



CARRERAS LIMITED

On behalf of the Board of Directors, I am pleased to report the following un-audited financial results for the **THIRD QUARTER** ended December 31, 2009.

Quarter ended December 31, 2009 Performance Highlights are:

	UNAUDITED			UNAUDITED		
	Discrete		%	Cumulative		%
	Oct_Dec Q3 2009	Oct_Dec Q3 2008	Change	Apr_Dec 2009	Apr_Dec 2008	Change
	\$000	\$000		\$000	\$000	
Gross operating revenue	3,733,420	2,778,265	34.4%	8,168,691	7,447,562	9.7%
Total operating income	3,735,375	2,863,201	30.5%	8,182,058	7,571,832	8.1%
Interest and other investment income	55,373	135,126	-59.0%	224,711	424,493	-47.1%
Net income	849,313	803,660	5.7%	1,937,109	2,342,266	-17.3%
EPS	175.0	165.5	5.7%	399.0	482.5	-17.3%

Carreras Limited achieved total operating income of \$3,733.4 million and \$8,168.7 million for the third quarter and for the period ended December 31, 2009 respectively, representing an increase of 34.4% and 9.7% when compared to the same periods last year.

The Company delivered \$849.3 million in net income for the third quarter and \$1,937.1 million for the period ended December 31, 2009 representing an increase of 5.7% and a decline of 17.3% respectively versus the same periods last year.

Cigarette sales volume for October to December 2009 experienced a marginal increase when compared to the same period last year. However, the year to date volume is performing significantly below that of the previous year. The slight increase in December was due to the trade purchasing more stocks in response to yet another increase announced by the Government in the specific taxes on cigarettes to be effective January 1, 2010.

The year to date level of volume decline reflects the effect of another 42% increase in excise tax on cigarettes by the Government in its 2009/10 budget, and a subsequent increase in cigarette prices. Shareholders would remember that last year, there was an increase of just over 100% in SCT on cigarettes.

These excise-led price increases were implemented within a very challenging macro-economic environment and have resulted in a significant impact on the Company's sales volume and its consequential impact on the financial performance of the Company.

The Government announced on December 17, 2009 as part of a tax package another increase in the excise tax of 23.5% to be effective January 1, 2010 in addition to an increase in the General Consumption Tax rate from 16.5% to 17.5%. This pending increase will represent a cumulative 75.4% increase in the excise taxes within a 10 month period. Consequently, this could have a significant impact on our volumes going forward within an environment where our volumes are already experiencing significant declines.

Also, having made other significant dividend and capital distributions to shareholders in September 2009, following payments in 2008 and February 2009, cash available for investment has declined. Interest and other investment income reported were \$55.4 million and \$224.7 million for the third quarter and for the period ended December 31, 2009 respectively, representing a decline of 59% and 47.1% when compared to the same periods last year.

The impact of the excise-led price increase and the decline in interest income as a result of lower cash balances, have resulted in an overall 17.3% reduction in net income for the cumulative third quarter ended December 31, 2009. Our sales volume increased marginally in December as a result of the trade purchasing more stocks in anticipation of the excise increase in January 2010, consequently the company's net income increased by 5.7% when compared to the same period last year.

Despite the challenging environment your Board of Directors approved three interim dividend payments during the period amounting to \$5.00 per stock unit. I am pleased to report that your Board of Directors, in our meeting held on February 9, 2010, approved a fourth interim dividend of \$2.00 per stock unit to be paid out of accumulated profits on March 12, 2010. This will take the total interim dividend for the period, which will be paid from accumulated retained profits, to \$7.00 per stock unit.

I am pleased to report that for the period under review, there was continued focus on our Corporate Social Investment (CSI) to ensure that the initiatives and programs supported represent areas of strong national priority and remained central to the country's overall developmental agenda.

Specifically, in the quarter just ended, we once again signalled our commitment to nation-building by donating several motor-cycles to the Jamaica Constabulary Force (JCF). Additionally, the Company also partnered with the United Way of Jamaica in supporting critical community-based infrastructural development in Rural Jamaica.

We are also pleased to inform you that during the period under review, Carreras received two recognitions, namely: the First Runner Up, Best Performing Company for 2008 at the Jamaica Stock Exchange's Best Practices

Award and Jamaica's Top Small Employer of Choice Award for 2008 from the Jamaica Employer's Federation. The Jamaica Top Small Employer of Choice Award identifies companies and organizations where employees love to work and which always attract the best qualified and most talented professionals.

As we continue to face the challenges of the economic downturn and the excise increase effective January 1, 2010, we will continue to place greater emphasis on improving our marketing and distribution capabilities, to stay closer to our consumers and to manage the main risks to the business to ensure sustainability.


A major focus of the Company over the next several months is to work with the Government to manage both illicit trades in cigarettes, implementing strategies to stem the volume declines on the industry and to ensure long term sustainability of the business for all stakeholders.

Regarding the status of the winding up of the Carreras Superannuation Scheme, we still await the final approval from the FSC of the proposed scheme of distribution.

I am also pleased to report that the Court of Appeal today, February 12, 2010, handed down its judgment in the case between Cigarette Company of Jamaica Limited (in voluntary liquidation) (CCJ), and the Commissioner, Taxpayer Audit & Assessment allowing the appeal with costs in the Court of Appeal and the Court below to be CCJ's; such costs to be taxed if not agreed.

Based on the judgment of the Court of Appeal the amount paid of JS\$1,733.1 million is correctly reflected in the financial statements as taxation recoverable.

On behalf of the Board



**Chris Burton
Chairman**



CARRERAS LIMITED

CARRERAS LIMITED & SUBSIDIARIES

UNAUDITED GROUP FINANCIAL STATEMENTS

For Nine months to December 31, 2009

GROUP PROFIT & LOSS ACCOUNT					
	UNAUDITED		UNAUDITED		AUDITED
	9 months to		3 months to		12 months
	December-09	December-08	December-09	December-08	March-09
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross operating revenue	8,168,691	7,447,562	3,733,420	2,778,265	10,923,530
Cost of operating revenue	(4,243,214)	(3,403,213)	(1,973,189)	(1,325,925)	(5,112,316)
Gross operating profit	3,925,477	4,044,349	1,760,231	1,452,340	5,811,214
Interest and other investment income	224,711	424,493	55,373	135,126	603,022
Other operating income:					
Exchange gains	9,636	112,378	223	82,778	209,967
Other income	3,731	11,892	1,732	2,159	8,104
Distribution and marketing expenses	(639,755)	(515,849)	(283,360)	(209,799)	(670,147)
Administrative expenses	(629,531)	(609,403)	(273,825)	(293,132)	(733,464)
Profit before income tax	2,894,269	3,467,861	1,260,373	1,169,473	5,228,697
Income tax	(957,159)	(1,125,595)	(411,059)	(365,813)	(1,700,252)
Profit for the period	1,937,109	2,342,266	849,313	803,660	3,528,445
Attributable to:					
Minority interests	(0)	173	(14)	44	229
Stockholders in parent	1,937,110	2,342,093	849,328	803,616	3,528,215
	1,937,109	2,342,266	849,313	803,660	3,528,444
Earnings per ordinary stock unit of 25c each	399.0¢	482.5¢	175.0¢	165.5¢	726.8¢

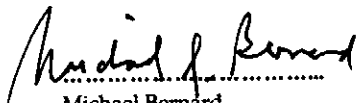
CARRERAS LIMITED & SUBSIDIARIES

UNAUDITED GROUP FINANCIAL STATEMENTS

As at December 31, 2009

GROUP BALANCE SHEET		
	Unaudited	Audited
	31-Dec-09	31-Mar-09
	\$000	\$000
Current Assets		
Cash and cash equivalents	1,852,545	1,847,120
Resale Agreements	939,337	2,053,472
Accounts receivable	249,691	343,281
Income tax recoverable	300,608	240,364
Inventories	241,434	185,815
	3,583,615	4,670,052
Current Liabilities		
Accounts payable	993,274	1,350,462
Income tax payable	1,196,684	1,433,960
	2,189,958	2,784,422
Net Current Assets	1,393,657	1,885,630
Non-current assets:		
Retirement benefit asset	103,200	108,400
Taxation Recoverable	1,733,137	1,733,137
Fixed Assets	119,856	101,915
	3,349,850	3,829,082
Equity:		
Share Capital	121,360	121,360
Reserves:		
Unappropriated profits	1,085,791	1,578,950
Capital	22,322	22,322
Other	1,870,762	1,870,762
	2,978,875	3,472,034
Total attributable to stockholders of parent	3,100,235	3,593,394
Minority interests	4,800	4,800
Total equity	3,105,035	3,598,194
Non-current liabilities:		
Deferred taxation liability	128,315	138,588
Retirement benefit obligation	116,500	92,300
	3,349,850	3,829,082

ON BEHALF OF THE BOARD


 Michael Bernard
 Managing Director


 Marcus Steele
 Finance Director

CARRERAS LIMITED

Statement of Changes in Equity For 9 Months ended December 31, 2009

The Group

	Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Other Reserves \$'000	Total \$'000	Minority Interest \$'000	Total \$'000
Audited balance at March 31, 2009	121,360	1,578,950	22,322	1,870,762	3,593,394	4,800	3,598,194
Net profit for the period attributable to stockholders		1,933,804			1,933,804	(0)	1,933,804
Total recognised gains for the year	-	1,933,804	-	-	1,933,804	(0)	1,933,804
Dividends paid		(2,427,200)	-		(2,427,200)		(2,427,200)
Deferred tax on reserves of subsidiaries in liquidation		237			237		237
Net movements for the year	-	(493,159)	-	-	(493,159)	(0)	(493,159)
Unaudited balance at December 31, 2009	121,360	1,085,791	22,322	1,870,762	3,100,235	4,800	3,105,035

CARRERAS LIMITED

Statement of Changes in Equity For 9 Months ended December 31, 2009

The Company

Audited balance at March 31, 2009

Net profit for the period attributable to stockholders

Total recognised gains for the year

Dividends paid

Net movements for the year

Un audited balance at December 31, 2009

Share Capital \$'000	Revenue Reserves \$'000	Capital Reserves \$'000	Total \$'000
121,360	1,569,683	22,322	1,713,365
	1,944,253		1,944,253
-	1,944,253	-	1,944,253
	(2,427,200)	-	(2,427,200)
-	(482,947)	-	(482,947)
121,360	1,086,736	22,322	1,230,418

CARRERAS LIMITED & SUBSIDIARIES

UNAUDITED GROUP FINANCIAL STATEMENTS

For 9 Months ended December 31, 2009

Cash flows from operating activities:

Net profit for the period

Items not affecting cash

Changes in working capital

Cash provided by operating activities

Cash (used)/provided by investing activities

Cash used by financing activities

Increase/(Decrease) in cash and cash equivalents

Effect of exchange rate changes on cash and cash equivalents

Cash and cash equivalents, at beginning of period

Cash and cash equivalents, at end of period

	9 months	9 months	12 months
	31-Dec-09	31-Dec-08	31-Mar-09
	\$'000	\$'000	\$'000
	1,937,109	2,342,266	3,528,444
	778,471	761,286	1,052,044
	2,715,581	3,103,552	4,580,488
	(1,600,393)	(821,629)	(1,794,646)
	1,115,187	2,281,923	2,785,842
	1,307,801	2,249,332	3,479,789
	(2,427,200)	(6,238,341)	(7,922,702)
	(4,212)	(1,707,086)	(1,657,071)
	9,636	112,378	209,967
	1,847,120	3,294,224	3,294,224
	1,852,545	1,699,516	1,847,120

CARRERAS LIMITED AND SUBSIDIARIES

Notes to the Financial Statements December 31, 2009

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.

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 judgments:

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgments, 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 judgments 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 judgments 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 judgments 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 appeal was heard by the Court of Appeal during April, 2009 and the Court had indicated that Judgment would have been delivered on or before September 25, 2009. However, the Court of Appeal advised that they were not in a position to hand down the judgment at that time.

The Court of Appeal today, **February 12, 2010**, handed down its judgment allowing the appeal with costs in the Court of Appeal and the Court below to be CCJ's; such costs to be taxed if not agreed.

Based on the judgment of the Court of Appeal the amount paid of **J\$1,733.1 million** is correctly reflected in the financial statements as taxation recoverable.

8. 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 J\$370,705,264.40 together with interest of J\$68,037,111.40 and J\$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.

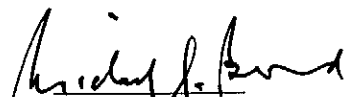
- “1. The appeal against the order of Mrs. Harris, J., refusing to set aside the award is dismissed in part.
2. The appeal against the award of damages is allowed and the matter is remitted to the Arbitrators to determine the issue of damages only.
3. Half the costs of this appeal and of the costs below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

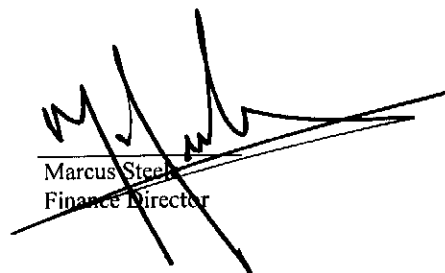
The extent of the jurisdiction of the Arbitrators with respect to Item 2 of the Order is in dispute. The Court of Appeal heard the appeal of Sans Souci Limited against the order that the jurisdiction of the Arbitrators relating to the issue of damages was limited to ‘unrecoverable expenses’ on July 13 & 14, 2009.

The Court of Appeal handed down its judgment on **September 25, 2009** in favour of VRL. SSL applied for Leave to Appeal to the Privy Council, and this application is scheduled to be heard on **February 15, 2010**.

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

ON BEHALF OF THE BOARD


Michael Bernard
Managing Director


~~Marcus Steel
Finance Director~~