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## INDEPENDENT AUDITORS' REPORT

To the Members of  
CARRERAS LIMITED

### Report on the Financial Statements

We have audited the financial statements of Carreras Limited (the company), set out on pages 3 to 45, which comprise the balance sheet as at March 31, 2009, the statements of income, changes in equity and cash flows for the year then ended, and 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 Jamaican 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.



To the Members of  
CARRERAS 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, 2009, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on additional requirements of the Jamaican 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 therewith, and give the information required by the Jamaican Companies Act in the manner so required.

A handwritten signature in black ink, appearing to be 'KPMG' written in a stylized, cursive font.

May 27, 2009

**CARRERAS LIMITED****Statement of Group Revenue and Expenses  
Year ended March 31, 2009**

	<u>Notes</u>	<u>2009</u> \$'000	<u>2008</u> \$'000
<b>Operating revenue</b>	4	10,923,530	9,037,241
<b>Cost of operating revenue</b>		( 5,112,316)	(3,103,185)
<b>Gross operating profit</b>		5,811,214	5,934,056
<b>Other operating income</b>	5	<u>821,093</u>	<u>1,071,568</u>
		<u>6,632,307</u>	<u>7,005,624</u>
<b>Distribution and marketing expenses</b>		( 670,147)	( 598,563)
<b>Administrative expenses</b>		( 733,464)	( 579,326)
		( 1,403,611)	(1,177,889)
<b>Profit before income tax</b>	6	5,228,696	5,827,735
<b>Income tax</b>	7	( 1,700,252)	(1,827,715)
<b>Profit for the year</b>		<u>3,528,444</u>	<u>4,000,020</u>
<b>Attributable to:</b>			
<b>Minority interests</b>		229	1,002
<b>Stockholders in parent</b>		<u>3,528,215</u>	<u>3,999,018</u>
		<u>3,528,444</u>	<u>4,000,020</u>
<b>Earnings per ordinary stock unit</b>	9	<u>726.8¢</u>	<u>823.8¢</u>

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

**CARRERAS LIMITED****Statement of Company Revenue and Expenses**  
**Year ended March 31, 2009**


	<u>Notes</u>	<u>2009</u> \$'000	<u>2008</u> \$'000
<b>Operating revenue</b>	4	10,923,530	9,037,241
<b>Cost of operating revenue</b>		( 5,112,316)	(3,103,185)
<b>Gross operating profit</b>		5,811,214	5,934,056
<b>Other operating income</b>	5	647,400	474,647
<b>Distribution/dividends from subsidiaries</b>		<u>4,289,969</u>	<u>-</u>
		<u>10,748,583</u>	<u>6,408,703</u>
<b>Expenses:</b>			
Administrative, distribution and marketing		( 1,380,993)	(1,150,012)
<b>Profit before income tax</b>	6	9,367,590	5,258,691
<b>Income tax</b>	7	( 1,931,407)	(1,690,436)
<b>Profit for the year</b>	8	<u>7,436,183</u>	<u>3,568,255</u>

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

**CARRERAS LIMITED****Group Balance Sheet**  
**March 31, 2009**

	<u>Notes</u>	<u>2009</u> \$'000	<u>2008</u> \$'000
<b>Current assets</b>			
Cash and cash equivalents	10	1,847,120	3,294,224
Resale agreements	11	2,053,472	4,961,715
Accounts receivable	12	343,281	219,966
Income tax recoverable		240,364	254,807
Inventories	3 (e)	<u>185,815</u>	<u>105,916</u>
		<u>4,670,052</u>	<u>8,836,628</u>
<b>Current liabilities</b>			
Accounts payable	13	1,350,462	744,018
Income tax payable		<u>1,433,960</u>	<u>1,629,400</u>
		<u>2,784,422</u>	<u>2,373,418</u>
<b>Net current assets</b>			
		1,885,630	6,463,210
<b>Non-current assets:</b>			
Retirement benefit asset	14	108,400	230,300
Income tax recoverable	24	1,733,137	1,733,137
Property, plant and equipment	15	<u>101,915</u>	<u>79,945</u>
		<u>3,829,082</u>	<u>8,506,592</u>
<b>Equity:</b>			
Share capital	16	<u>121,360</u>	<u>121,360</u>
<b>Reserves:</b>			
Unappropriated profits		1,578,950	4,378,023
Capital		22,322	49,358
Other		<u>1,870,762</u>	<u>3,341,286</u>
		<u>3,472,034</u>	<u>7,768,667</u>
<b>Total attributable to stockholders of the parent</b>			
		3,593,394	7,890,027
Minority interest		<u>4,800</u>	<u>14,601</u>
<b>Total equity</b>			
		3,598,194	7,904,628
<b>Non-current liabilities:</b>			
Deferred tax liability	17	138,588	527,464
Retirement benefit obligation	14	<u>92,300</u>	<u>74,500</u>
		<u>3,829,082</u>	<u>8,506,592</u>

The financial statements on pages 3 to 45 were approved for issue by the Board of Directors on May 27, 2009 and signed on its behalf by:

  
\_\_\_\_\_  
Michael Bernard Director

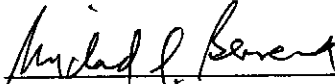
  
\_\_\_\_\_  
Marcus Steele Director


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

**CARRERAS LIMITED****Company Balance Sheet**  
**March 31, 2009**

	<u>Notes</u>	<u>2009</u> \$'000	<u>2008</u> \$'000
<b>Current assets</b>			
Cash and cash equivalents	10	1,445,473	1,317,938
Resale agreements	11	1,923,035	2,233,206
Accounts receivable	12	340,582	200,517
Income tax recoverable		128,155	60,101
Due from subsidiary companies		4,215	994
Inventories	3 (e)	<u>185,815</u>	<u>105,916</u>
		<u>4,027,275</u>	<u>3,918,672</u>
<b>Current liabilities</b>			
Accounts payable	13	1,324,445	730,940
Income tax payable		<u>1,305,573</u>	<u>1,393,691</u>
		<u>2,630,018</u>	<u>2,124,631</u>
<b>Net current assets</b>		<u>1,397,257</u>	<u>1,794,041</u>
<b>Non-current assets:</b>			
Investment in subsidiary companies		206,294	206,294
Retirement benefit asset	14	108,400	230,300
Property, plant and equipment	15	<u>108,794</u>	<u>86,871</u>
		<u>1,820,745</u>	<u>2,317,506</u>
<b>Equity:</b>			
Share capital	16	<u>121,360</u>	<u>121,360</u>
Reserves:			
Capital		22,322	18,903
Unappropriated profits		<u>1,569,683</u>	<u>2,049,591</u>
		<u>1,592,005</u>	<u>2,068,494</u>
<b>Total equity</b>		1,713,365	2,189,854
<b>Non-current liabilities:</b>			
Deferred tax liability	17	15,080	53,152
Retirement benefit obligation	14	<u>92,300</u>	<u>74,500</u>
		<u>1,820,745</u>	<u>2,317,506</u>

The financial statements on page 3 to 45 were approved for issue by the Board of Directors on May 27, 2009 and signed on its behalf by:

  
\_\_\_\_\_  
Michael Bernard Director

  
\_\_\_\_\_  
Marcus Steele Director

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

**CARRERAS LIMITED**

**Statement of Changes in Equity  
Year ended March 31, 2009**

**The Group**

	Share capital (note 16) (\$'000)	Unappropriated profits (\$'000)	Capital reserves (\$'000)	Investment revaluation reserve (\$'000)	Other reserve (\$'000)	Total attributable to equity holders (\$'000)	Minority interest (\$'000)	Total (\$'000)
<b>Balances at March 31, 2007</b>	<u>121,360</u>	<u>2,632,770</u>	<u>470,754</u>	<u>197,936</u>	<u>3,341,286</u>	<u>6,764,106</u>	<u>13,599</u>	<u>6,777,705</u>
Gains released from reserves on sale of investments	-	-	-	(197,936)	-	(197,936)	-	(197,936)
Profit for the year	-	<u>3,999,018</u>	-	-	-	<u>3,999,018</u>	<u>1,002</u>	<u>4,000,020</u>
Total recognised gains for the year	-	<u>3,999,018</u>	-	(197,936)	-	<u>3,801,082</u>	<u>1,002</u>	<u>3,802,084</u>
Dividends paid (note 21)	-	(1,941,760)	(679,616)	-	-	(2,621,376)	-	(2,621,376)
Transfer of amount equivalent to gains on disposal of equity investments	-	(279,842)	279,842	-	-	-	-	-
Transfer tax paid on capital distribution	-	-	(21,622)	-	-	(21,622)	-	(21,622)
Deferred tax on reserves of subsidiaries in liquidation	-	(32,163)	-	-	-	(32,163)	-	(32,163)
Net movement for the year	-	<u>1,745,253</u>	(421,396)	(197,936)	-	<u>1,125,921</u>	<u>1,002</u>	<u>1,126,923</u>
<b>Balances at March 31, 2008</b>	<u>121,360</u>	<u>4,378,023</u>	<u>49,358</u>	-	<u>3,341,286</u>	<u>7,890,027</u>	<u>14,601</u>	<u>7,904,628</u>
Total recognised gains for the year	-	<u>3,528,215</u>	-	-	-	<u>3,528,215</u>	<u>229</u>	<u>3,528,444</u>
Dividends paid (note 21)	-	(3,883,520)	(4,029,152)	-	-	(7,912,672)	(10,030)	(7,922,702)
Transfer of amount equivalent to intra-group capital distribution	-	(2,785,571)	4,256,095	-	(1,470,524)	-	-	-
Transfer tax paid on capital distribution	-	-	(257,398)	-	-	(257,398)	-	(257,398)
Transfer to capital reserves	-	(3,419)	3,419	-	-	-	-	-
Deferred tax on reserves of subsidiaries in liquidation	-	<u>345,222</u>	-	-	-	<u>345,222</u>	-	<u>345,222</u>
Net movement for the year	-	<u>(2,799,073)</u>	(27,036)	-	(1,470,524)	<u>(4,296,633)</u>	(9,801)	<u>(4,306,434)</u>
<b>Balances at March 31, 2009</b>	<u>121,360</u>	<u>1,578,950</u>	<u>22,322</u>	-	<u>1,870,762</u>	<u>3,593,394</u>	<u>4,800</u>	<u>3,598,194</u>

**CARRERAS LIMITED****Statement of Changes in Equity**  
**Year ended March 31, 2009****The Company**

	Share capital (note 18) (\$'000)	Unappropriated profits (\$'000)	Capital reserves (\$'000)	Investment revaluation reserve (\$'000)	Total (\$'000)
<b>Balances at March 31, 2007</b>	<u>121,360</u>	<u>702,938</u>	<u>440,299</u>	<u>197,936</u>	<u>1,462,533</u>
Gains released from reserves on sale of investments	-	-	-	(197,936)	( 197,936)
Profit for the year	-	<u>3,568,255</u>	-	-	<u>3,568,255</u>
Total recognised gains for the year	-	<u>3,568,255</u>	-	(197,936)	<u>3,370,319</u>
Dividends paid (note 21)	-	(1,941,760)	( 679,616)	-	(2,621,376)
Transfer of amount equivalent to gains on disposal of equity investments	-	( 279,842)	279,842	-	-
Transfer tax paid on capital distribution	-	-	( 21,622)	-	( 21,622)
Net movement for the year	-	<u>1,346,653</u>	( 421,396)	(197,936)	<u>727,321</u>
<b>Balances at March 31, 2008</b>	<u>121,360</u>	<u>2,049,591</u>	<u>18,903</u>	-	<u>2,189,854</u>
Total recognised gains for the year	-	<u>7,436,183</u>	-	-	<u>7,436,183</u>
Dividends paid (note 21)	-	(3,883,520)	(4,029,152)	-	(7,912,672)
Transfer of amount equivalent to gains on disposal of equity investments	-	(4,032,571)	4,032,571	-	-
Net movement for the year	-	( 479,908)	3,419	-	( 476,489)
<b>Balances at March 31, 2009</b>	<u>121,360</u>	<u>1,569,683</u>	<u>22,322</u>	-	<u>1,713,365</u>

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



**CARRERAS LIMITED****Statement of Group Cash Flows**  
**Year ended March 31, 2009**

	<u>Notes</u>	<u>2009</u> \$'000	<u>2008</u> \$'000
<b>Cash flows from operating activities</b>			
Profit for the year		3,528,444	4,000,020
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Items not involving cash:			
Depreciation	15	25,081	22,555
Retirement benefits		139,700	( 59,400)
Income tax expense	7	1,700,252	1,827,715
Foreign exchange gain		( 209,967)	( 167,855)
Gain on disposal of property, plant and and equipment and investments		( 3,995)	( 199,669)
Investment income earned		( 599,027)	( 690,840)
Operating profit before changes in working capital and provisions		4,580,488	4,732,526
Changes in:			
Accounts receivable		( 138,890)	( 41,910)
Inventories		( 79,899)	128,039
Accounts payable		<u>606,444</u>	<u>130,745</u>
Cash generated from operations		4,968,143	4,949,400
Income tax paid		(2,182,301)	(3,082,614)
Net cash provided by operating activities		<u>2,785,842</u>	<u>1,866,786</u>
<b>Cash flows from investing activities</b>			
Investments, net		2,908,243	( 728,336)
Investment income received		614,602	693,256
Additions to property, plant and equipment	15	( 48,200)	( 19,311)
Proceeds of disposal of property, plant and equipment, investments and investment properties		<u>5,144</u>	<u>215,336</u>
Net cash provided by investing activities		<u>3,479,789</u>	<u>160,945</u>
<b>Cash flows from financing activities</b>			
Dividends paid, being net cash used by financing activities		(7,922,702)	(2,621,376)
<b>Net decrease in cash and cash equivalents before effect of foreign exchange rate changes</b>		(1,657,071)	( 593,645)
Effect of exchange rate changes on cash and cash equivalents		209,967	167,855
<b>Cash and cash equivalents at beginning of year</b>		<u>3,294,224</u>	<u>3,720,014</u>
<b>Cash and cash equivalents at end of year</b>	10	<u>1,847,120</u>	<u>3,294,224</u>

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

**CARRERAS LIMITED****Statement of Company Cash Flows**  
**Year ended March 31, 2009**

	<u>Notes</u>	<u>2009</u> \$'000	<u>2008</u> \$'000
<b>Cash flows from operating activities</b>			
Profit for the year		7,436,183	3,568,255
Distribution from subsidiary		(4,289,969)	-
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Items not involving cash:			
Depreciation	15	25,128	22,328
Retirement benefits		139,700	( 59,400)
Gain on disposal of property, plant and equipment, and investments		( 3,995)	( 199,669)
Foreign exchange gain		( 127,248)	( 11,604)
Income tax expense	7	1,931,407	1,690,436
Investment income earned		( 508,053)	( 250,171)
Operating profit before changes in working capital and provisions		4,603,153	4,760,175
Changes in:			
Accounts receivable		( 141,012)	( 49,173)
Inventories		( 79,899)	128,038
Accounts payable		<u>593,505</u>	<u>130,208</u>
Cash generated from operations		4,975,747	4,969,248
Income tax paid		(2,125,651)	(1,205,288)
Net cash provided by operating activities		<u>2,850,096</u>	<u>3,763,960</u>
<b>Cash flows from investing activities</b>			
Investments, net		310,171	(1,308,485)
Investment income received		505,779	239,617
Distribution received from subsidiary		4,289,969	-
Additions to property, plant and equipment	15	( 48,200)	( 19,311)
Proceeds of disposal of property, plant and equipment, investments and investment properties		<u>5,144</u>	<u>215,336</u>
Net cash provided/(used) by investing activities		<u>5,062,863</u>	( 872,843)
<b>Cash flows from financing activities</b>			
Dividends paid, being net cash used by financing activities		(7,912,672)	(2,621,376)
<b>Net increase in cash and cash equivalents before effect of foreign exchange rate changes</b>			
		287	269,741
Effect of foreign exchange rate changes		127,248	11,604
Cash and cash equivalents at beginning of year		<u>1,317,938</u>	<u>1,036,593</u>
Cash and cash equivalents at end of year	10	<u>1,445,473</u>	<u>1,317,938</u>

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

**CARRERAS LIMITED****Notes to the Financial Statements**  
**March 31, 2009****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 principal place of business is Twickenham Park, St. Catherine, Jamaica.

**2. Statement of compliance and basis of preparation****(a) Statement of compliance:**

The financial statements comply with International Financial Reporting Standards (“IFRS”) and the relevant requirements of the Jamaican Companies Act.

Certain new IFRS, and interpretations of and amendments to existing standards which were in issue, came into effect for the current financial year as follows:

- *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, which became mandatory for 2009 financial statements, did not have any impact on the group’s and the company’s financial statements.
- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 which became mandatory for 2009 financial statements did not have any impact on the group’s and the company’s financial statements.
- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* provides guidance on assessing the limit set in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14, which became mandatory for 2009 financial statements, did not have any impact on the groups and the company’s financial statements.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****2. Statement of compliance and basis of preparation (cont'd)****(a) Statement of compliance (cont'd):**

New standards and interpretations not yet effective

At the date of authorising the financial statements, there were certain new standards and interpretations which have been issued but are not yet effective and have therefore not been applied in preparing these financial statements. Those which are considered relevant to the group the company and their effective dates are as follows:

- *Revised IAS 1 – Presentation of Financial Statements* (effective January 1, 2009) requires presentation of all non-owner changes in equity in one or two statements either in a single statement of comprehensive income, or in an income statement plus in a statement of comprehensive income. Revised IAS 1 also requires that a statement of financial position be presented at the beginning of the comparative period when the entity restates the comparatives, a disclosure for reclassification adjustments and disclosure of dividends and related per share amounts be disclosed on the face of the statement of changes in equity or in the notes.
- Amendments to *IAS 32 Financial instruments: Presentation and IAS 1, Presentation of Financial Statements* is effective for the company's 2010 financial statements and is not expected to have any impact on the financial statements. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification.
- Amendments to *IFRS 7 Financial Instruments: Disclosures* require enhanced disclosures in respect of two aspects: disclosures over fair value measurement for financial instruments specifically in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations; and improving disclosures over liquidity risk, to address current diversity in practice. The amendments will become mandatory for the 2010 financial statements. The group and the company are assessing the impact that the revised standard will have on the financial statements.

**(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 and the group.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****2. Statement of compliance and basis of preparation (cont'd)****(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.

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 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.

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.**

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**3. **Significant accounting policies**

## (a) Basis of consolidation:

Subsidiaries are entities controlled by the company. Control exists when the company 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, 2009 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".

## (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. The amounts included are short-term fixed deposits.

## (c) Securities purchased under resale agreements:

Securities purchased under resale agreements ('resale agreements') are short-term transactions in which the group and the company make funds available to other parties and in turn receive securities which they agree to resell on a specified date at a specified price. Resale agreements are accounted for as short-term collateralised lending, and carried at amortised cost.

The difference between the purchase and resale consideration is recognised on the accrual basis over the period of the contract using the effective interest method and is included in interest income.

## (d) Accounts receivable:

Trade and other receivables are stated at amortised cost, less impairment losses.

## (e) Inventories:

Inventories comprising finished products are valued at the lower of cost, determined principally on the weighted average cost basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****3. Significant accounting policies (cont'd)****(f) Accounts payable:**

Accounts payable is stated at amortised cost.

**(g) Property, plant and equipment:**

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

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 group and 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%
Leasehold improvements	8% to 11%
Machinery, furniture and equipment	3.3% to 33.3%
Motor vehicles	20% to 33.3%

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

**(h) Income tax:**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of revenue and expenses except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

**(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.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****3. Significant accounting policies (cont'd)****(h) Income tax (cont'd):****(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.

**(i) Foreign currencies:**

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. The group's and the company's monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Jamaica dollars at the rates of exchange ruling at that date. Gains and losses arising from fluctuations in exchange rates are included in the income statement.

**(j) Revenue recognition:**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue is recognised in the statement of revenue and expenses when the significant risks and rewards of ownership have been transferred to the buyer, receipt of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods.

**(k) Other operating income:**

Other operating income comprises interest income, dividend income, gains on disposal of property, plant and equipment, investment property and investments. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the group's and the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.



**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****3. Significant accounting policies (cont'd)****(l) Leases:**

Payments made under operating leases are recognised in the statement of revenue and expenses on the straight-line basis over the term of the lease.

**(m) Employee benefits:**

Employee benefits are all forms of consideration given by the group and the company 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 and the company'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 and the company's net obligation in respect of their 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 applied is the yield at the balance sheet date on long-term government instruments that have maturity dates approximating the terms of the group'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 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's and the company's statement of revenue and expenses.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****3. Significant accounting policies (cont'd)****(m) Employee benefits (cont'd):****(i) Defined-benefit pension plan (cont'd)**

The group and the company recognise actuarial gains and losses immediately in the statement of revenue and expenses.

Where the calculation results in a pension surplus to the group and the company, 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.

**(ii) Post-employment health and group life insurance benefits**

The group and the company provide 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.

**(n) Impairment:**

The carrying amounts of the group's and the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' 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 group's and the company's statement of revenue and expenses. Impairment losses in respect of available-for-sale investments previously recognised in equity are transferred to the statement of revenue and expenses.

**(i) Calculation of recoverable amount**

The recoverable amount of the group's and the company'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.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****3. Significant accounting policies (cont'd)****(n) Impairment (cont'd):****(i) Calculation of recoverable amount (cont'd)**

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 receivables 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 the statement of revenue and expenses, except for available-for-sale equity securities, which is recognised directly in equity.

**(o) 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 amounts due from and due to subsidiary companies are assumed to approximate carrying values. The fair value of the underlying securities of resale agreements is based on the bid price of the securities at the end of the reporting period.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 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 exclude intra-group trading.

**5. Other operating income**

	<u>The Group</u>		<u>The Company</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Interest income:				
Cash and cash equivalents	132,921	119,223	112,429	61,810
Resale agreements	466,106	571,618	395,624	188,361
Exchange gains	209,967	167,855	127,248	11,604
Gain on disposal of property, plant and equipment and investment properties	3,995	3,957	3,995	3,957
Gain on disposal of investments	-	195,898	-	195,898
Miscellaneous income	<u>8,104</u>	<u>13,017</u>	<u>8,104</u>	<u>13,017</u>
	<u>821,093</u>	<u>1,071,568</u>	<u>647,400</u>	<u>474,647</u>

**6. Profit before income tax**

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Depreciation	25,081	22,555	25,128	22,328
Auditors' remuneration - current	4,385	4,115	3,650	3,225
- prior	-	950	-	-
Directors' emoluments:				
Fees	4,026	4,043	4,026	4,043
Management services	<u>32,419</u>	<u>39,123</u>	<u>32,419</u>	<u>39,123</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**7. **Income tax****The Group**

- (a) Income tax is computed at 33
- $\frac{1}{3}$
- % of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Current:		
Provision for charge on current year's profit	1,739,775	1,807,832
Adjustment in respect of prior year's provision	<u>4,131</u>	<u>(1,208)</u>
	1,743,906	1,806,624
Deferred:		
Origination and reversal of temporary differences	<u>(43,654)</u>	<u>21,091</u>
	<u>1,700,252</u>	<u>1,827,715</u>

- (b) Reconciliation of effective tax rate and charge:

	<u>2009</u>		<u>2008</u>	
	%	\$'000	%	\$'000
Profit before taxation		<u>5,228,696</u>		<u>5,827,735</u>
Computed "expected" tax charge	33.33	1,742,899	33.33	1,942,578
Taxation difference between profit for financial statements and tax reporting purposes on –				
Effect of tax losses	0.02	1,431	0.03	1,629
Depreciation and capital allowances	0.29	14,953	0.11	6,462
Gain on sale of investments and fixed assets	(0.02)	(1,366)	(1.14)	(66,619)
Unrealised foreign exchange gains	(1.16)	(60,546)	(0.94)	(54,985)
Other adjustments	0.08	4,020	(0.02)	(1,350)
Exempt income and capital gains	(0.02)	<u>(1,139)</u>	-	-
Actual tax rate and charge	<u>32.52</u>	<u>1,700,252</u>	<u>31.37</u>	<u>1,827,715</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**7. **Income tax (cont'd)****The Group (cont'd)**

- (c) At March 31, 2009 taxation losses in subsidiaries, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, amounted to approximately \$787 million (2008: \$783 million).

**The Company**

- (a) Income tax is computed at 33½% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Current:		
Provision for charge on current year's profit	1,709,991	1,664,206
Adjustment in respect of prior year's provision	2,089	673
Transfer tax @ 6% on capital distribution received	<u>257,398</u>	<u>-</u>
	1,969,478	1,664,879
Deferred:		
Origination and reversal of temporary differences	<u>( 38,071)</u>	<u>25,557</u>
	<u>1,931,407</u>	<u>1,690,436</u>

- (b) Reconciliation of effective tax rate and charge:

	<u>2009</u>		<u>2008</u>	
	%	\$'000	%	\$'000
Profit before taxation		<u>9,367,590</u>		<u>5,258,691</u>
Computed "expected" tax charge	33.33	3,122,530	33.33	1,752,897
Taxation difference between profit for financial statements and tax reporting purposes on –				
Depreciation and capital allowances	0.16	14,971	0.12	6,386
Gain on sale of investments and fixed assets	( 0.01)	( 1,366)	( 1.27)	( 66,619)
Unrealised foreign exchange gains	( 0.35)	( 32,973)	0.06	( 2,901)
Other adjustments	0.02	1,975	0.01	673
Exempt income and capital gains	(12.53)	(1,173,730)	-	-
Actual tax rate and charge	<u>20.62</u>	<u>1,931,407</u>	<u>32.25</u>	<u>1,690,436</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****8. Profit for the year**

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Profit for the year, dealt with in the financial statements of the company	<u>3,407,031</u>	<u>3,568,255</u>
This amount is made up as follows:		
Amount reported in the financial statements of the company	7,436,183	3,568,255
Intra-group capital distribution	(4,029,152)	-
Amount dealt with in consolidated profit for the year	<u>3,407,031</u>	<u>3,568,255</u>

**9. Earnings per ordinary stock unit**

Earnings per ordinary stock unit is calculated by dividing \$3,528,215,000 (2008: \$3,999,018,000) the profit attributable to stockholders arising by 485,440,000, the number of stock units in issue.

	<u>2009</u>	<u>2008</u>
Continuing operations	<u>726.8¢</u>	<u>823.8¢</u>

**10. Cash and cash equivalents**

	<u>The Group</u>		<u>The Company</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
Demand and call deposits	1,107,003	2,615,250	782,514	732,438
Short-term fixed deposits	<u>740,117</u>	<u>678,974</u>	<u>662,959</u>	<u>585,500</u>
	<u>1,847,120</u>	<u>3,294,224</u>	<u>1,445,473</u>	<u>1,317,938</u>

**11. Resale agreements**

This represents purchases of Government of Jamaica securities under agreements that they will be resold by the group and the company to 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, 2009 was \$1,977,286,235 and \$2,114,210,661 (2008: \$2,277,288,959 and \$5,099,748,400) for the company and the group, respectively.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****12. Accounts receivable**

	<u>The Group</u>		<u>The Company</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade accounts receivable	114,695	65,077	114,695	65,077
Interest and other investment income receivable	19,074	34,649	18,523	16,249
Prepayments	16,326	13,805	16,326	13,805
Other receivables and advances - pension scheme	5,792	5,792	5,792	5,792
- other related parties	101,300	85,883	101,300	85,883
- other	<u>96,667</u>	<u>18,623</u>	<u>90,865</u>	<u>14,109</u>
	353,854	223,829	347,501	200,915
<i>Less: Provision for doubtful debts</i>	<u>( 10,573)</u>	<u>( 3,863)</u>	<u>( 6,919)</u>	<u>( 398)</u>
	<u>343,281</u>	<u>219,966</u>	<u>340,582</u>	<u>200,517</u>

During the year, net bad debts recognised aggregated \$7,353 (2008: \$129).

The group and the company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 20.

**13. Accounts payable**

	<u>The Group</u>		<u>The Company</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade accounts payable	63,546	50,994	63,546	50,994
General consumption tax payable	82,013	99,396	82,013	99,396
Other related parties	161,582	6,799	161,582	6,799
Other	<u>1,043,321</u>	<u>586,829</u>	<u>1,017,304</u>	<u>573,751</u>
	<u>1,350,462</u>	<u>744,018</u>	<u>1,324,445</u>	<u>730,940</u>

**14. 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 group and the company.



**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****14. Retirement benefit (asset)/obligation (cont'd)**

Retirement benefits currently provided comprise the following (cont'd):

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 informing the FSC of their intention to wind-up the plan with effect from the Closure Date and making application for its approval. The Trustees have now received the approval from the FSC and have commenced the winding-up process.

The actuarial valuation has been done recognising improved benefits proposed under the proposed new scheme, significantly being changed from average of last three years salary to final salary.

- Post-employment health and group life insurance benefits.

The amounts recognised in the group's and company's balance sheets in respect of retirement benefits are as follows:

	<u>The Group &amp; The Company</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Pension benefits	(108,400)	(230,300)
Post employment health and group life insurance benefits	<u>92,300</u>	<u>74,500</u>

The amounts recognised are computed as follows:

## (i) Pension benefits

## (a) Asset recognised in the balance sheet:

	<u>The Group &amp; The Company</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Present value of funded obligations	994,900	1,287,500
Fair value of plan assets	<u>(7,056,600)</u>	<u>(7,168,100)</u>
Present value of net obligations	(6,061,700)	(5,880,600)
Unrecognised amount due to limitation	<u>5,953,300</u>	<u>5,650,300</u>
Asset recognised in balance sheet	<u>(108,400)</u>	<u>(230,300)</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**14. **Retirement benefit (asset)/obligation (cont'd)**

The amounts recognised are computed as follows (cont'd):

## (i) Pension benefits (cont'd)

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

	<u>The Group &amp; The Company</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Net asset at beginning of year	( 230,300)	( 159,500)
Contributions paid	( 9,000)	( 7,800)
Expenses recognised in the statement of revenue and expenses	<u>130,900</u>	<u>( 63,000)</u>
Net asset at end of year	<u>( 108,400)</u>	<u>( 230,300)</u>

## (c) Movements in plan assets:

	<u>The Group &amp; The Company</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Fair value of plan assets at beginning of year	7,168,100	5,797,000
Expected return on plan assets	892,800	576,000
Contributions paid	21,000	18,500
Benefits paid	( 72,100)	( 92,400)
Actuarial gain on plan assets	<u>( 953,200)</u>	<u>869,000</u>
Fair value of plan assets at end of year	<u>7,056,600</u>	<u>7,168,100</u>

	<u>The Group &amp; The Company</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Plan assets consist of the following:		
Equities	1,133,300	2,355,900
Real property	505,600	483,800
Government securities	-	177,200
Resale agreements	4,771,000	3,765,900
Leased assets	53,000	15,400
Net current assets	<u>593,700</u>	<u>369,900</u>
	<u>7,056,600</u>	<u>7,168,100</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****14. Retirement benefit (asset)/obligation (cont'd)**

The amounts recognised are computed as follows (cont'd):

**(i) Pension benefits (cont'd)**

- (d) Expenses recognised in the group's and company's statements of revenue and expenses:

	<u>The Group &amp; The Company</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Past service costs	-	153,200
Current service costs	19,400	11,400
Interest costs	166,600	109,100
Change in disallowed assets	303,000	909,600
Expected return on plan assets	(892,800)	( 576,000)
Actuarial gains, net	<u>534,700</u>	<u>( 670,300)</u>
	<u>130,900</u>	<u>( 63,000)</u>
Actual return on plan assets	<u>( 60,400)</u>	<u>1,445,000</u>

The (credit)/debit is recognised in administrative expenses in the statement of revenue and expenses.

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

	<u>2009</u>	<u>2008</u>
	%	%
Discount rate	16.0	13.0
Expected return on plan assets	14.0	12.5
Future salary increases	11.0	11.0
Future pension increases	<u>6.0</u>	<u>6.0</u>

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 14% per annum.
- (g) The pension plan assets include ordinary shares issued by the company with a fair value of \$504,144,288 (2008: \$1,029,434,628).

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**14. **Retirement benefit (asset)/obligation (cont'd)**

(ii) Post employment health and group life insurance benefits

(a) Liability recognised in balance sheet:

	<u>The Group &amp; The Company</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Present value of funded obligations, being liability recognised in balance sheet	<u>92,300</u>	<u>74,500</u>

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

	<u>The Group and The Company</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Net liability at the beginning of the year	74,500	63,100
Contributions paid	( 4,600)	( 3,900)
Expense recognised in the statement of revenue and expenses	<u>22,400</u>	<u>15,300</u>
Net liability at the end of the year	<u>92,300</u>	<u>74,500</u>

(c) Expense recognised in the group and the company's statements of revenue and expenses:

	<u>The Group and The Company</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Past service costs – vested benefits	-	7,800
Current service costs	2,200	1,100
Interest on obligation	9,700	7,700
Actuarial (gain)/loss	<u>10,500</u>	<u>( 1,300)</u>
	<u>22,400</u>	<u>15,300</u>

The expense recognised is included in administrative expenses.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****14. Retirement benefit (asset)/obligation (cont'd)**

(ii) Post employment health and group life insurance benefits (cont'd)

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

	<u>2009</u> %	<u>2008</u> %
Discount rate	16.0	13.0
Annual increase in health care costs	<u>15.0</u>	<u>12.0</u>

(e) 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:

	<u>One percentage point increase</u> \$'000	<u>One percentage point decrease</u> \$'000
Effect on the aggregate service and interest cost	2,000	1,600
Effect on the defined benefit obligation	<u>13,000</u>	<u>10,500</u>

(f) Historical information:

(i) Defined benefit pension plan:

	<u>2009</u> \$'000	<u>2008</u> \$'000	<u>2007</u> \$'000	<u>2006</u> \$'000	<u>2005</u> \$'000
Present value of the defined benefit obligation	<u>( 994,900)</u>	<u>(1,287,500)</u>	<u>( 896,800)</u>	<u>( 806,600)</u>	<u>( 863,200)</u>
Fair value of plan assets	<u>7,056,600</u>	<u>7,168,100</u>	<u>5,867,000</u>	<u>4,960,600</u>	<u>4,775,500</u>
Experience adjustments on plan liabilities	<u>87,700</u>	<u>254,500</u>	<u>( 73,500)</u>	<u>25,700</u>	<u>39,300</u>
Experience adjustments arising on plan assets	<u>( 953,200)</u>	<u>869,000</u>	<u>467,100</u>	<u>( 240,000)</u>	<u>359,700</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****14. Retirement benefit (asset)/obligation (cont'd)**

(ii) Post employment health and group life insurance benefits (cont'd)

(f) Historical information (cont'd):

(ii) Post employment medical and life insurance benefits:

	<u>2009</u> \$'000	<u>2008</u> \$'000	<u>2007</u> \$'000	<u>2006</u> \$'000	<u>2005</u> \$'000
Present value of the defined benefit obligation	<u>92,300</u>	<u>74,500</u>	<u>63,100</u>	<u>58,400</u>	<u>86,500</u>
Experience adjustments arising on plan liabilities	<u>(11,200)</u>	<u>1,400</u>	<u>3,000</u>	<u>24,300</u>	<u>11,000</u>

**15. Property, plant and equipment****The Group**

	<u>Freehold land</u> \$'000	<u>Buildings and leasehold improvements</u> \$'000	<u>Work-in-progress, machinery, furniture, equipment and vehicles</u> \$'000	<u>Total</u> \$'000
Cost:				
March 31, 2007	342	48,526	196,399	245,267
Additions	-	1,969	17,342	19,311
Disposals and write offs	-	-	( 8,025)	( 8,025)
March 31, 2008	342	50,495	205,716	256,553
Additions	-	3,979	44,221	48,200
Disposals and write offs	-	-	( 13,472)	( 13,472)
March 31, 2009	<u>342</u>	<u>54,474</u>	<u>236,465</u>	<u>291,281</u>
Depreciation:				
March 31, 2007	-	20,905	140,802	161,707
Charge for the year	-	4,347	18,208	22,555
Eliminated on disposals and write offs	-	-	( 7,654)	( 7,654)
March 31, 2008	-	25,252	151,356	176,608
Charge for the year	-	4,799	20,282	25,081
Eliminated on disposals and write offs	-	-	( 12,323)	( 12,323)
March 31, 2009	<u>-</u>	<u>30,051</u>	<u>159,315</u>	<u>189,366</u>
Net book values:				
March 31, 2009	<u>342</u>	<u>24,423</u>	<u>77,150</u>	<u>101,915</u>
March 31, 2008	<u>342</u>	<u>25,243</u>	<u>54,360</u>	<u>79,945</u>
March 31, 2007	<u>342</u>	<u>27,621</u>	<u>55,597</u>	<u>83,560</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****15. Property, plant and equipment (cont'd)****The Company**

	<u>Freehold land and buildings</u> \$'000	<u>Work- in-progress</u> \$'000	<u>Machinery, furniture, equipment and vehicles</u> \$'000	<u>Total</u> \$'000
Cost:				
March 31, 2007	39,511	3,020	142,449	184,980
Additions	-	19,311	-	19,311
Transfers	1,969	(10,042)	8,073	-
Disposals	-	-	( 4,970)	( 4,970)
March 31, 2008	41,480	12,289	145,552	199,321
Additions	-	48,200	-	48,200
Transfers	3,979	(14,433)	10,454	-
Disposals	-	-	( 13,472)	( 13,472)
March 31, 2009	<u>45,459</u>	<u>46,056</u>	<u>142,534</u>	<u>234,049</u>
Depreciation:				
March 31, 2007	14,062	-	80,659	94,721
Charge for the year	4,347	-	17,981	22,328
Eliminated on disposals	-	-	( 4,599)	( 4,599)
March 31, 2008	18,409	-	94,041	112,450
Charge for the year	4,799	-	20,329	25,128
Eliminated on disposals	-	-	( 12,323)	( 12,323)
March 31, 2009	<u>23,208</u>	<u>-</u>	<u>102,047</u>	<u>125,255</u>
Net book values:				
March 31, 2009	<u>22,251</u>	<u>46,056</u>	<u>40,487</u>	<u>108,794</u>
March 31, 2008	<u>23,071</u>	<u>12,289</u>	<u>51,511</u>	<u>86,871</u>
March 31, 2007	<u>25,449</u>	<u>3,020</u>	<u>61,790</u>	<u>90,259</u>

**16. Share capital**

	<u>2009</u> (\$'000)	<u>2008</u> (\$'000)
Authorised:		
485,440,000 (2008: 485,440,000) ordinary shares of no par value		
Stated, issued and fully paid:		
485,440,000 (2008: 485,440,000) stock units of no par value	<u>121,360</u>	<u>121,360</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**17. **Deferred tax asset/(liability)**

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

**The Group**

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Deferred tax on reserves of subsidiaries in liquidation	-	-	(123,324)	(468,546)	(123,324)	(468,546)
Accounts payable	5,994	3,969	-	-	5,994	3,969
Property, plant and equipment	-	229	( 9,534)	-	( 9,534)	229
Retirement benefit obligation	30,767	24,833	( 36,133)	( 76,767)	( 5,366)	( 51,934)
Accounts receivable	-	-	( 6,358)	( 11,182)	( 6,358)	( 11,182)
	<u>36,761</u>	<u>29,031</u>	<u>(175,349)</u>	<u>(556,495)</u>	<u>(138,588)</u>	<u>(527,464)</u>

**The Company**

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Accounts payable	5,994	3,969	-	-	5,994	3,969
Property, plant and equipment	-	229	( 9,534)	-	( 9,534)	229
Retirement benefit obligation	30,767	24,833	(36,133)	( 76,767)	( 5,366)	( 51,934)
Accounts receivable	-	-	( 6,174)	( 5,416)	( 6,174)	( 5,416)
	<u>36,761</u>	<u>29,031</u>	<u>(51,841)</u>	<u>( 82,183)</u>	<u>(15,080)</u>	<u>( 53,152)</u>

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

**The Group**

	<u>Balance at</u>	<u>Recognised</u>	<u>Recognised</u>	<u>Balance at</u>
	<u>01.04.08</u>	<u>in equity</u>	<u>in income</u>	<u>31.03.09</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Deferred tax on reserves of subsidiaries in liquidation	(468,546)	345,222	-	(123,324)
Accounts payable	3,969	-	2,025	5,994
Property, plant and equipment	229	-	( 9,763)	( 9,534)
Retirement benefit obligation	( 51,934)	-	46,568	( 5,366)
Interest receivable	( 11,182)	-	4,824	( 6,358)
	<u>(527,464)</u>	<u>345,222</u>	<u>43,654</u>	<u>(138,588)</u>



**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**17. **Deferred tax asset/(liability) (cont'd)**

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

**The Company**

	<u>Balance at</u> <u>01.04.08</u> \$'000	<u>Recognised</u> <u>in income</u> \$'000	<u>Balance at</u> <u>31.03.09</u> \$'000
Accounts payable	3,969	2,025	5,994
Property, plant and equipment	229	( 9,763)	( 9,534)
Retirement benefit obligation	(51,934)	46,568	( 5,366)
Accounts receivable	( 5,416)	( 758)	( 6,174)
	<u>(53,152)</u>	<u>38,072</u>	<u>(15,080)</u>

(c) The group and the company have not recognised a deferred tax asset arising in subsidiaries in respect of the following items:

	<u>2009</u> \$'000	<u>2008</u> \$'000
Tax losses	<u>262,480</u>	<u>261,049</u>

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.

18. **Related party transactions**

A party is related to the company if:

- (i) directly or indirectly the party:
  - controls, is controlled by, or is under common control with the company;
  - has an interest in the entity that gives it significant influence over the company; or
  - has joint control over the company.
- (ii) the party is a member of the key management personnel of the company.
- (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 company, or any entity that is a related party of the company.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****18. Related party transactions (cont'd)**

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.

	<u>The Group &amp; Company</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
(a) Purchases from related companies - cigarettes	<u>477,499</u>	<u>443,497</u>
(b) Technical fees paid to parent company	<u>99,389</u>	<u>144,673</u>
(c) Technical fees paid to other related company	<u>189,710</u>	<u>239,762</u>
(d) Key management personnel - short-term employee benefits	30,946	33,261
- post-employment benefits	111,600	110,200
- other long-term benefits	-	2,634
	<u>142,546</u>	<u>146,095</u>
(e) Carreras Limited Superannuation Scheme:		
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Expense incurred with the scheme:		
Lease of motor vehicles and equipment	17,904	9,947
Dividend	<u>228,265</u>	<u>75,622</u>

**19. Staff costs**

	<u>The Group</u>		<u>The Company</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Salaries and profit-related pay	335,823	299,919	335,823	299,919
Statutory payroll contributions	27,075	24,353	27,075	24,353
Cost of post-retirement benefits, net of credits	<u>148,701</u>	<u>( 51,762)</u>	<u>148,701</u>	<u>( 51,762)</u>
	<u>511,599</u>	<u>272,510</u>	<u>511,599</u>	<u>272,510</u>

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

	<u>2009</u>	<u>2008</u>
Permanent	78	72
Temporary	<u>3</u>	<u>7</u>
	<u>81</u>	<u>79</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****20. Financial instruments****Financial risk management**

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the group's and the company's risk management framework. Senior management has responsibility for monitoring the group's risk management policies and report to the Board of Directors on their activities, on a monthly basis.

The risk management policies are established to identify and analyse the risks faced by the group and the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed on a regular basis and reflect changes in market conditions and the group's and the company's activities.

(i) **Credit risk:**

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations, and arises principally from the group's receivables from customers and investment securities.

**Trade receivables**

The group's and the company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each customer is analysed for creditworthiness prior to being offered a credit facility. Each customer is given a credit period which represents the maximum time allowed for having balances outstanding; these are reviewed monthly. Management has procedures in place to restrict customer orders if the customers have not cleared outstanding debts within the credit period. Customers that fail to meet the group's and the company's benchmark creditworthiness may transact business with the group and the company on a prepayment basis.

Credit risk is monitored according to each customer's characteristics, such as whether it is an individual or company, its geographic location, industry, aging profile, and previous financial difficulties. Trade receivables relate mainly to the group's and the company's wholesale customers.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**20. **Financial instruments (cont'd)****Financial risk management (cont'd)**(i) **Credit risk (cont'd):**

The group and the company establish an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

The group's and the company's average credit period on the sale of goods is 28 days for major supermarket chains and 7 days for other customers. Trade receivables over 90 days are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

**Investments**

Management has an investment policy in place and the group's and company's 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.

The maximum exposure to credit risk at the reporting date was:

	<u>The Group</u>		<u>The Company</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	1,847,120	3,294,225	1,445,473	1,317,938
Resale agreements	2,053,472	4,961,715	1,923,035	2,233,206
Trade receivables	107,776	64,679	107,776	64,679
Due from related parties	<u>101,300</u>	<u>85,883</u>	<u>101,300</u>	<u>85,883</u>
	<u>4,109,668</u>	<u>8,406,502</u>	<u>3,577,584</u>	<u>3,701,706</u>

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	<u>The Group</u>		<u>The Company</u>	
	Carrying amount		Carrying amount	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
Wholesale customers	75,917	33,837	75,917	33,837
Retail customers	<u>31,859</u>	<u>30,842</u>	<u>31,859</u>	<u>30,842</u>
	<u>107,776</u>	<u>64,679</u>	<u>107,776</u>	<u>64,679</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****20. Financial instruments (cont'd)****Financial risk management (cont'd)****(i) Credit risk (cont'd):**

The age of trade receivables at reporting date was:

**The Group and Company**

	Gross <u>2009</u> \$'000	Impairment <u>2009</u> \$'000	Gross <u>2008</u> \$'000	Impairment <u>2008</u> \$'000
Not past due	100,296	-	56,975	-
Past due 0-30 days	5,311	-	7,411	-
Past due 31-120 days	6,549	( 4,380)	331	( 38)
More than one year	<u>2,539</u>	<u>( 2,539)</u>	<u>360</u>	<u>( 360)</u>
	<u>114,695</u>	<u>( 6,919)</u>	<u>65,077</u>	<u>( 398)</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	<u>2009</u> \$'000	<u>2008</u> \$'000
Balance at 1 April	398	520
Impairment loss recognised/(reversed)	<u>6,521</u>	<u>(122)</u>
Balance at 31 March	<u>6,919</u>	<u>398</u>

**(ii) Market risk:**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The group and the company incur financial liabilities. All transactions are carried out within guidelines set by management.

**(a) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****20. Financial instruments (cont'd)****Financial risk management (cont'd)****(ii) Market risk (cont'd):****(a) Interest rate risk (cont'd)**

At the reporting date the interest profile of the company's and the group's interest-bearing financial instruments was:

	<u>The Group</u>		<u>The Company</u>	
	Carrying amount		Carrying amount	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000

## Variable rate instruments:

Cash and cash equivalents	1,634,617	2,773,406	1,236,919	803,185
Resale agreements	<u>2,053,472</u>	<u>4,961,715</u>	<u>1,923,035</u>	<u>2,233,206</u>

## Cash flow sensitivity analysis for variable rate instruments:

A change in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	<u>The Group</u>		<u>The Company</u>	
	Profit or loss		Profit or loss	
	5%	10%	5%	10%
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	\$'000	\$'000	\$'000	\$'000
March 31, 2009				
Cash and cash equivalents	81,731	(163,462)	61,846	(123,692)
Resale agreements	<u>102,674</u>	<u>(205,348)</u>	<u>96,152</u>	<u>(192,304)</u>

	<u>The Group</u>		<u>The Company</u>	
	Profit or loss		Profit or loss	
	1%	1%	1%	1%
	<u>Increase</u>	<u>Increase</u>	<u>Increase</u>	<u>Increase</u>
	\$'000	\$'000	\$'000	\$'000
March 31, 2008				
Cash and cash equivalents	27,734	( 27,734)	8,032	( 8,032)
Resale agreements	<u>49,617</u>	<u>( 49,617)</u>	<u>22,332</u>	<u>( 22,332)</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**20. **Financial instruments (cont'd)****Financial risk management (cont'd)**

## (ii) Market risk (cont'd)

## (b) Foreign currency risk

The group and the company incur foreign currency risk primarily on purchases that are denominated in a currency other than the Jamaica dollar. The principal foreign currency risks of the group and the company, represented by balances in the respective currencies, are as follows:

**The Group**

	<u>2009</u>		<u>2008</u>	
	<u>US\$'000</u>	<u>GBP (£)'000</u>	<u>US\$'000</u>	<u>GBP (£)'000</u>
Cash and cash equivalents	10,734	24	30,683	48
Resale agreements	534	-	14,842	-
Related party receivables	1,146	-	1,208	-
Other receivables	256	-	74	-
Trade payables	( 316)	-	( 405)	-
Related party payables	( 1,838)	-	( 102)	-
Other payables	( 195)	(235)	( 658)	(191)
Exposure, net	<u>10,321</u>	<u>(211)</u>	<u>45,642</u>	<u>(143)</u>

**The Company**

	<u>2009</u>		<u>2008</u>	
	<u>US\$'000</u>	<u>GBP (£)'000</u>	<u>US\$'000</u>	<u>GBP (£)'000</u>
Cash and cash equivalents	6,436	18	3,657	17
Resale agreements	534	-	-	-
Related party receivables	1,146	-	1,208	-
Other receivables	252	-	20	-
Trade payables	( 316)	-	( 405)	-
Related party payables	(1,838)	-	( 102)	-
Other payables	( 48)	(192)	( 658)	(191)
Exposure, net	<u>6,166</u>	<u>(174)</u>	<u>3,720</u>	<u>(174)</u>

## Sensitivity analysis

Strengthening or weakening of the currencies against the Jamaica dollar would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****20. Financial instruments (cont'd)****Financial risk management (cont'd)****(ii) Market risk (cont'd)****(b) Foreign currency risk (cont'd)****Sensitivity analysis (cont'd)****The Group**

	<u>2009</u>		<u>2008</u>	
	Profit/(Loss)		Profit/(Loss)	
	\$'000		\$'000	
	5%	15%	10%	10%
	<u>Strengthening</u>	<u>Weakening</u>	<u>Strengthening</u>	<u>Weakening</u>
US (\$)	(45,832)	137,496	(324,462)	324,462
GBP (£)	<u>1,359</u>	<u>(4,077)</u>	<u>2,021</u>	<u>(2,021)</u>

**The Company**

	<u>2009</u>		<u>2008</u>	
	Profit/(Loss)		Profit/(Loss)	
	\$'000		\$'000	
	5%	15%	10%	10%
	<u>Strengthening</u>	<u>Weakening</u>	<u>Strengthening</u>	<u>Weakening</u>
US (\$)	(27,383)	82,149	(26,446)	26,446
GBP (£)	<u>1,119</u>	<u>(3,357)</u>	<u>2,456</u>	<u>(2,456)</u>

Exchange rates, in terms of Jamaica dollars, were as follows:

	<u>US\$</u>	<u>£</u>
At March 31, 2007:	67.8003	132.4012
At March 31, 2008:	71.0888	141.1542
At May 20, 2008:	71.2696	139.1716
At March 31, 2009:	88.8158	129.0181
At May 27, 2009:	88.2046	131.1178



**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**20. **Financial instruments (cont'd)****Financial risk management (cont'd)**

## (iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group and the company 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. An analysis of the contractual maturities of the group's and the company's financial liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the balance sheet.

The following are the contractual maturities of financial liabilities.

**The Group**

	<u>Contractual undiscounted cash flows</u>				
	<u>Carrying amount</u> \$'000	<u>Total cash outflow</u> \$'000	<u>Within 1 year</u> \$'000	<u>1-2 years</u> \$'000	<u>2-5 years</u> \$'000
March 31, 2009					
Trade accounts payable	63,546	63,546	63,546	-	-
Due to related parties	161,582	161,582	161,582	-	-
Other payables	<u>1,043,221</u>	<u>1,043,221</u>	<u>1,043,221</u>	-	-
	<u>1,268,349</u>	<u>1,268,349</u>	<u>1,268,349</u>	-	-
March 31, 2008					
Trade accounts payable	50,994	50,994	50,994	-	-
Due to related parties	6,799	6,799	6,799	-	-
Other payables	<u>586,829</u>	<u>586,829</u>	<u>586,829</u>	-	-
	<u>644,622</u>	<u>644,622</u>	<u>644,622</u>	-	-

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**20. **Financial instruments (cont'd)****Financial risk management (cont'd)**

## (iii) Liquidity risk (cont'd):

**The Company**

	<u>Contractual undiscounted cash flows</u>				
	<u>Carrying amount</u> \$'000	<u>Total cash outflow</u> \$'000	<u>Within 1 year</u> \$'000	<u>1-2 years</u> \$'000	<u>2-5 years</u> \$'000
March 31, 2009					
Trade accounts payable	63,546	63,546	63,546	-	-
Due to related parties	161,582	161,582	161,582	-	-
Other payables	<u>1,017,304</u>	<u>1,017,304</u>	<u>1,017,304</u>	-	-
	<u>1,242,432</u>	<u>1,242,432</u>	<u>1,242,432</u>	-	-
March 31, 2008					
Trade accounts payable	50,994	50,994	50,994	-	-
Due to related parties	6,799	6,799	6,799	-	-
Other payables	<u>573,751</u>	<u>573,751</u>	<u>573,751</u>	-	-
	<u>631,544</u>	<u>631,544</u>	<u>631,544</u>	-	-

**Capital management**

The group's and the company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders. The Board of Directors monitors the return on capital, which the group and the company define as net operating income divided by total shareholders' equity.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the group's and the company's approach to capital management during the year. Also, the group and the company are not exposed to any externally imposed capital requirements.

**Fair value disclosure**

The amounts reflected in the financial statements for cash and cash equivalents, resale agreements, short-term investments, accounts receivable, related party balances, and accounts payable are considered to approximate to their fair values. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****21. Dividends**

	<u>2009</u> \$'000	<u>2008</u> \$'000
Declared:		
First quarter ended June 30, 2008 - 200¢ (June 30, 2007: 100¢)	970,880	485,440
Second quarter ended Sep 30, 2008 - 100¢ (Sept 30, 2007: 100¢)	485,440	485,440
Third quarter ended Dec 31, 2008 - 100¢ (Dec 31, 2007: 100¢)	485,440	485,440
Fourth quarter ended Mar 31, 2009 - 400¢ (Mar 31, 2008: 100¢)	1,941,760	485,440
Capital distribution 2008/2009 - 830¢ (2007/2008: 140¢)	<u>4,029,152</u>	<u>679,616</u>
	<u>7,912,672</u>	<u>2,621,376</u>

The dividends declared during the quarter ended March 31, 2009 were paid on March 17, 2009.

**22. Subsidiary companies**

The operating subsidiary companies, all of which are incorporated in Jamaica, except as noted below, are as follows:

<u>Name of company</u>	<u>Principal activity</u>	Percentage of ordinary shares held by			
		<u>The Company</u>		<u>Subsidiary</u>	
		<u>2009</u> %	<u>2008</u> %	<u>2009</u> %	<u>2008</u> %
Cigarette Company of Jamaica Limited (In Voluntary Liquidation)	Inactive (voluntary liquidation in process)	99.99	99.99	-	-
Sans Souci Development Limited and its subsidiary, Sans Souci Limited	Up to September 2005, owners and operators of hotel property and developers of real estate	100.00	100.00	-	-
		<u>-</u>	<u>-</u>	<u>100.00</u>	<u>100.00</u>

**23. Contractual commitments**

Lease commitments at March 31, are payable as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2009</u> \$'000	<u>2008</u> \$'000	<u>2009</u> \$'000	<u>2008</u> \$'000
Within one year	28,133	11,933	28,133	11,933
Subsequent years	<u>52,429</u>	<u>16,691</u>	<u>52,429</u>	<u>16,691</u>
	<u>80,562</u>	<u>28,624</u>	<u>80,562</u>	<u>28,624</u>

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009****23. Contractual commitments (cont'd)**

Payments made during the year ended March 31, 2009 aggregated:

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Group	25,131	15,928
Company	<u>25,131</u>	<u>15,928</u>

**24. 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 Appeal was heard by the Court of Appeal in April 2009 and the Court has indicated that Judgment will be delivered on or before **September 25, 2009**.

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

**CARRERAS LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2009**25. **Contingency**

On July 16, 2004 an award was made against Sans Souci Limited a subsidiary company, in arbitration proceedings between it and VRL Services Limited whereby Sans Souci Limited was ordered to pay VRL Services Limited the sum of J\$370,705,264.40 together with interest of 21% per annum and costs. An application was made to the Supreme Court pursuant to Section 12 of the Arbitration Act and the inherent Jurisdiction of the Court to set aside the award or alternatively to reduce the amount of the said award. Under a Consent Order for stay of execution, Sans Souci Limited paid VRL Services the said sum of \$370,705,264.40 together with interest of J\$68,037,111.40 and \$10,000,000.00 on account of costs, secured by Bank Guarantees to be repaid to Sans Souci Limited with simple interest thereon, should it succeed in setting aside or varying the Award.

Since then there have been other proceedings namely the Appeal in the execution of the Award Proceedings, the hearing to set aside the Award and the Appeal against the Judgment.

On 12th December, 2008 the following Order was made by the Court of Appeal.

- “1. The appeal against the order of Mrs. Harris, J., refusing to set aside the award is dismissed in part.
2. The appeal against the award of damages is allowed and the matter is remitted to the Arbitrators to determine the issue of damages only.
3. Half the costs of this appeal and of the costs below are to be paid by the respondent, such costs to be agreed or taxed.”

The extent of the jurisdiction of the Arbitrators with respect to Item 2 of the Order is in dispute. An action filed in the Supreme Court to determine the jurisdiction of the Arbitration has been set for **June 15, 2009**.

No provision is made in the accounts with respect to any positive outcome which may arise.

