,320	2,133,130
Items not affecting cash	<u>180,793</u> 2,472,411	<u>250,329</u> 3,616,649	<u>51,868</u> 2,184,998
Changes in working capital	172,797	312,293	180,474
Cash provided by operating activities	2,645,208	3,928,942	2,365,472
Cash (used)/provided by investing activities	(529,459)	(1,279,352)	(1,101,740)
Cash used by financing activities	<u>(1,456,320)</u>	<u>(2,427,201)</u>	<u>(1,941,760)</u>
Increase/(Decrease) in cash and short-term deposits	659,429	222,389	(678,028)
Cash and short-term deposits, at beginning of period	<u>4,994,249</u>	<u>4,771,860</u>	<u>4,771,860</u>
Cash and short-term deposits, at end of period	<u><b>5,653,678</b></u>	<u><b>4,994,249</b></u>	<u><b>4,093,832</b></u>

## FINANCIAL INFORMATION BY BUSINESS SEGMENT

Nine Months to December 31, 2003

	Tobacco \$'000	Hospitality \$'000	GROUP \$'000
<b>Total Revenue</b>	<b>4,106,468</b>	<b>211,571</b>	<b>4,318,039</b>

**Results**

Segment operating result	1,417,696	(223,165)	1,194,531
Investment income			1,537,587
Exchange gains			493,306
Other income			71,471
Corporate expenses			(185,247)
Profit before income tax and exceptional items			3,111,648
Exceptional items			(18,153)
Profit before income tax			3,093,495
Income tax			(799,229)
Profit after income tax			2,294,266
Minority interest			(2,648)
<b>Net profit</b>			<b>2,291,618</b>

Nine Months to December 31, 2002

	Tobacco \$'000	Printing \$'000	Hospitality \$'000	GROUP \$'000
<b>Total Revenue</b>	<b>3,225,119</b>	<b>(131)</b>	<b>333,114</b>	<b>3,558,102</b>

**Results**

Segment result	1,432,865	(6,446)	(31,275)	1,395,144
	=====			
Investment income				957,766
Exchange gains				422,971
Other income				43,513
Corporate expenses				<u>(144,490)</u>
Profit before income tax and exceptional items				2,674,904
Exceptional items				<u>(24,451)</u>
Profit before income tax				2,650,453
Income tax				<u>(514,714)</u>
Profit after income tax				2,135,739
Minority interest				<u>(2,609)</u>
Net profit				<u>2,133,130</u>
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## NOTES:

### 1. Accounting policies:

#### (a) Basis of preparation

The group adopted International Financial Reporting Standards (IFRS) as at April 1, 2003. These financial statements are, therefore, prepared in accordance with and comply with IFRS. Consequently, there have been significant changes in the accounting policies followed in these financial statements compared with those followed in previous periods. The comparative figures have been restated accordingly. The financial effects of adopting IFRS are reported in the statement of changes in equity.

The financial statements have been prepared under the historical cost convention, modified for the inclusion of investment properties and available-for-sale investments at valuation.

**(b) Investments**

Investments are classified as available-for-sale and originated loans and receivables and initially recorded at cost. Originated loans and receivables are subsequently measured at amortised cost. Available-for-sale investments are measured at fair value with changes in fair value taken to the reserves.

**(c) Deferred taxation**

Deferred taxation 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 income tax purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be realised.

**(d) Provisions**

A provision is recognised in the balance sheet when the group 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) Employee benefits**

**(i) Defined benefit plan:**

The group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in return for their service in

the current and prior periods, discounting it to determine its present value, and deducting the fair value of the plan assets. The calculation is performed by a qualified actuary using the Projected Unit Credit Method.

Under Paragraph 58a of IAS 19 actuarial gains or losses are recognised immediately in the income statement.

Where the calculation results in a benefit to the group, the recognised asset is restricted to the net total of any unrecognised actuarial losses and past service costs and the present value of any reductions in future contributions to the plan.

**(ii) Other post retirement benefits:**

The group's net obligation in respect of other post retirement benefits (i.e. medical and life insurance) is the amount of the future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the Projected Unit Credit Method and is discounted to its present value using a discount rate similar to that for pension obligation in paragraph 1 (i) above.

**2. Segment reporting**

The group has two business segments which provide products and services with risks and rewards that are different from each other. Segment revenue and results are stated in the report headed Financial Information by Business Segment. The expenses and income of the parent company are included in the total for the group.

**3. Gross operating revenue**

Gross operating revenue represents the invoiced value of products and services sold by the group, inclusive of special consumption taxes amounting to \$1,071.674 million (2002: \$1,066.754 million) and new excise taxes of \$746.290 million (2002: \$nil).

**4. Earnings per stock unit**

The calculation of earnings per stock unit is based on the net profit for the period attributable to stockholders divided by 485,440,000 stock units in issue.

**5. Taxation**

The tax charge for the nine month period to December 31, 2002 reflects tax credit arising on the issue of bonus shares in the amount of \$122.7 million.

**6. Administrative and marketing expenses**

Administrative and marketing expenses include the cost of all advertising, promotions and advertising support including the cost of brand launches.

**7. Dividends**

The Directors have declared an interim dividend of \$1.00 per stock unit (less income tax at a rate of nil %) out of accumulated unfranked profits.

The dividend will be paid on March 5, 2004 to stockholders as shown by the Register of Members on February 20, 2004.

## **8. Income Tax Assessment**

A subsidiary, Cigarette Company of Jamaica Limited, has received income 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.

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.

A Notice of Appeal was filed on January 30, 2004 with the Commissioner Taxpayer Appeals in accordance with the provisions of The Revenue Administration (Appeals and Disputes Settlement) Regulations, 2002 and the Revenue Administration Act.

The company awaits a date for the hearing before the Commissioner Taxpayer Appeals.

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