



CARRERAS LIMITED

INTERIM UNAUDITED GROUP FINANCIAL STATEMENTS FOR NINE MONTHS ENDED DECEMBER 31, 2007 CONT'D.

6. NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

1. General

Carreras Limited is incorporated under the Laws of Jamaica. The activities of the company and its subsidiaries (collectively "the Group") are focused on the Marketing and Distribution of tobacco products. The company ceased the manufacturing of cigarettes in December 2005. The hospitality segment ceased operations in September 2005, as a result a segment analysis is no longer included as part of the financial statements.

2. Basis of Preparation

The financial statements are prepared on the historical cost basis, except for available-for-sale investments, which are stated at fair value, and are presented in thousands of 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 Group Profit and Loss when the significant risks and rewards of ownership have been transferred to the buyer. Operating revenue represents the invoiced value of products and services sold by the Group. The results for the period ending December 31, 2007 include a one-off capital gain on the disposal of equity investments in the amount of J\$ 195.9 million.

4. Income Tax

Income tax for the year comprises current and deferred tax based upon taxable profits. Capital gains, which are not subject to taxation, are excluded.

5. 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.

6. Deferred Tax

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

7. Tax Assessment

A subsidiary, Cigarette Company of Jamaica Limited (in voluntary liquidation) (CCJ), 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.

CCJ, after due consultation with its legal representatives, appealed the assessment on the basis that the facts showed that loans, and not distributions, were made to CGL over the period and that there were no facts to support the basis of the assessments and the penalties imposed.

In the judgment which was handed down on Wednesday, 31 October 2007, CCJ's appeal was dismissed but the matter of the penalty of J\$3,544 million was remitted to the Commissioner with a recommendation that the Commissioner impose either a nil penalty or a nominal one in an amount not exceeding 5% of the total tax payable.

The Commissioner acting on the recommendation of the Revenue Court, imposed

a penalty of 5% of total tax payable amounting to \$108.6 million. The total amount paid to the Commissioner was \$1,733.1 million being the tax and penalty amounting to \$2,280.6 million less the transfer tax of \$547.5 million paid on the capital distribution made by CCJ.

The legal representatives of CCJ have advised that the judgment of the Revenue Court as it relates to the tax assessment ought to be appealed as they remain of the view that there is no proper basis in law for the assessment and it ought to be discharged. Based on this advice, CCJ filed an appeal with the Court of Appeal in December 2007.

The amount paid of J\$1,733.1 million has been reflected in the financial statements as taxation recoverable.

ON BEHALF OF THE BOARD

Michael Bernard
Managing Director

Marcus Steele
Finance Director

CARRERAS LIMITED

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