



## CARRERAS LIMITED

**On behalf of the Board of Directors, I am pleased to report the following unaudited financial results for the second quarter ended September 30, 2008.**

**Second Quarter 2008 Performance Highlights are:**

	Unaudited			Unaudited		
	Discrete			Cumulative		
	Q2 2008	Q2 2007		Q2 2008	Q2 2007	
	\$000	\$000		\$000	\$000	
Gross operating revenue	2,615,257	2,178,692	20.0%	4,669,297	4,145,600	12.6%
Total operating income	2,627,126	2,271,542	15.7%	4,778,077	4,292,840	11.3%
Interest and other investment income	108,091	172,117	-37.2%	289,367	541,657	-46.6%
Net income	778,938	929,369	-16.2%	1,538,605	1,988,049	-22.6%
EPS	160.5	191.4	-16.2%	316.9	409.4	-22.6%

**Carreras Limited to date reported total operating revenue, including other income of \$2,627.1 million and \$4,778.1 million for the second quarter and the six month period ended September 30, 2008 an increase of 15.7% and 11.3 % respectively above total operating revenue reported for the same period last year.**

**Notwithstanding this growth in operating revenue and other income, Carreras Limited delivered \$778.9 million and \$1,538.6 million in net income for the second quarter and the six month period ended September 30, 2008 respectively, and a decline of 16.2% and 22.6 % respectively over the same period of 2007.**

**As reported in the previous quarter, April to June 2008, cigarette volume sold was well below April to June 2007 and for the second quarter July to September, volume also declined well below our expectations relative to the same period of 2007, bringing the total volume decline to 12.4% for the period.**

**The Company continues to experience a decline in cigarette volumes over the quarter and for the six month period ending September 2008 due to the unprecedented increase in special consumption tax (SCT) of over 100% and the consequential price increase in April 2008.**

**Going forward, the company's performance will even be more exposed to changes in tobacco taxation and the competition for disposable income of our consumers.**

**The company volumes were also negatively impacted by tropical storm 'Gustav' in September 2008 combined with the decline in consumer purchasing power caused by the current challenging macro-economic environment.**

**Also, having made a significant capital distribution in June 2008 to the shareholders, cash available for investment has declined. Interest and other investment income reported were \$108.1 million and \$289.4 million for the second quarter and the period ended September 30, 2008, a decline of 37.2% and 46.6 % respectively over the same period of 2007.**

**Having paid out a substantial portion of its cash holding in the payment of a capital distribution, the Company anticipates that there will be a reduction in interest income and other investment income in future periods.**

**Included in net income is the one off gain from the sale of shares held in other companies in the first quarter results of 2007 amounting to \$195.9 million. On a "like for like" basis, i.e. without the one off gain, net income would have declined by 14.1% instead of the 22.6% reported.**

**The Board of Directors approved an interim dividend of \$1.00 per stock unit at a meeting held on July 29, 2008. This was paid on August 29, 2008.**

**Also, the Board of Directors, in our meeting held on November 4, 2008, approved a second interim dividend of \$1.00 per stock unit. This will take the total interim dividend for the period which will be paid from current year profit to \$2.00 per stock unit.**

**In light of the challenging economic and business climate and its negative impact on consumer purchasing power, the Company will continue to focus on optimizing its marketing and distribution capabilities, in order to continue delivering superior customer service and ensuring the availability of high quality brands for our consumers. With the assistance of the local authorities in curtailing the growth of illicit trade in cigarettes in Jamaica, we anticipate that these initiatives will help to mitigate the volume decline.**

**Carreras Limited remains firmly committed to balancing our commercial objectives with the expectations of society, taking into account, the needs of all our stakeholders and by consistently adding value to the communities in which we operate. During the quarter, the Company was recognized for its sterling contribution in enriching society and being an exemplar corporate citizen, receiving two awards on Corporate Social Responsibility from the Jamaica Employers Federation and the Private Sector Organisation of Jamaica, respectively.**

**On behalf of the Board**

**Chairman**



**CARRERAS LIMITED**

**CARRERAS LIMITED & SUBSIDIARIES**

**UNAUDITED GROUP FINANCIAL STATEMENTS**

**For Six Months ended SEPTEMBER 30, 2008**

<b>GROUP PROFIT &amp; LOSS ACCOUNT</b>					
	<b>UNAUDITED</b>		<b>UNAUDITED</b>		<b>AUDITED</b>
	<b>6 months to</b>		<b>3 months to</b>		<b>12 months</b>
	<b>September-08</b>	<b>September-07</b>	<b>September-08</b>	<b>September-07</b>	<b>March-08</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gross operating revenue	4,669,297	4,145,600	2,615,257	2,178,692	9,037,241
Cost of operating revenue	(2,146,735)	(1,415,969)	(1,244,391)	(748,440)	(3,103,185)
Gross operating profit	2,522,562	2,729,631	1,370,866	1,430,252	5,934,056
Interest and other investment income	289,367	541,657	108,091	172,117	886,739
Other operating income:					
Exchange gains	29,600	128,827	2,479	91,271	167,855
Other income	79,180	18,413	9,390	1,579	16,974
Distribution and marketing expenses	(306,050)	(243,897)	(153,223)	(127,918)	(598,563)
Administrative expenses	(316,271)	(288,336)	(166,830)	(153,638)	(579,326)
Profit before income tax	2,298,388	2,886,295	1,170,773	1,413,663	5,827,736
Income tax	(759,782)	(898,245)	(391,836)	(484,293)	(1,827,715)
Profit for the period	1,538,605	1,988,049	778,938	929,369	4,000,021
Attributable to:					
Minority interests	129	642	6	375	1,002
Stockholders in parent	1,538,475	1,987,407	778,931	928,994	3,999,019
	<b>1,538,605</b>	<b>1,988,049</b>	<b>778,938</b>	<b>929,369</b>	<b>4,000,021</b>
Earnings per ordinary stock unit of 25c each	316.9¢	409.4¢	160.5¢	191.4¢	823.8¢

**CARRERAS LIMITED & SUBSIDIARIES**

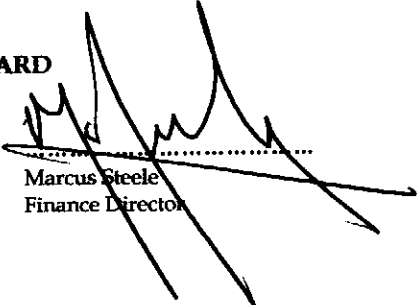
**UNAUDITED GROUP FINANCIAL STATEMENTS**

For Six Months ended SEPTEMBER 30, 2008

<b>GROUP BALANCE SHEET</b>		
	<b>Unaudited</b>	<b>Audited</b>
	<b>30-Sep-08</b>	<b>31-Mar-08</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current Assets</b>		
Cash and cash equivalents	1,317,842	3,294,224
Resale Agreements	2,660,957	4,961,715
Accounts receivable	269,118	219,966
Income tax recoverable	328,798	254,807
Inventories	318,901	105,916
	<b>4,895,615</b>	<b>8,836,628</b>
<b>Current Liabilities</b>		
Accounts payable	802,649	744,018
Income tax payable	1,840,428	1,629,400
	<b>2,643,077</b>	<b>2,373,418</b>
<b>Net Current Assets</b>	<b>2,252,538</b>	<b>6,463,210</b>
<b>Non-current assets:</b>		
Retirement benefit asset	230,300	230,300
Taxation Recoverable	1,733,137	1,733,137
Fixed Assets	74,605	79,945
	<b>4,290,581</b>	<b>8,506,592</b>
<b>Equity:</b>		
Share Capital	121,360	121,360
Reserves:		
Unappropriated profits	2,018,972	4,378,023
Capital	22,322	49,358
Other	1,870,762	3,341,286
	<b>3,912,057</b>	<b>7,768,667</b>
<b>Total attributable to stockholders of parent</b>	<b>4,033,417</b>	<b>7,890,027</b>
Minority interests	4,701	14,601
<b>Total equity</b>	<b>4,038,117</b>	<b>7,904,628</b>
<b>Non-current liabilities:</b>		
Deferred taxation liability	177,963	527,464
Retirement benefit obligation	74,500	74,500
	<b>4,290,581</b>	<b>8,506,592</b>

**ON BEHALF OF THE BOARD**

  
 Michael Bernard  
 Managing Director

  
 Marcus Steele  
 Finance Director

**CARRERAS LIMITED**  
**Statement of Changes in Equity**  
**For Six Months to September 30, 2008**  
**The Group**

	Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Other Reserves \$'000	Total \$'000	Minority Interest \$'000	Total \$'000
Balance at March 31, 2008	121,360	4,378,023	49,358	3,341,286	7,890,027	14,601	7,904,628
Net profit for the period attributable to stockholders		1,538,476			1,538,476	129	1,538,606
Total recognised gains for the year	-	1,538,476	-	-	1,538,476	129	1,538,606
Dividends paid		(1,456,320)	(4,029,152)		(5,485,472)	(10,031)	(5,495,503)
Transfer of an amount equivalent to intra-group capital distribution		(2,785,571)	4,256,095	(1,470,524)	-		-
Transfer tax paid on capital distribution received			(257,398)		(257,398)		(257,398)
Transfer to capital reserves		(3,419)	3,419		-		-
Deferred tax on reserves of subsidiaries in liquidation		347,783			347,783		347,784
Net movements for the year	-	(2,359,051)	(27,036)	(1,470,524)	(3,856,610)	(9,902)	(3,866,511)
Balance at September 30, 2008	121,360	2,018,972	22,322	1,870,762	4,033,417	4,701	4,038,117

**CARRERAS LIMITED**  
**Statement of Changes in Equity**  
**For Six Months to September 30, 2008**

The Company

	Share Capital \$'000	Revenue Reserves \$'000	Capital Reserves \$'000	Total \$'000
Balance at March 31, 2008	121,360	2,049,591	18,903	2,189,854
Net profit for the period attributable to stockholders		5,515,632		5,515,632
Total recognised gains for the year	-	5,515,632	-	5,515,632
Dividends paid		(1,456,320)	(4,029,152)	(5,485,472)
Transfer of an amount equivalent to intra-group capital distribution		(4,032,571)	4,032,571	-
Net movements for the year	-	26,741	3,419	30,160
Balance at September 30, 2008	121,360	2,076,332	22,322	2,220,014

## CARRERAS LIMITED & SUBSIDIARIES

### UNAUDITED GROUP FINANCIAL STATEMENTS

For Six Months to September 30, 2008

	<b>Group Statement of Cash Flows</b>	
	<b>6 months</b>	<b>12 months</b>
	<b>30-Sep-08</b>	<b>31-Mar-08</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities:</b>		
Net profit for the period	1,538,605	4,000,020
Items not affecting cash	454,486	732,506
	1,993,091	4,732,526
Changes in working capital	(833,120)	(2,844,118)
Cash provided by operating activities	1,159,971	1,888,408
Cash (used)/provided by investing activities	2,586,948	160,945
Cash used by financing activities	(5,752,901)	(2,642,998)
Increase/ (Decrease) in cash and cash equivalents	(2,005,982)	(593,645)
Effect of exchange rate changes on cash and cash equivalents	29,600	167,855
Cash and cash equivalents, at beginning of period	3,294,224	3,720,014
<b>Cash and cash equivalents, at end of period</b>	<b>1,317,842</b>	<b>3,294,224</b>

## CARRERAS LIMITED AND SUBSIDIARIES

### Notes to the Financial Statements September 30, 2008

#### 1. General

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 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. (a) Basis of Preparation

The financial statements are presented on the historical cost basis. Unless otherwise stated, the financial statements are presented in thousands of Jamaican dollars (\$'000), which is the functional currency of the company and the group.

#### (b) 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 period 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.

In particular, the significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustments in the next year are as follows:

#### (i) Key source of estimation uncertainty

##### Employee benefits:

The amounts recognised in the balance sheet 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.

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.

(ii) There are no critical accounting judgements in applying the group's and the company's accounting policies.

#### 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.

#### 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.

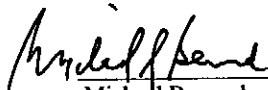
In the judgment which was handed down on Wednesday, 31 October 2007, CCJ's appeal was dismissed but the matter of the penalty of J\$3,544 million was remitted to the Commissioner with a recommendation that the Commissioner impose either a nil penalty or a nominal one in an amount not exceeding 5% of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