CARRERAS LIMITED
[formerly Carreras Group Limited]

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the Members of
CARRERAS LIMITED
[formerly Carreras Group Limited]

Report on the Financial Statements

We have audited the financial statements of Carreras Limited (the company), set out on pages 3 to 42, which comprise the balance sheet as at March 31, 2007, the statements of income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

To the Members of
CARRERAS LIMITED
[formerly Carreras Group Limited]

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2007, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to note 30 which indicates a contingent liability in the amount of $5,716 million.

Report on additional requirements of the Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, and the financial statements are in agreement with the accounting records, and give the information required by the Companies Act in the manner so required.

KPMG

May 22, 2007

CARRERAS LIMITED
[formerly Carreras Group Limited]

Statement of Group Revenue and Expenses
Year ended March 31, 2007

	Notes	2007 $'000	2006 $'000
Operating revenue	4	7,005,159	6,955,087
Cost of operating revenue		(2,696,393)	(3,247,658)
Gross operating profit		4,308,766	3,707,429
Other operating income	5	865,103	1,882,278
Distribution and marketing expenses		(620,511)	(421,885)
Administrative expenses		(515,475)	(751,329)
Profit before restructuring costs		4,037,883	4,416,493
Restructuring costs		-	(269,659)
Profit before income tax	6	4,037,883	4,146,834
Income tax	7	(1,270,968)	(1,113,281)
Profit for the year	8	2,766,915	3,033,553
Profit after tax from continuing operations		2,768,612	2,423,480
(Loss)/profit after tax from discontinued operations	9	(1,697)	610,073
Profit for the year		2,766,915	3,033,553
Attributable to:			
Minority interests		968	1,486
Stockholders in parent		2,765,947	3,032,067
		2,766,915	3,033,553
Earnings per ordinary stock unit	10	569.8¢	624.6¢

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED
[formerly Carreras Group Limited]

Statement of Company Revenue and Expenses
Year ended March 31, 2007

	Notes	2007 $'000	2006 $'000
Operating revenue	4	7,005,159	6,658,321
Cost of operating revenue		(2,696,393)	(3,069,469)
		4,308,766	3,588,852
Other income			
Distribution/dividends from subsidiaries		399,067	1,895,568
Interest on investments		159,611	153,260
Disposal of equity investment		83,945	-
Gain on exchange		14,284	50,273
Gain on disposal of property, plant and equipment		12,852	2,133
		4,978,525	5,690,086
Expenses:			
Administrative, distribution and marketing		(1,087,019)	(1,005,109)
Restructuring		(21,110)	(208,876)
Miscellaneous income/(expenses)		(15,736)	49,047
Profit before income tax	6	3,854,660	4,525,148
Income tax	7	(1,146,572)	(1,013,148)
Profit for the year	8	2,708,088	3,512,000

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED
[formerly Carreras Group Limited]

Group Balance Sheet
March 31, 2007

	Notes	2007 $'000	2006 $'000
Current assets			
Cash and cash equivalents	11	3,720,014	7,256,843
Resale agreements	12	4,233,379	2,490,869
Short term investments	13	213,231	-
Accounts receivable	14	180,473	211,959
Income tax recoverable		280,411	210,415
Inventories	15	233,955	134,247
		8,861,463	10,304,333
Current liabilities			
Accounts payable	16	613,273	498,842
Provisions	17	-	9,273
Dividends payable		-	2,718,464
Income tax payable		1,176,235	936,890
		1,789,508	4,163,469
Net current assets		7,071,955	6,140,864
Non-current assets:			
Long-term investments	18	-	630,937
Retirement benefit asset	19	159,500	92,900
Property, plant and equipment	20	83,560	105,636
		7,315,015	6,970,337
Equity:			
Share capital	21	121,360	121,360
Reserves:			
Unappropriated profits		2,632,770	2,645,288
Capital		470,754	101,617
Investment revaluation		197,936	227,262
Other		3,341,286	3,341,286
		6,642,746	6,315,453
Total attributable to stockholders of the parent		6,764,106	6,436,813
Minority interest		13,599	13,569
Total equity		6,777,705	6,450,382
Non-current liabilities:			
Deferred tax liability	22	474,210	461,555
Retirement benefit obligation	19	63,100	58,400
		7,315,015	6,970,337

The financial statements on pages 3 to 42 were approved for issue by the Board of Directors on May 22, 2007 and signed on its behalf by:

Michael Bernard — Managing Director

Reynaldo Callejas — Finance Director

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED
[formerly Carreras Group Limited]

Company Balance Sheet
March 31, 2007

	Notes	2007 $'000	2006 $'000
Current assets			
Cash and cash equivalents	11	1,036,593	3,492,598
Resale agreements	12	924,721	634,613
Short term investments	13	213,231	-
Accounts receivable	14	141,782	165,806
Income tax recoverable		74,057	-
Due from subsidiary companies		-	7,764
Inventories	15	233,955	134,247
		2,624,339	4,435,028
Current liabilities			
Accounts payable	16	600,732	487,471
Income tax payable		926,432	670,939
Dividends payable		-	2,718,464
		1,527,164	3,876,874
Net current assets		1,097,175	558,154
Non-current assets:			
Investment in subsidiary companies		206,294	206,294
Long-term investments	18	-	253,923
Retirement benefit asset	19	159,500	92,900
Property, plant and equipment	20	90,259	123,647
		1,553,228	1,234,918
Equity:			
Share capital	21	121,360	121,360
Reserves:			
Capital		440,299	71,162
Investment revaluation		197,936	221,746
Unappropriated profits		702,938	742,643
		1,341,173	1,035,551
Total equity		1,462,533	1,156,911
Non-current liabilities:			
Deferred tax liability	22	27,595	19,607
Retirement benefit obligation	19	63,100	58,400
		1,553,228	1,234,918

The financial statements on pages 3 to 42 were approved for issue by the Board of Directors on May 22, 2007 and signed on its behalf by:

Michael Bernard — Managing Director

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The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED
[formerly Carreras Group Limited]

Statement of Changes in Equity
Year ended March 31, 2007

The Group

	Share capital (note 21) ($'000)	Unappropriated profits ($'000)	Capital reserves ($'000)	Investment revaluation reserve ($'000)	Other reserve ($'000)	Total attributable to equity holders of the parent ($'000)	Minority interest ($'000)	Total ($'000)
Balances at March 31, 2005	121,360	3,839,153	95,801	390,541	3,341,286	7,788,141	16,590	7,804,731
Change in fair value of AFS investments, being gains not recognised in statement of revenue and expenses	-	-	-	(163,279)	-	(163,279)	(75)	(163,354)
Net profit for the year	-	3,032,067	-	-	-	3,032,067	1,486	3,033,553
Total recognised gains for the year	-	3,032,067	-	(163,279)	-	2,868,788	1,411	2,870,199
Dividends paid (note 27)	-	(2,427,200)	(1,747,584)	-	-	(4,174,784)	(4,432)	(4,179,216)
Transfer of amount equivalent to intra-group capital distribution	-	(1,895,568)	1,895,568	-	-	-	-	-
Transfer tax on capital distribution received	-	-	(142,168)	-	-	(142,168)	-	(142,168)
Deferred tax on reserves of subsidiaries in liquidation	-	96,836	-	-	-	96,836	-	96,836
Net movement for the year	-	(1,193,865)	5,816	(163,279)	-	(1,351,328)	(3,021)	(1,354,349)
Balances at March 31, 2006	121,360	2,645,288	101,617	227,262	3,341,286	6,436,813	13,569	6,450,382
Change in fair value of AFS investments, being gains not recognised in statement of revenue and expenses	-	-	-	60,537	-	60,537	(5)	60,532
Gains released from reserves on sale of Investments	-	-	-	(89,863)	-	(89,863)	-	(89,863)
Net profit for the year	-	2,765,947	-	-	-	2,765,947	968	2,766,915
Total recognised gains for the year	-	2,765,947	-	(29,326)	-	2,736,621	963	2,737,584
Dividends paid (note 27)	-	(2,378,656)	-	-	-	(2,378,656)	(933)	(2,379,589)
Transfer tax on capital distribution received	-	-	(29,930)	-	-	(29,930)	-	(29,930)
Transfer of amount equivalent to intra-group capital distribution	-	(399,067)	399,067	-	-	-	-	-
Deferred tax on reserves of subsidiaries in liquidation	-	(742)	-	-	-	(742)	-	(742)
Net movement for the year	-	(12,518)	369,137	(29,326)	-	327,293	30	327,323
Balances at March 31, 2007	121,360	2,632,770	470,754	197,936	3,341,286	6,764,106	13,599	6,777,705

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED
[formerly Carreras Group Limited]

Statement of Changes in Equity (Continued)
Year ended March 31, 2007

The Company

	Notes	Share capital note 21 $'000	Unappropriated profits $'000	Capital reserves $'000	Investment revaluation reserve $'000	Total $'000
Balances at March 31, 2005		121,360	1,411,243	65,346	351,634	1,949,583
Change in fair value of investments, being total losses not recognised in the statement of revenue and expenses		-	-	-	(129,888)	(129,888)
Profit for the year		-	3,512,000	-	-	3,512,000
Total recognized gains for the year		-	3,512,000	-	(129,888)	3,382,112
Dividends paid	27	-	(2,427,200)	(1,747,584)	-	(4,174,784)
Transfer of amount equivalent to intra-group capital distribution		-	(1,753,400)	1,753,400	-	-
Net movement for the year		-	(668,600)	5,816	(129,888)	(792,672)
Balances at March 31, 2006		121,360	742,643	71,162	221,746	1,156,911
Change in fair value of investments, being total losses not recognised in the statement of revenue and expenses						
Disposal of equity investment transferred to P&L					(89,863)	(89,863)
Change in the fair value of available for sale investments		-	-	-	66,053	66,053
Profit for the year		-	2,708,088	-	-	2,708,088
Total recognized gains for the year		-	2,708,088	-	(23,810)	2,684,278
Dividends paid	27	-	(2,378,656)	-	-	(2,378,656)
Transfer of amount equivalent to intra-group capital distribution		-	(369,137)	369,137	-	-
Net movement for the year		-	(39,705)	369,137	(23,810)	305,622
Balances at March 31, 2007		121,360	702,938	440,299	197,936	1,462,533

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED
[formerly Carreras Group Limited]

Statement of Group Cash Flows
Year ended March 31, 2007

	Note	2007 $'000	2006 $'000
Cash flows from operating activities			
Profit for the year		2,766,915	3,033,553
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Items not involving cash:			
Depreciation		24,913	34,529
Retirement benefits		(61,900)	70,600
Impairment		13,118	-
Stock write-off/restructuring		-	14,544
Income tax expense		1,270,968	1,113,281
Unrealised gain on exchange		(124,088)	(257,556)
Gain on disposal of property, plant and and equipment, investments and investment properties		(102,715)	(661,641)
Minority interest		(5)	(75)
Investment income earned		(657,919)	(825,485)
Operating profit before changes in working capital and provisions		3,129,287	2,521,750
Changes in working capital and provisions:			
Accounts receivable		34,163	78,594
Inventories		(99,708)	(13,574)
Accounts payable		114,431	(319,487)
Provisions		(9,273)	(440,727)
Cash generated from operations		3,168,900	1,826,556
Income tax paid		(1,089,706)	(1,110,112)
Net cash provided by operating activities		2,079,194	716,444
Cash flows from investing activities			
Investments		(1,365,802)	1,408,267
Investment income received		655,242	865,964
Additions to property, plant and equipment		(28,995)	(32,473)
Proceeds of disposal of property, plant and equipment and investment properties		127,427	1,057,452
Net cash (used)/provided by investing activities		(612,128)	3,299,210
Cash flows from financing activities			
Dividends paid		(5,098,053)	(1,460,752)
Transfer tax paid on intra-group capital distribution		(29,930)	(142,168)
Net cash used by financing activities		(5,127,983)	(1,602,920)
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes		(3,660,917)	2,412,734
Effect of exchange rate changes on cash and cash equivalents		124,088	257,556
Cash and cash equivalents at beginning of year		7,256,843	4,586,553
Cash and cash equivalents at end of year	11	3,720,014	7,256,843

The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED
[formerly Carreras Group Limited]

Statement of Company Cash Flows
Year ended March 31, 2007

	Note	2007 $'000	2006 $'000
Cash flows from operating activities			
Profit for the year		2,708,088	3,512,000
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Items not involving cash:			
Depreciation		32,670	36,786
Employee benefits		(61,900)	70,600
Impairment		16,673	-
Gain on disposal of property, plant and equipment, investments and investment properties		(102,715)	(2,133)
Exchange gain		(14,284)	(50,273)
Income tax expense		1,146,572	1,013,148
Investment income earned		(159,611)	(153,260)
		3,565,493	4,426,868
Changes in working capital and provisions:			
Accounts receivable		25,046	514,396
Inventories		(99,708)	(17,860)
Accounts payable		113,261	(228,718)
Income tax paid		(957,147)	(1,001,131)
Net cash provided by operating activities		2,646,945	3,693,555
Cash flows from investing activities			
Decrease in investments		(284,899)	(145,400)
Investment income received		166,353	145,430
Additions to property, plant and equipment		(21,427)	(27,867)
Proceeds of disposal of property, plant and equipment investments and investment properties		119,859	5,933
Net cash used by investing activities		(20,114)	(21,904)
Cash flows from financing activities, being net cash used by financing activities:			
Dividends paid		(5,097,120)	(1,456,320)
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes		(2,470,289)	2,215,331
Effect of foreign exchange rate changes		14,284	50,273
Cash and cash equivalents at beginning of year		3,492,598	1,226,994
Cash and cash equivalents at end of year		1,036,593	3,492,598

The accompanying notes form an integral part of the financial statements.

1. Identification and principal activity

Carreras Limited ("the company") is incorporated and domiciled in 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 plc, incorporated in the United Kingdom. The principal activities of the company are the marketing and distribution of cigarettes. The company ceased the manufacture of cigarettes in November 2005.

The principal place of business is Twickenham Park, St. Catherine, Jamaica.

The company changed its name from Carreras Group Limited to Carreras Limited on September 12, 2006.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements comply with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB"), and with the provisions of the Companies Act ("the Act").

(b) Basis of preparation:

The financial statements are presented on the historical cost basis except for the inclusion of available-for-sale financial assets at fair value. Unless otherwise stated, the financial statements are presented in thousands of Jamaica dollars ($'000), which is the functional currency of the company.

(c) Accounting estimates and judgements:

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. **Statement of compliance and basis of preparation (cont'd)**

(c) Accounting estimates and judgements (cont'd):

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Employee benefits:

The amounts recognised in the balance sheet and income statement for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-employment obligations and the expected rate of increase in medical costs for post-employment medical benefits.

Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(ii) Provisions:

In determining the amounts recorded for provisions in the financial statements, management makes judgements regarding indicators of legal or constructive obligations arising from a past event, that is, whether there are indicators that suggest there may be a measurable increase in the estimated future cash outflows.

It is reasonably possible that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

Where appropriate, comparative amounts have been restated to facilitate comparability with current year amounts.

3. **Significant accounting policies**

(a) Basis of consolidation:

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements combine the financial position of the company and its subsidiaries as at March 31, 2007 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 (cont'd)**

(b) Cash and cash equivalents:

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(c) Property, plant and equipment:

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses [note 3(q)].

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

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%

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

(d) Accounts payable:

Accounts payable is stated at amortised cost.

(e) Provision:

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, a reasonable estimate of the amount can be made, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of discounting is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

CARRERAS LIMITED
[formerly Carreras Group Limited]

Notes to the Financial Statements (Continued)
March 31, 2007

3. **Significant accounting policies (cont'd)**

(l) Income tax:

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous years.

(ii) Deferred income tax

Deferred income 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 asset 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.

(m) Discontinued operations:

A discontinued operation is a component of the Group's business that represents a separate major line of business of geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view for resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

(n) Investments:

Investments held by the Group are classified as available-for-sale and are initially measured at cost and subsequently at fair value. Gains and losses arising from changes in fair value is 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. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Available-for-sale investments are recognised/derecognised by the Group on the date it commits to purchase or sell the investments.

3. **Significant accounting policies (cont'd)**

(o) 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.

The Group recognises actuarial gains and losses immediately in the statement of revenue and expenses.

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.

3. **Significant accounting policies (cont'd)**

(o) Employee benefits (cont'd):

(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.

The Group adopted *(Amendments to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures)* as at April 1, 2006. Its adoption resulted in only additional disclosures as indicated in note 19.

(p) Securities purchased under resale agreements:

Securities purchased under resale agreements ('resale agreements') are short-term transactions in which the Group and 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 using the effective interest method and is included in interest income.

(q) 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 Company's and Group's statement of revenue and expenses. Any cumulative loss in respect of an available-for-sale investment previously recognised in equity is transferred to profit or loss.

3. **Significant accounting policies (cont'd)**

(q) Impairment:

(i) Calculation of recoverable amount

The recoverable amount of the Group's investments in loans and receivables, is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. An impairment loss in respect of an available-for-sale investment is calculated by reference to its current fair value. 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 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.

Reversal of impairment losses is recognised in profit or loss, except for available-for-sale equity securities, which is recognised directly in equity.

(r) 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. The Group's primary format for segment reporting is based on business segments.

3. **Significant accounting policies (cont'd)**

(s) Adoption of new and revised IFRS and interpretations:

During the year, the following new and revised IFRS and interpretations which were in issue became effective:

IFRS 6	Exploration for and Evaluation of Mineral Resources	January 1, 2006
IFRIC 4	Determining whether an Arrangement Contains a Lease	January 1, 2006
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	January 1, 2006
IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosures	January 1, 2006
IAS 39 Amendments	The Fair Value Option	January 1, 2006
IAS 39 Amendments	Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions	January 1, 2006
IAS 39 Amendments	Financial Guarantee Contracts	January 1, 2006

There were no changes in the Group's significant accounting policies as a result of these new and revised standards and interpretations.

At the date of authorisation of the financial statements, the following new standards and interpretations, which are in issue, are not yet effective:

- *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* require disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2008 financial statements, will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

- *IFRS 8 Operating Segments* requires disclosures, based on the components of a group or company, that management monitors in making decisions about operating matters, as well as qualitative disclosures on segments. The standard is not considered relevant to the Group, and is not expected to have any impact on the financial statements.

3. **Significant accounting policies (cont'd)**

(s) Adoption of new and revised IFRS and interpretations (cont'd):

- *IFRIC 8 Scope of IFRS 2 Shared-based Payments* addresses the accounting for share-based payment transactions in which some, or all goods or services received, cannot be specially identified. IFRIC 8 is not considered relevant to the group, and is not expected to have any impact on the financial statements.

- *IFRIC 9 Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9 is not expected to have any significant impact on the Group's financial statements.

- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset at cost. IFRIC 10 is considered relevant to the Group and is not expected to have any significant impact on the Group's financial statements.

- *IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash-settled), in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent or another group company are transferred in settlement of the obligation. IFRIC 11 is not considered relevant to the Group and is not expected to have any impact on the financial statements.

- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 is not considered relevant to the Group and is not expected to have any impact on the financial statements.

- *IAS 23 (Revised) - Borrowing Costs* removes the option of immediately recognising all borrowing costs as an expense. The revised standard requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. IAS 23 (Revised) will become mandatory for accounting periods beginning on or after January 1, 2009.

4. **Operating revenue**

Operating revenue for the Group and the Company represents the invoiced value of products and services sold, inclusive of special consumption and excise taxes, and excludes intra-group trading.

5. Other operating income

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Interest and other investment income	657,919	825,485	159,611	153,260
Exchange gains	124,087	345,731	14,284	50,273
Gain on disposal of property, plant and equipment and investment properties	12,852	661,641	12,852	2,133
Gain on disposal of investments	83,945	-	83,945	-
Miscellaneous (expenses)/income	(13,700)	49,421	(15,712)	49,047
	865,103	1,882,278	254,980	254,713

6. Profit before income tax

The following are among the items charged in arriving at profit before income tax:

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Depreciation	24,913	34,529	32,670	36,786
Auditors' remuneration	3,611	3,650	3,111	2,963
Directors' emoluments:				
Fees	3,885	3,689	3,885	3,689
Management services	52,914	48,234	52,914	48,234

7. Income tax

The Group

(a) Income tax is computed at 33⅓% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2007	2006
	$'000	$'000
Current:		
Provision for charge on current year's profit	1,261,178	1,111,523
Adjustment in respect of prior year's provision	(2,123)	39,466
	1,259,055	1,150,989
Deferred:		
Origination and reversal of temporary differences	11,913	(37,708)
	1,270,968	1,113,281

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Notes to the Financial Statements (Continued)
March 31, 2007

7. **Income tax (cont'd)**

The Group

(b) Reconciliation of effective tax rate:

	2007 %	2007 $'000	2006 %	2006 $'000
Computed "expected" tax charge	33.33	1,345,961	33.33	1,382,278
Taxation difference between profit for financial statements and tax reporting purposes on –				
Effect of tax losses	0.07	2,878	0.87	35,903
Depreciation and capital allowances	(0.08)	(3,064)	0.04	1,739
Gain on sale of investments and fixed assets	(0.80)	(32,420)	(5.56)	(230,513)
Disallowed expenses	-	-	-	(162)
Unrealised foreign exchange gains	(1.00)	(40,343)	(2.47)	(102,326)
Other adjustments	0.01	291	(0.29)	(11,895)
Employee benefits	-	-	0.57	23,533
Exempt income and capital gains	(0.06)	(2,335)	0.36	14,724
Actual tax charge	31.47	1,270,968	26.85	1,113,281

(c) At March 31, 2007 taxation losses in subsidiaries, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, amounted to approximately $541,280 (2006: $271,312).

The Company

(a) Income tax is computed at 33⅓% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2007 $'000	2006 $'000
Current:		
Provision for charge on current year's profit	1,108,654	879,944
Adjustment in respect of prior year's provision	-	12,793
	1,108,654	892,737
Deferred:		
Transfer tax @ 7.5% on distribution	29,930	142,168
Origination and reversal of temporary differences	7,988	(21,756)
	1,146,572	1,013,148

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Notes to the Financial Statements (Continued)
March 31, 2007

7. Income tax (cont'd)

The Company

(b) Reconciliation of effective tax rate:

	2007		2006	
	%	$'000	%	$'000
Computed "expected" tax charge	33.33	1,284,887	33.33	1,508,383
Taxation difference between profit for financial statements and tax reporting purposes on –				
Effect of tax losses	0.07	-	-	-
Depreciation and capital allowances	(0.08)	(3,064)	(0.02)	2,335
Gain on sale of investments and fixed assets	(0.84)	(32,419)	0.03	(711)
Disallowed expenses	-	-	(0.40)	1,199
Unrealised foreign exchange gains	(0.10)	(3,855)	3.15	(16,445)
Other adjustments	0.15	5,689	(0.29)	130,705
Employee benefits	-	-	0.57	23,533
Exempt income and capital gains	(2.72)	(104,665)	(15.33)	(635,850)
Actual tax charge	29.74	1,146,572	21.39	1,013,148

8. Profit for the year

	2007 $'000	2006 $'000
Profit for the year, dealt with in the financial statements of the company	2,338,951	1,758,600
This amount is made up as follows:		
Amount reported in the financial statements of the company	2,708,088	3,512,000
Intra-group capital distribution	(369,137)	(1,753,400)
Amount dealt with in consolidated profit	2,338,951	1,758,600

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Notes to the Financial Statements (Continued)
March 31, 2007

9. Statement of revenue and expenses from discontinued operations

	2007 $'000	2006 $'000
Operating revenue	-	296,765
Cost of operating revenue	-	(178,189)
Gross operating profit	-	118,576
Other operating income	12,106	55,980
Marketing expenses	-	(44,063)
Administrative expenses	(11,544)	(114,437)
Profit before restructuring costs	562	16,056
Restructuring costs	-	(60,783)
Loss before income tax	562	(44,727)
Income tax	(2,259)	(4,008)
Loss for the year from discontinued operations	(1,697)	(48,735)
Gain on sale of discontinued operations	-	658,808
	(1,697)	610,073

In September 2005, the assets of the Hospitality division were sold for J$1.154 billion resulting in a capital gain of J$658,808 million. During the year ended March 31, 2007, the Hospitality division had cash flows as follows:

	2007 $'000	2006 $'000
Net cash used by operating activities	(2,733)	(521,689)
Net cash provided by investing activities	7,724	1,094,000
Net cash used by financing activities	(7,764)	(485,890)

10. Earnings per ordinary stock unit

Earnings per ordinary stock unit is calculated by dividing $2,768,612,000 and $(1,697,000) [2006: $2,423,480,000 and ($610,073,000)] the profit/(loss) attributable to stockholders arising from continuing and discontinued operations, respectively, by 485,440,000, the number of stock units in issue.

	2007	2006
Continuing operations	570.1	498.9
Discontinued operations	(0.3)	125.7
	569.8¢	624.6¢

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Notes to the Financial Statements (Continued)
March 31, 2007

11. Cash and cash equivalents

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Demand and call deposits	3,298,642	4,799,297	703,628	1,991,394
Short-term fixed deposits	421,372	2,457,546	332,965	1,501,204
	3,720,014	7,256,843	1,036,593	3,492,598

12. Resale agreements

This represents purchases of Government of Jamaica securities under agreements that they will be resold by the Company and the Group to the financial institutions and brokers on specified dates, at specified amounts. These are, in effect, collateralised lending to the financial institutions and brokers.

The market value of the underlying securities as at March 31, 2007 was $953,836,000 and $4,368,617,000 (2006: $666,385,000 and $2,590,246,000) for the company and the Group, respectively.

13. Short term investments

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Available-for-sale securities:				
Quoted equities	213,231	-	213,231	-

14. Accounts receivable

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Trade accounts receivable - other	41,630	49,703	39,220	47,318
Interest and other investment income receivable	37,065	34,389	5,695	12,437
Prepayments	12,683	24,385	12,683	24,385
Other receivables and advances - related parties	72,270	78,313	66,002	66,001
- pension scheme	5,792	5,792	5,792	5,792
- other	14,903	21,959	12,910	10,070
	184,343	214,541	142,302	166,003
Less: Provision for doubtful debts	(3,870)	(2,582)	(520)	(197)
	180,473	211,959	141,782	165,806

15. Inventories

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Finished products	233,955	134,247	233,955	134,247

16. Accounts payable

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Trade accounts payable	44,911	33,812	44,911	33,632
Special and general consumption taxes payable	41,178	51,216	41,178	51,216
Other payables	527,184	413,814	514,643	402,623
	613,273	498,842	600,732	487,471

Other payables include approximately $16,428,000 (2006: $35,158,000) and $Nil (2006: $50,909,000) due to other related companies and ultimate parent company, respectively, for the company, and $16,428,000 (2006: $38,525,000) and $Nil (2006: $51,119,000) due to other related companies and ultimate parent company, respectively, for the Group.

17. Provisions

	Litigation & claims
	$'000
Balances at April 1, 2006	9,273
Provisions made during the year	-
Payments during the year	(9,273)
Balance at March 31, 2007	-

A dispute arose from a subsidiary's termination of a management agreement, effective March 4, 2003, and this dispute was submitted to arbitration.

On July 16, 2004, the arbitrator ordered the company to pay the other party the amount of $370,705,264 together with interest and costs. The company complied and, on May 31, 2005, made the required payment of $448,742,000.

An appeal to the Supreme Court was heard and the arbitration ruling was upheld. The company has now appealed to the Court of Appeal to set aside this award or alternatively to reduce the amount of the award.
By agreement between the parties, bank guarantees have been issued securing the repayment to the company of the monies paid, in the event of a positive outcome on appeal.

18. **Investments**

The Group

	2007 $'000	2006 $'000
Available for sale securities:		
Quoted equities	-	253,923
Government of Jamaica securities	-	377,014
	-	630,937

The Company

	2007 $'000	2006 $'000
Available for sale securities:		
Quoted equities	-	253,923

19. **Retirement benefit (asset)/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 Group's and company's balance sheet in respect of retirement benefits are as follows:

	The Group & The Company	
	2007 $'000	2006 $'000
Pension benefits	(159,500)	(92,900)
Post employment health and group life insurance benefits	63,100	58,400

19. **Retirement benefit (asset)/obligation (cont'd)**

The amounts recognised are computed as follows:

(i) Pension benefits

(a) Asset recognised in the balance sheet:

	The Group & The Company	
	2007 $'000	2006 $'000
Present value of funded obligations	896,800	806,600
Fair value of plan assets	(5,797,000)	(4,960,600)
Present value of net obligations	(4,900,200)	(4,154,000)
Unrecognised amount due to limitation	4,740,700	4,061,100
Asset recognised in balance sheet	(159,500)	(92,900)

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

	The Group & The Company	
	2007 $'000	2006 $'000
Net asset at beginning of year	(92,900)	(191,600)
Contributions paid	(6,800)	(11,700)
Expenses recognised in the statement of revenue and expenses	(59,800)	110,400
Net asset at end of year	(159,500)	(92,900)

(c) Movements in plan assets:

	The Group & The Company	
	2007 $'000	2006 $'000
Fair value of plan assets at beginning of year	4,960,600	4,775,500
Expected return on plan asset	493,400	475,100
Contributions paid	15,800	26,900
Benefits paid	(69,900)	(76,900)
Actuarial gain/(loss) on plan assets	397,100	(240,000)
Fair value of plan assets at end of year	5,797,000	4,960,600
Plan assets consist of the following:		
Equities	1,443,600	1,305,100
Property	475,100	373,100
Government Securities	291,900	811,500
Repurchase agreements	3,335,300	2,279,800
Lease assets	17,800	16,100
Net current assets	233,300	175,000
	5,797,000	4,960,600

19. **Retirement benefit (asset)/obligation (cont'd)**

(i) Pension benefits

(d) Expenses recognised in the Group's and Company's statement of revenue and expenses:

	The Group & The Company	
	2007	2006
	$'000	$'000
Current service costs	11,400	24,900
Interest costs	96,500	97,400
Change in disallowed assets	679,600	340,400
Expected return on plan assets	(493,400)	(475,100)
Losses on curtailment and settlement	-	(91,400)
Actuarial gains, net	(353,900)	214,200
	(59,800)	110,400
Actual return on plan assets	890,500	235,100

The credit is recognised in administrative expenses in the income statement.

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

	2007	2006
	%	%
Discount rate	12.0	12.5
Expected return on plan assets	10.0	10.0
Future salary increases	9.0	9.0
Future pension increases	6.0	7.0

Assumptions regarding future mortality are based on PA(90) Tables with ages reduced by six years.

(f) The expected long-term rate of return is based on 10% per annum.

(g) The pension plan assets include ordinary shares issued by the company with a fair value of $694,598,797 (2006: $479,077,113). Plan assets also include property occupied by the Group with a fair value of $7,850,000 (2006: $6,800,000).

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

(a) Liability recognised in balance sheet:

	The Group & The Company	
	2007	2006
	$'000	$'000
Present value of funded obligations, being liability recognised in balance sheet	63,100	58,400

19. **Retirement benefit (asset)/obligation (cont'd)**

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

(b) Movements in the net liability recognised in the Group's and the Company's balance sheet:

	The Group and The Company	
	2007 $'000	2006 $'000
Net liability at the beginning of the year	58,400	86,500
Contributions paid	(3,500)	(2,800)
Expense recognised in the statement of Group revenue and expenses	8,200	(25,300)
Net liability at the end of the year	63,100	58,400

(c) Expense recognised in the Group and the Company's statement of revenue and expenses:

	The Group and The Company	
	2007 $'000	2006 $'000
Current service costs	900	4,200
Interest on obligation	7,100	9,700
Actuarial (gain)/loss	200	(24,300)
Loss on curtailment and settlement	-	(14,900)
	8,200	(25,300)

The expense recognised is included in administrative expenses

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

	2007 %	2006 %
Discount rate	12.0	12.5
Annual increase in health care costs	11.0	11.0

(e) Assumptions regarding mortality follow the same basis as those outlined in note 19(e).

(f) Assumed health care cost trends have a significant effect on the amounts recognised in the statement of revenue and expenses. A one percent point change in assumed health care cost trend rates would have the following effects:

	One percentage point increase $'000	One percentage point decrease $'000
Effect on the aggregate service and interest cost	1,300	(1,100)
Effect on the defined benefit obligation	8,300	(6,800)

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Notes to the Financial Statements (Continued)
March 31, 2007

19. **Retirement benefit (asset)/obligation (cont'd)**

(g) Historical information

(i) Defined benefit pension plan:

	2007 $'000	2006 $'000	2005 $'000	2004 $'000	2003 $'000
Present value of the defined benefit obligation	(896,800)	(806,600)	(863,200)	(709,600)	(579,900)
Fair value of plan assets	5,867,000	4,960,600	4,775,500	3,964,700	2,674,000
Experience adjustments on plan liabilities	(73,500)	25,700	39,300	(83,400)	23,000
Experience adjustments Arising on plan assets	467,100	(240,000)	359,700	1,036,200	247,600

(ii) Post employment medical and life insurance benefits:

	2007 $'000	2006 $'000	2005 $'000	2004 $'000	2003 $'000
Present value of the defined obligation	63,100	58,400	86,500	77,200	63,400
Experience adjustments arising on plan liabilities	3,000	24,300	11,000	(13,100)	800

The plan was discontinued with effect from December 31, 2006 ('Closure Date'). Notice was given by the Trustees to the Financial Services Commission ('FSC') pursuant to Section 27(4) of the Pensions (Superannuation Funds and Retirement Schemes) Act, 2004 of their intention to wind-up the plan with effect from the Closure Date. The Trustees have also submitted the information and documents requested by the FSC in connection with their application and are awaiting the formal approval of the FSC to enable them to commence the winding-up process.

20. **Property, plant and equipment**

The Group

	Freehold land $'000	Buildings and leasehold improvements $'000	Machinery, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2005	67,342	566,154	190,963	824,459
Additions	-	3,489	28,984	32,473
Disposals and write offs	(67,000)	(523,933)	(10,529)	(601,462)
March 31, 2006	342	45,710	209,418	255,470
Additions	-	2,816	18,611	21,427
Disposals and write offs	-	-	(31,630)	(31,630)
March 31, 2007	342	48,526	196,399	245,267
Depreciation:				
March 31, 2005	-	206,024	114,932	320,956
Charge for the year	-	11,324	23,205	34,529
Eliminated on disposals and write offs	-	(200,438)	(5,213)	(205,651)
March 31, 2006	-	16,910	132,924	149,834
Charge for the year	-	3,995	20,918	24,913
Eliminated on disposals and write offs	-	-	(13,040)	(13,040)
March 31, 2007	-	20,905	140,802	161,707
Net book values:				
March 31, 2007	342	27,621	55,597	83,560
March 31, 2006	342	28,800	76,494	105,636
March 31, 2005	67,342	360,130	76,031	503,503

The Company

	Freehold land and buildings $'000	Construction -in-progress $'000	Machinery, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2005	36,695	1,670	140,966	179,331
Additions	-	27,867	-	27,867
Transfers	-	(29,537)	29,537	-
Disposals	-	-	(5,059)	(5,059)
March 31, 2006	36,695	-	165,444	202,139
Additions	-	21,427	-	21,427
Transfers	2,816	(18,407)	15,591	-
Disposals	-	-	(38,586)	(38,586)
March 31, 2007	39,511	3,020	142,449	184,980

20. Property, plant and equipment (cont'd)

The Company (cont'd)

	Freehold land and buildings $'000	Construction -in-progress $'000	Machinery, equipment and vehicles $'000	Total $'000
Depreciation:				
March 31, 2005	6,051	-	36,914	42,965
Charge for the year	4,016	-	32,770	36,786
Eliminated on disposals	-	-	(1,259)	(1,259)
March 31, 2006	10,067	-	68,425	78,492
Charge for the year	3,995	-	28,675	32,670
Eliminated on disposals	-	-	(16,441)	(16,441)
March 31, 2007	14,062	-	80,659	94,721
Net book values:				
March 31, 2007	25,449	3,020	61,790	90,259
March 31, 2006	26,628	-	97,019	123,647
March 31, 2005	30,644	1,670	104,052	136,366

21. Share capital

	2007 ($'000)	2006 ($'000)
Authorised:		
485,440,000 (2006: 485,440,000) ordinary shares of no par value		
Stated, issued and fully paid:		
485,440,000 (2006: 485,440,000) stock units of no par value	121,360	121,360
	121,360	121,360

Under the Companies Act 2004 (the Act), which became effective on February 1, 2005, all shares in issue are deemed to be shares without a par (or nominal) value, unless the company, by ordinary resolution, elects to retain its shares with a par value. No such election was made. The share capital is comprised of the sum of the par value of shares in issue and share premium.

22. **Deferred tax asset/(liability)**

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

The Group

	Assets		Liabilities		Net	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Deferred tax on reserves of subsidiaries in liquidation	-	-	(436,383)	(435,641)	(436,383)	(435,641)
Accounts payable	4,022	3,197	-	-	4,022	3,197
Property, plant and equipment	2,415	-	-	(7,158)	2,415	(7,158)
Retirement benefit obligation	21,033	19,467	(53,167)	(30,967)	(32,133)	(11,500)
Accounts receivable	-	-	(12,131)	(10,453)	(12,131)	(10,453)
	27,470	22,664	(501,680)	(484,219)	(474,210)	(461,555)

The Company

	Assets		Liabilities		Net	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Accounts payable	4,022	3,197	-	-	4,022	3,197
Property, plant and equipment	2,415	-	-	(7,158)	2,415	(7,158)
Retirement benefit obligation	21,033	19,467	(53,166)	(30,967)	(32,133)	(11,500)
Accounts receivable	-	-	(1,899)	(4,146)	(1,899)	(4,146)
	27,470	22,664	(55,065)	(42,271)	(27,595)	(19,607)

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

The Group

	Balance at 01.04.06 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.07 $'000
Transfer tax on reserves of subsidiaries in liquidation	(435,641)	(742)	-	(436,383)
Accounts payable	3,197	-	825	4,022
Property, plant and equipment	(7,158)	-	9,573	2,415
Retirement benefit obligation	(11,500)	-	(20,633)	(32,133)
Interest receivable	(10,453)	-	(1,678)	(12,131)
	(461,555)	(742)	(11,913)	(474,210)

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Notes to the Financial Statements (Continued)
March 31, 2007

22. **Deferred tax asset/(liability) (cont'd)**

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

The Company

	Balance at 01.04.06 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.07 $'000
Accounts payable	3,197	-	825	4,022
Property, plant and equipment	(7,158)	-	9,573	2,415
Retirement benefit obligation	(11,500)	-	(20,633)	(32,133)
Accounts receivable	(4,146)	-	2,247	(1,899)
	(19,607)	-	(7,988)	(27,595)

(c) The Group has not recognised a deferred tax asset arising in subsidiaries in respect of the following items:

	2007 $'000	2006 $'000
Tax losses	541,280	271,312

A deferred tax asset has not been recognised because it is not probable that the subsidiaries will have sufficient taxable profits in the foreseeable future to realise the benefit.

23. **Staff costs**

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Salaries and profit-related pay	367,052	416,440	367,052	349,473
Statutory payroll contributions	22,746	35,581	22,746	25,570
Cost of post-retirement benefits, net of credits	61,900	85,100	61,900	85,100
Redundancy	21,110	251,789	21,110	208,876
	472,808	788,910	472,808	669,019

23. **Staff costs (cont'd)**

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

	2007	2006
Permanent	72	75
Temporary	12	11
	84	86

24. **Related party transactions**

A party is related to an entity if:

(i) directly or indirectly the party:

- controls, is controlled by, or is under common control with the entity;
- has an interest in the entity that gives it significant influence over the company; or
- has joint control over the entity.

(ii) the party is a member of the key management personnel of the entity.

(iii) the party is a close member of the family of any individual referred to in (i) or (ii) above.

(iv) the party is a post-employment benefit plan for the benefit of employees of the entity, or any entity that is a related party of the entity.

The Group's and the Company's statement of revenue and expenses includes the following expenses incurred in transactions with related parties, in the ordinary course of business.

			The Group & Company	
			2007	2006
			$'000	$'000
(a)	Purchases from related companies	- raw materials	-	70,504
		- cigarettes	449,650	213,636
(b)	Technical fees paid to parent company		73,948	38,541
(c)	Technical fees paid to other related company		176,939	67,953
(d)	Key management personnel	- short-term employee benefits	35,796	88,753
		- post-employment benefits	45,900	30,200
		- other long-term benefits	-	32,263
			81,696	151,216

24. **Related party transactions (cont'd)**

(e) Carreras Limited Superannuation Scheme:

	2007 $'000	2006 $'000
Expense incurred with the scheme:		
Lease of motor vehicles and equipment	6,935	13,127
Rental of freehold property	720	720
Dividend	68,620	120,434

(f) Included in the Scheme's investments are holdings in the equity stocks of the Group and Company as follows:

	Carrying value		Cost	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Carreras Limited 2007: 14,004,008 (2006: 14,004,008) ordinary stock units of 25¢	694,599	479,077	30,019	30,019

25. **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, resale agreements, accounts receivable, due from subsidiary companies and investments. Financial liabilities comprise accounts payable. 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 Group'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 values.

25. **Financial instruments (cont'd)**

(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 pledged 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.

25. **Financial instruments (cont'd)**

(b) Financial instruments risks (cont'd):

(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. This risk is managed by having a policy requiring continual monitoring of investments by senior management and oversight by the Board of Directors.

(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.

26. **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.

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.

26. **Segment reporting (cont'd)**

Business segments:

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

(a) Tobacco segment – this comprises the marketing and distribution of cigarettes.

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

	Tobacco		Hospitality (Discontinued)		Eliminations		Total	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Operating revenue, being revenue from external customers	7,005,159	6,658,322	-	296,765	-	-	7,005,159	6,955,087
Segment results	3,287,151	2,708,568	(7,162)	602,916	11,312	9,865	3,291,301	3,321,349
Interest and other investment income							746,582	825,485
Profit before income tax and minority interests							4,037,883	4,146,834
Income tax							(1,270,968)	(1,113,281)
Minority interests							(968)	(1,486)
Profit for the year attributable to stockholders in parent							2,765,947	3,032,067
Segment assets	8,972,518	11,003,399	138,704	151,327	(6,699)	(20,921)	9,104,523	11,133,805
Segment liabilities	670,589	3,275,619	5,785	9,359	13,598	13,569	689,972	3,298,547
Capital expenditure	28,995	27,867	-	4,606	-	-	28,995	32,473
Depreciation	32,670	36,785	-	7,518	(7,757)	(9,774)	24,913	34,529
Non cash expenses other than depreciation	(48,782)	85,144		-		-	(48,782)	85,144

Geographical segments

Up to August 2004, the Group operated in two principal geographical areas, Jamaica and the Cayman Islands. Subsequent to that date, the Group operated in Jamaica only. 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 located in Jamaica.

27. Dividends

	2007 $'000	2006 $'000
Declared:		
First quarter ended June 30, 2006 - 100¢ (June 30, 2005: 0¢)	485,440	-
Second quarter ended Sep 30, 2006 - 100¢ (Sept 30, 2005: 100¢)	485,440	485,440
Third quarter ended Dec 31, 2006 - 100¢ (Dec 31, 2005: 200¢)	485,440	970,880
Fourth quarter ended Mar 31, 2007 - 190¢ (Mar 31, 2006: 200¢)	922,336	970,880*
Capital distribution 2006/2007 - 0¢ (2005/2006: 360¢)	-	1,747,584*
	2,378,656	4,174,784

* The dividends declared during the quarter ended March 31, 2006 was paid on April 11, 2006.

28. 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 2007 %	The Company 2006 %	Subsidiary 2007 %	Subsidiary 2006 %
Cigarette Company of Jamaica Limited (In Voluntary Liquidation)	Inactive (voluntary liquidation in process)	99.9	99.9	-	-
Sans Souci Development Limited and its subsidiary,	Up to September 2005, owners and operators of	100.0	100.0	-	-
Sans Souci Limited	hotel property and developers of real estate	-	-	100	100

29. Contractual commitments

Lease commitments at March 31, 2007 are payable as follows:

	The Group 2007 $'000	The Group 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Within one year	10,763	10,565	10,763	10,565
Subsequent years	15,346	8,297	15,346	8,297
	26,109	18,862	26,109	18,862

Payments made during the year ended March 31, 2007 aggregated:

	2007 $'000	2006 $'000
Group	11,921	18,581
Company	11,921	17,317

30. Contingencies

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, totalling \$5,716 million, being income tax of \$2,172 million and penalties of \$3,544 million.

An objection to the assessments was filed and made to the Commissioner, Taxpayer Appeals. The objection was heard and a ruling was given in favour of the Commissioner. The appeal to the Revenue Court has been heard and judgement has been reserved. 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.