CARRERAS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2010

KPMG
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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 44, which comprise the balance sheet as at March 31, 2010, the statements of comprehensive income, statement of 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.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Elizabeth A. Jones
Caryl A. Fenton
R. Tarun Handa
Patrick A. Chin
Patricia O. Dailey-Smith

Linroy J. Marshall
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chambers

KPMG

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, 2010, 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.

KPMG

Chartered Accountants
Kingston, Jamaica
May 18, 2010

CARRERAS LIMITED

Group Statement of Comprehensive Income
Year ended March 31, 2010

	Notes	2010 $'000	2009 restated $'000
Operating revenue	4	10,410,178	10,923,530
Cost of operating revenue		(5,327,592)	(5,112,316)
Gross operating profit		5,082,586	5,811,214
Employee benefit income	14(i)(d),14(ii)(c)	711,200	694,900
Other operating income	5	285,594	821,093
		6,079,380	7,327,207
Distribution and marketing expenses		(816,613)	(670,147)
Administrative expenses		(768,282)	(580,164)
		(1,584,895)	(1,250,311)
Profit before income tax	6	4,494,485	6,076,896
Income tax	7	(1,492,610)	(1,982,985)
Profit for the year		3,001,875	4,093,911
Other comprehensive income			
Defined benefit plan actuarial losses	14(i)(e),14(ii)(d)	(570,000)	(545,200)
Change in unrecognised employee benefit asset	14(i)(e)	(38,800)	(303,000)
Income tax on other comprehensive income		202,933	282,733
Deferred tax on subsidiaries		(155)	345,222
Other comprehensive income, net of tax		(406,022)	(220,245)
Total comprehensive income for the year		2,595,853	3,873,666
Profit attributable to:			
Minority interests		6	229
Stockholders' interests		3,001,869	4,093,682
		3,001,875	4,093,911
Total comprehensive income attributed to:			
Minority interests		6	229
Stockholders in parent		2,595,847	3,873,437
		2,595,853	3,873,666
Earnings per ordinary stock unit	9	618.38¢	843.29¢

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

CARRERAS LIMITED

Company Statement of Comprehensive Income
Year ended March 31, 2010

	Notes	2010	2009 restated
		$'000	$'000
Operating revenue	4	10,410,178	10,923,530
Cost of operating revenue		(5,327,592)	(5,112,316)
Gross operating profit		5,082,586	5,811,214
Other operating income	5	254,530	647,400
Employee benefit income	14(i)(d),14(ii)(c)	711,200	694,900
Distribution/dividends from subsidiaries		-	4,289,969
		6,048,316	11,443,483
Expenses:			
Administrative, distribution and marketing		(1,548,374)	(1,227,693)
Profit before income tax	6	4,499,942	10,215,790
Income tax	7	(1,491,924)	(2,214,140)
Profit for the year	8	3,008,018	8,001,650
Other comprehensive income			
Defined benefit plan actuarial gains/(losses)	14(i)(e),14(ii)(d)	(570,000)	(545,200)
Change in unrecognised employee benefit asset	14(i)(e)	(38,800)	(303,000)
Income tax on other comprehensive income		202,933	282,733
Other comprehensive income net of tax		(405,867)	(565,467)
Total comprehensive income for the year		2,602,151	7,436,183

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

CARRERAS LIMITED

Group Balance Sheet
March 31, 2010

	Notes	2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents	10	1,464,345	1,847,120
Resale agreements	11	741,029	2,053,472
Accounts receivable	12	312,259	343,281
Income tax recoverable		152,172	240,364
Inventories	3 (e)	211,098	185,815
		2,880,903	4,670,052
Current liabilities			
Accounts payable	13	965,468	1,350,462
Income tax payable		932,256	1,433,960
		1,897,724	2,784,422
Net current assets		983,179	1,885,630
Non-current assets:			
Retirement benefit asset	14	259,200	108,400
Income tax recoverable	25	1,733,137	1,733,137
Property, plant and equipment	15	114,724	101,915
		3,090,240	3,829,082
Equity:			
Share capital	16	121,360	121,360
Reserves:			
Unappropriated profits		776,717	1,578,950
Capital		22,322	22,322
Other		1,870,762	1,870,762
		2,669,801	3,472,034
Total attributable to stockholders of the parent		2,791,161	3,593,394
Minority interest		4,806	4,800
Total equity		2,795,967	3,598,194
Non-current liabilities:			
Deferred tax liability	17	169,973	138,588
Retirement benefit obligation	14	124,300	92,300
		3,090,240	3,829,082

The financial statements on pages 3 to 44 were approved for issue by the Board of Directors on May 18, 2010 and signed on its behalf by:

_______________ Director
Michael Bernard

_______________ Director
Marcus Steele

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

CARRERAS LIMITED

Company Balance Sheet
March 31, 2010

	Notes	2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents	10	991,334	1,445,473
Resale agreements	11	693,347	1,923,035
Accounts receivable	12	310,618	340,582
Income tax recoverable		65,448	128,155
Due from subsidiary companies		-	4,215
Inventories	3 (e)	211,099	185,815
		2,271,846	4,027,275
Current liabilities			
Accounts payable	13	937,854	1,324,445
Income tax payable		834,326	1,305,573
		1,772,180	2,630,018
Net current assets		499,666	1,397,257
Non-current assets:			
Investment in subsidiary companies	22	206,294	206,294
Retirement benefit asset	14	259,200	108,400
Property, plant and equipment	15	122,884	108,794
		1,088,044	1,820,745
Equity:			
Share capital	16	121,360	121,360
Reserves:			
Capital		22,322	22,322
Unappropriated profits		773,754	1,569,683
		796,076	1,592,005
Total equity		917,436	1,713,365
Non-current liabilities:			
Deferred tax liability	17	46,308	15,080
Retirement benefit obligation	14	124,300	92,300
		1,088,044	1,820,745

The financial statements on page 3 to 44 were approved for issue by the Board of Directors on May 18, 2010 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, 2010

The Group

	Share capital (note 16) $'000	Unappropriated profits $'000	Capital reserves $'000	Other reserve $'000	Total attributable to equity holders $'000	Minority interest $'000	Total $'000
Balances at March 31, 2008	121,360	4,378,023	49,358	3,341,286	7,890,027	14,601	7,904,628
Profit as previously reported	-	3,528,215	-	-	3,528,215	229	3,528,444
Prior year adjustment (note 24)	-	565,467	-	-	565,467	-	565,467
Profit for the year as restated	-	4,093,682	-	-	4,093,682	229	4,093,911
Defined benefit plan actuarial gains/(losses), net of tax	-	(363,467)	-	-	(363,467)	-	(363,467)
Change in unrecognised employee benefit asset, net of tax	-	(202,000)	-	-	(202,000)	-	(202,000)
Deferred tax on reserves of subsidiaries in liquidation	-	345,222	-	-	345,222	-	345,222
Total comprehensive income for the year	-	3,873,437	-	-	3,873,437	229	3,873,666
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	-	-	-	-
Total transactions with owners	-	(6,672,510)	(27,036)	(1,470,524)	(8,170,070)	(10,030)	(8,180,100)
Balances at March 31, 2009	121,360	1,578,950	22,322	1,870,762	3,593,394	4,800	3,598,194
Profit for the year	-	3,001,869	-	-	3,001,869	6	3,001,875
Defined benefit plan actuarial gains/(losses), net of tax	-	(380,000)	-	-	(380,000)	-	(380,000)
Change in unrecognised employee benefit asset, net of tax	-	(25,867)	-	-	(25,867)	-	(25,867)
Deferred tax on reserves of subsidiaries in liquidation	-	(155)	-	-	(155)	-	(155)
Total comprehensive income for the year	-	2,595,847	-	-	2,595,847	6	2,595,853
Dividends paid (note 21), being total transactions with owners	-	(3,398,080)	-	-	(3,398,080)	-	(3,398,080)
	-	-	-	-	-	-	-
Balances at March 31, 2010	121,360	776,717	22,322	1,870,762	2,791,161	4,806	2,795,967

CARRERAS LIMITED

Statement of Changes in Equity
Year ended March 31, 2010

The Company

	Share capital (note 16) $'000	Unappropriated profits $'000	Capital reserves $'000	Total $'000
Balances at March 31, 2008	121,360	2,049,591	18,903	2,189,854
Profit as previously reported	-	7,436,183	-	7,436,183
Prior year adjustment (note 24)	-	565,467	-	565,467
Profit for the year as restated	-	8,001,650	-	8,001,650
Defined benefit plan actuarial gains/(losses), net of tax		(363,467)	-	(363,467)
Change in unrecognised employee benefit asset, net of tax	-	(202,000)	-	(202,000)
Total comprehensive income for the year	-	7,436,183	-	7,436,183
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	-
Total transactions with owners	-	(7,916,091)	3,419	(7,912,672)
Balances at March 31, 2009	121,360	1,569,683	22,322	1,713,365
Profit for the year	-	3,008,018	-	3,008,018
Defined benefit plan actuarial gains/(losses), net of tax	-	(380,000)	-	(380,000)
Change in employee benefit asset net of tax	-	(25,867)	-	(25,867)
Total comprehensive income for the year	-	2,602,151	-	2,602,151
Dividends paid (note 21), being total transactions with owners	-	(3,398,080)	-	(3,398,080)
Balances at March 31, 2010	121,360	773,754	22,322	917,436

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

CARRERAS LIMITED

Statement of Group Cash Flows
Year ended March 31, 2010

	Notes	2010 $'000	2009 restated $'000
Cash flows from operating activities			
Profit for the year		3,001,875	4,093,911
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Items not involving cash:			
Depreciation	15	40,833	25,081
Employee benefits		(727,600)	(708,500)
Income tax expense	7	1,492,610	1,982,985
Foreign exchange gain		(4,945)	(209,967)
Gain on disposal of property, plant and and equipment and investments		(1,039)	(3,995)
Investment income earned		(269,142)	(599,027)
Operating profit before changes in working capital and provisions		3,532,592	4,580,488
Changes in:			
Accounts receivable		16,479	(138,890)
Inventories		(25,283)	(79,899)
Accounts payable		(384,994)	606,444
Cash generated from operations		3,138,794	4,968,143
Income tax paid		(1,671,959)	(2,182,301)
Net cash provided by operating activities		1,466,835	2,785,842
Cash flows from investing activities			
Investments, net		1,312,443	2,908,243
Investment income received		283,685	614,602
Additions to property, plant and equipment	15	(53,913)	(48,200)
Proceeds of disposal of property, plant and equipment, investments and investment properties		1,310	5,144
Net cash provided by investing activities		1,543,525	3,479,789
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities		(3,398,080)	(7,922,702)
Net decrease in cash and cash equivalents before effect of foreign exchange rate changes		(387,720)	(1,657,071)
Effect of exchange rate changes on cash and cash equivalents		4,945	209,967
Cash and cash equivalents at beginning of year		1,847,120	3,294,224
Cash and cash equivalents at end of year	10	1,464,345	1,847,120

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

CARRERAS LIMITED

Statement of Company Cash Flows
Year ended March 31, 2010

	Notes	2010 $'000	2009 restated $'000
Cash flows from operating activities			
Profit for the year		3,008,018	8,001,650
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	39,552	25,128
Employee benefits		(727,600)	(708,500)
Gain on disposal of property, plant and equipment and investments		(1,039)	(3,995)
Foreign exchange gain		(3,378)	(127,248)
Income tax expense	7	1,491,924	2,214,140
Investment income earned		(245,684)	(508,053)
Operating profit before changes in working capital and provisions		3,561,793	4,603,153
Changes in:			
Accounts receivable		19,600	(141,012)
Inventories		(25,283)	(79,899)
Accounts payable		(386,592)	593,505
Cash generated from operations		3,169,518	4,975,747
Income tax paid		(1,666,303)	(2,125,651)
Net cash provided by operating activities		1,503,215	2,850,096
Cash flows from investing activities			
Investments, net		1,229,688	310,171
Investment income received		260,263	505,779
Distribution received from subsidiary		-	4,289,969
Additions to property, plant and equipment	15	(53,913)	(48,200)
Proceeds of disposal of property, plant and equipment, investments and investment properties		1,310	5,144
Net cash provided by investing activities		1,437,348	5,062,863
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities		(3,398,080)	(7,912,672)
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes		(457,517)	287
Effect of foreign exchange rate changes		3,378	127,248
Cash and cash equivalents at beginning of year		1,445,473	1,317,938
Cash and cash equivalents at end of year	10	991,334	1,445,473

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

1. **Identification and principal activity**

Carreras Limited ("the company") is incorporated and domiciled in Jamaica and is a 50.4% subsidiary of Rothmans Holdings (Caricom) Limited, which is incorporated in St. Lucia. The ultimate parent company is British American Tobacco plc, incorporated in the United Kingdom. The principal activities of the company are the marketing and distribution of cigarettes.

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

2. **Statement of compliance and basis of preparation**

(a) Statement of compliance:

In preparing these financial statements, the company has adopted *Revised IAS 1 – Presentation of Financial Statements,* Amendments to *IAS 32 Financial instruments: Presentation* and Amendments to *IFRS 7 Financial Instruments: Disclosure.* The adoption of Revised IAS 1, IAS 32 and IFRS 7 impacted the disclosures made in these financial statements, but had no impact on the reported profits or financial position of the company. In accordance with the transitional requirements of the standards, full comparative information has been provided.

At the date of authorisation of the financial statements the following new relevant standards, amendments to standards and interpretations, which were in issue, are not yet effective. These standards and interpretations are effective for the accounting periods beginning on, or after the indicated dates:

- *IFRS 9, Financial Instruments* (effective January 1, 2013) introduces new requirements for classifying and measuring financial assets. The standard also amends some of the requirements of *IFRS 7 Financial Instruments: Disclosures* including added disclosures about investments in equity instruments designated as fair value through other comprehensive income.

- *IAS 24, Related Party Disclosure, revised* (effective January 1, 2011) introduces changes to the related party disclosure requirements for government related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure.

The adoption of amendments to IFRS 9 and IAS 24 (Revised) will result in additional disclosures to the financial statements. Management has not completed its evaluation of the impact of adopting these standards on the financial statements.

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

(b) Basis of preparation:

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

(c) Accounting estimates and judgements:

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

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

(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.

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

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

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

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, 2010 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.

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

(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.

(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.

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

(h) Income tax (cont'd):

(i) Current income tax

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

(ii) Deferred income tax

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(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 comprehensive income 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.

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

(l) Leases:

Payments made under operating leases are recognised in the statement of comprehensive income 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 comprehensive income 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.

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

(m) Employee benefits (cont'd):

(i) Defined-benefit pension plan (cont'd)

As at April 1, 2009 the group and the company recognise all actuarial gains and losses in equity through other comprehensive income. In previous years the group and the company recognised actuarial gains and losses in profit or loss.

The change in accounting policy was to ensure that the full volatility of all changes in actuarial gains and losses and changes to surplus restrictions under the proposed new accounting policy would be recognised in reserves. The change has been applied retrospectively and comparatives have been restated. See note 24.

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 comprehensive income.

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

(n) Impairment (cont'd):

(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.

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 pre-tax 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 comprehensive income, except for available-for-sale equity securities, which is recognised directly in other comprehensive income.

(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.

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

(o) Fair value (cont'd):

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.

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**

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Interest income:				
Cash and cash equivalents	74,070	132,921	58,484	112,429
Resale agreements	195,072	466,106	187,200	395,624
Exchange gains	4,945	209,967	3,378	127,248
Gain on disposal of property, plant, equipment and investment properties	1,039	3,995	1,039	3,995
Miscellaneous income	10,468	8,104	4,429	8,104
	285,594	821,093	254,530	647,400

6. **Profit before income tax**

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

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Depreciation	40,833	25,081	39,552	25,128
Auditors' remuneration	4,972	4,385	4,400	3,650
Directors' emoluments:				
Fees	5,886	4,026	5,886	4,026
Management services	48,731	32,419	48,731	32,419

7. Income tax

The Group

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

	2010 $'000	2009 $'000
Current:		
Provision for charge on current year's profit	1,255,502	1,739,775
Adjustment in respect of prior year's provision	2,945	4,131
	1,258,447	1,743,906
Deferred:		
Origination and reversal of temporary differences	234,163	239,079
	1,492,610	1,982,985

(b) Reconciliation of effective tax rate and charge:

	2010		2009	
	%	$'000	%	$'000
Profit before taxation		4,494,485		6,076,896
Computed "expected" tax charge	33.33	1,498,162	33.33	2,025,632
Taxation difference between profit for financial statements and tax reporting purposes on –				
Effect of tax losses	0.05	2,546	0.02	1,431
Depreciation and capital allowances	(0.19)	(8,807)	0.29	14,953
Gain on sale of investments and fixed assets	(0.01)	(346)	(0.02)	(1,366)
Unrealised foreign exchange gains	(0.04)	(2,246)	(1.16)	(60,546)
Other adjustments	0.07	3,301	0.08	4,020
Exempt income and capital gains	-	-	(0.02)	(1,139)
Actual tax rate and charge	33.25	1,492,610	32.52	1,982,985

(c) At March 31, 2010 taxation losses in subsidiaries, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, amounted to approximately $794,444,728 (2009: $786,806,300).

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

The Company

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

	2010 $'000	2009 $'000
Current:		
Provision for charge on current year's profit	1,254,517	1,709,991
Adjustment in respect of prior year's provision	3,245	2,089
Transfer tax @ 6% on capital distribution received	-	257,398
	1,257,762	1,969,478
Deferred:		
Origination and reversal of temporary differences	234,162	244,662
	1,491,924	2,214,140

(b) Reconciliation of effective tax rate and charge:

	2010		2009	
	%	$'000	%	$'000
Profit before taxation		4,499,942		10,215,790
Computed "expected" tax charge	33.33	1,499,981	33.33	3,405,263
Taxation difference between profit for financial statements and tax reporting purposes on –				
Depreciation and capital allowances	(0.20)	(9,234)	0.16	14,971
Gain on sale of investments and fixed assets	(0.01)	(346)	(0.01)	(1,366)
Unrealised foreign exchange gains	(0.04)	(1,723)	(0.35)	(32,973)
Other adjustments	0.07	3,246	0.02	1,975
Exempt income and capital gains	-	-	(12.53)	(1,173,730)
Actual tax rate and charge	33.15	1,491,924	20.62	2,214,140

8. Profit for the year

	2010 $'000	2009 $'000
Profit for the year, dealt with in the financial statements of the company	3,008,018	3,972,498
This amount is made up as follows:		
Amount reported in the financial statements of the company	3,008,018	8,001,650
Intra-group capital distribution	-	(4,029,152)
Amount dealt with in consolidated profit for the year	3,008,018	3,972,498

9. Earnings per ordinary stock unit

Earnings per ordinary stock unit is calculated by dividing $3,001,869,000 (2009: $4,093,682,000) the profit attributable to stockholders arising by 485,440,000, the number of stock units in issue.

	2010	2009
Continuing operations	618.38¢	843.29¢

10. Cash and cash equivalents

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Demand and call deposits	1,044,918	1,107,003	634,134	782,514
Short-term fixed deposits	419,427	740,117	357,200	662,959
	1,464,345	1,847,120	991,334	1,445,473

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, 2010 was $725,098,885 and $774,106,635 (2009: $1,977,286,235 and $2,114,210,661) for the group and the company, respectively.

12. Accounts receivable

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Trade accounts receivable	145,658	114,695	145,658	114,695
Interest and other investment income receivable	4,531	19,074	3,944	18,523
Prepayments	18,243	16,326	18,243	16,326
Other receivables and				
advances - pension scheme	5,792	5,792	5,792	5,792
- other related parties	99,891	101,300	99,891	101,300
- other	45,201	96,667	44,147	90,865
	319,316	353,854	317,675	347,501
Less: Provision for doubtful debts	(7,057)	(10,573)	(7,057)	(6,919)
	312,259	343,281	310,618	340,582

During the year, net bad debts recognised aggregated $14,000 (2009: $7,353,000) in the group and the company.

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

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Trade accounts payable	12,891	63,546	12,891	63,546
General consumption tax payable	70,122	82,013	70,122	82,013
Other related parties	31,881	161,582	31,881	161,582
Other	850,574	1,043,321	822,960	1,017,304
	965,468	1,350,462	937,854	1,324,445

14. Retirement benefit (asset)/obligation

Retirement benefits currently 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.

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

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

The Carreras Group Limited Superannuation Scheme "the old scheme" was discontinued with effect from 31 December 2006 and a replacement fund ("the new fund") was established with effect from 1 January 2007. The new fund has two sections – a defined benefit (DB) section and a defined contribution (DC) section. The current pensioners and deferred pensioners will be transferred to the DB section of the new fund and current employees have opted to transfer their actuarial reserve or a part thereof to the new fund. The transfer will take effect once the scheme of distribution of surplus in the old scheme has been approved by the Financial Services Commission (FSC).

The employees who were members of the old scheme are now participating in the DB section of the new fund whilst the employees after 31 December 2006 are participating in the DC section of the new fund.

Various benefit improvements have been proposed for the pensioners, deferred pensioners and active members of the old scheme. Once the scheme of distribution has been approved by the FSC, transfers will be made to the new fund in respect of service up to 31 December 2006.

The actuarial valuation has been prepared allowing for the improvement in benefits in the new fund both in respect of service before and after 31 December 2006.

- 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:

	The Group and The Company	
	2010	2009
	$'000	$'000
Pension benefits	(259,200)	(108,400)
Post employment health and group life insurance benefits	124,300	92,300

The amounts recognised are computed as follows:

(i) Pension benefits

(a) Asset recognised in the balance sheet:

	The Group and The Company	
	2010	2009
	$'000	$'000
Present value of funded obligations	1,932,600	994,900
Fair value of plan assets	(8,183,900)	(7,056,600)
Present value of net obligations	(6,251,300)	(6,061,700)
Unrecognised amount due to limitation	5,992,100	5,953,300
Asset recognised in balance sheet	(259,200)	(108,400)

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

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:

	The Group and The Company	
	2010	2009
	$'000	$'000
Net asset at beginning of year	(108,400)	(230,300)
Contributions paid	(9,800)	(9,000)
Expenses recognised in the statement of comprehensive income	(141,000)	130,900
Net asset at end of year	(259,200)	(108,400)

(c) Movements in plan assets:

	The Group and The Company	
	2010	2009
	$'000	$'000
Fair value of plan assets at beginning of year	7,056,600	7,168,100
Expected return on plan assets	978,900	892,800
Contributions paid	22,500	21,000
Benefits paid	(151,100)	(72,100)
Actuarial gain/(loss) on plan assets	277,000	(953,200)
Fair value of plan assets at end of year	8,183,900	7,056,600

	The Group and The Company	
	2010	2009
	$'000	$'000
Plan assets consist of the following:		
Equities	1,424,100	1,133,300
Real property	526,800	505,600
Resale agreements	5,436,300	4,771,000
Leased assets	50,600	53,000
Net current assets	746,100	593,700
	8,183,900	7,056,600

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 comprehensive income:

	The Group and The Company	
	2010	2009
	$'000	$'000
Past service costs	88,400	-
Current service costs	11,000	19,400
Interest costs	150,700	166,600
Expected return on plan assets	(978,900)	(892,800)
	(728,800)	(706,800)
Actual return on plan assets	1,255,900	(60,400)

(e) Actuarial losses recognised in the group and company's other comprehensive income:

	2010	2009
	$'000	$'000
Change in disallowed asset	38,800	303,000
Actuarial losses, net	549,000	534,700
	587,800	837,700

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

	2010	2009
	%	%
Discount rate	11.5	16.0
Expected return on plan assets	10.0	14.0
Future salary increases	8.5	11.0
Future pension increases	6.0	6.0

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

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

(h) The pension plan assets include ordinary shares issued by the company with a fair value of $ 679,194,388 (2009: $504,144,288).

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

(ii) Post employment health and group life insurance benefits

(a) Liability recognised in balance sheet:

	The Group and The Company	
	2010	2009
	$'000	$'000
Present value of funded obligations, being liability recognised in balance sheet	124,300	92,300

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

	The Group and The Company	
	2010	2009
	$'000	$'000
Net liability at the beginning of the year	92,300	74,500
Contributions paid	(6,600)	(4,600)
Expense recognised in the statement of comprehensive income	38,600	22,400
Net liability at the end of the year	124,300	92,300

(c) Expense recognised in the group and the company's statements of comprehensive income:

	The Group and The Company	
	2010	2009
	$'000	$'000
Current service costs	2,900	2,200
Interest on obligation	14,700	9,700
	17,600	11,900

(d) Actuarial loss recognised in the group and the company's other comprehensive income:

	2010	2009
	$'000	$'000
Recognised during period	21,000	10,500

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

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

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

	2010 %	2009 %
Discount rate	11.5	16.0
Annual increase in health care costs	10.5	15.0

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

	One percentage point increase		One percentage point decrease	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Effect on the aggregate service and interest cost	3,100	2,000	2,300	1,600
Effect on the defined benefit obligation	18,700	13,000	14,900	10,500

(g) Historical information:

(i) Defined benefit pension plan:

	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Present value of the defined benefit obligation	(1,932,600)	(994,900)	(1,287,500)	(896,800)	(806,600)
Fair value of plan assets	8,183,900	7,056,600	7,168,100	5,867,000	4,960,600
Experience adjustments on plan liabilities	(202,300)	87,700	254,500	(73,500)	25,700
Experience adjustments arising on plan assets	277,000	(953,200)	869,000	467,100	(240,000)

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

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:

	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Present value of the defined benefit obligation	124,300	92,300	74,500	63,100	58,400
Experience adjustments arising on plan liabilities	(20,200)	(11,200)	1,400	3,000	24,300

15. **Property, plant and equipment**

The Group

	Freehold land $'000	Buildings and leasehold improvements $'000	Work-in-progress, machinery, furniture, equipment and vehicles $'000	Total $'000
Cost:				
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	342	54,474	236,465	291,281
Additions		2,938	50,975	53,913
Disposals and write offs	-	-	(2,324)	(2,324)
March 31, 2010	342	57,412	285,116	342,870
Depreciation:				
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	-	30,051	159,315	189,366
Charge for the year		4,944	35,889	40,833
Eliminated on disposals and write offs	-	-	(2,053)	(2,053)
March 31, 2010	-	34,995	193,151	228,146
Net book values:				
March 31, 2010	342	22,417	91,965	114,724
March 31, 2009	342	24,423	77,150	101,915
March 31, 2008	342	25,243	54,360	79,945

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

The Company

	Freehold land and buildings $'000	Work-in-progress $'000	Machinery, furniture, equipment and vehicles $'000	Total $'000
Cost:				
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	45,459	46,056	142,534	234,049
Additions	-	53,913	-	53,913
Transfers	2,938	(84,931)	81,993	-
Disposals	-	-	(2,324)	(2,324)
March 31, 2010	48,397	15,038	222,203	285,638
Depreciation:				
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	23,208	-	102,047	125,255
Charge for the year	4,944	-	34,608	39,552
Eliminated on disposals	-	-	(2,053)	(2,053)
March 31, 2010	28,152	-	134,602	162,754
Net book values:				
March 31, 2010	20,245	15,038	87,601	122,884
March 31, 2009	22,251	46,056	40,487	108,794
March 31, 2008	23,071	12,289	51,511	86,871

16. Share capital

	2010 ($'000)	2009 ($'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	121,360	121,360

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

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

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

The Group

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax on reserves of subsidiaries in liquidation	-	-	(123,479)	(123,324)	(123,479)	(123,324)
Accounts payable	339	5,994	-	-	339	5,994
Property, plant and equipment	-	-	(366)	(9,534)	(366)	(9,534)
Retirement benefit obligation	41,433	30,767	(86,400)	(36,133)	(44,967)	(5,366)
Accounts receivable	-	-	(1,500)	(6,358)	(1,500)	(6,358)
	41,772	36,761	(211,745)	(175,349)	(169,973)	(138,588)

The Company

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Accounts payable	339	5,994	-	-	339	5,994
Property, plant and equipment	-	-	(366)	(9,534)	(366)	(9,534)
Retirement benefit obligation	41,433	30,767	(86,400)	(36,133)	(44,967)	(5,366)
Accounts receivable	-	-	(1,314)	(6,174)	(1,314)	(6,174)
	41,772	36,761	(88,080)	(51,841)	(46,308)	(15,080)

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

The Group

	Balance at 01.04.09	Recognised in equity	Recognised in income	Balance at 31.03.10
	$'000	$'000	$'000	$'000
Deferred tax on reserves of subsidiaries in liquidation	(123,324)	(155)	-	(123,479)
Accounts payable	5,994	-	(5,655)	339
Property, plant and equipment	(9,534)	-	9,168	(366)
Retirement benefit obligation	(5,366)	-	(39,601)	(44,967)
Interest receivable	(6,358)	-	4,858	(1,500)
	(138,588)	(155)	(31,230)	(169,973)

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

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

The Company

	Balance at 01.04.09 $'000	Recognised in income $'000	Balance at 31.03.10 $'000
Accounts payable	5,994	(5,655)	339
Property, plant and equipment	(9,534)	9,168	(366)
Retirement benefit obligation	(5,366)	(39,601)	(44,967)
Accounts receivable	(6,174)	4,860	(1,314)
	(15,080)	(31,228)	(46,308)

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

	2010 $'000	2009 $'000
Tax losses	264,815	262,480

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.

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.

		The Group and the Company	
		2010	2009
		$'000	$'000
(a)	Purchases from related companies - cigarettes	503,083	477,499
(b)	Technical fees paid to parent company	121,600	99,389
(c)	Technical fees paid to other related company	211,905	189,710
(d)	Carreras Limited Superannuation Scheme:		
	Expenses incurred with the scheme:		
	Lease of motor vehicles and equipment	29,228	17,904
	Dividend	98,028	228,265
(e)	Key management personnel - short-term employee benefits	45,799	30,946
	- post-employment benefits	136,700	111,600
	- other long-term benefits	5,407	-
		187,906	142,546

19. Staff costs

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Salaries and profit-related pay	447,693	335,823	447,693	335,823
Statutory payroll contributions	39,113	27,075	39,113	27,075
Cost of post-retirement benefits, net	(109,000)	148,701	(109,000)	148,701
	377,806	511,599	377,806	511,599

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

	2010	2009
Permanent	82	78
Temporary	5	3
	87	81

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 cash 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, 2010

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:

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cash and cash equivalents	1,464,345	1,847,120	991,334	1,445,473
Resale agreements	741,029	2,053,472	693,347	1,923,035
Trade receivables	138,601	107,776	138,601	107,776
Other receivable	50,993	102,459	49,939	96,657
Due from related parties	99,891	101,300	99,891	101,300
	2,494,859	4,212,127	1,973,112	3,674,241

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

	The Group Carrying amount		The Company Carrying amount	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Wholesale customers	88,604	75,917	88,604	75,917
Retail customers	49,997	31,859	49,997	31,859
	138,601	107,776	138,601	107,776

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

Financial risk management (cont'd)

(i) Credit risk (cont'd):

The age of trade receivables at the reporting date was:

The Group and Company

	Gross 2010 $'000	Impairment 2010 $'000	Gross 2009 $'000	Impairment 2009 $'000
Not past due	130,156	-	100,296	-
Past due 0-30 days	8,445	-	5,311	-
Past due 31-120 days	1,493	(1,493)	6,549	(4,380)
More than one year	5,564	(5,564)	2,539	(2,539)
	145,658	(7,057)	114,695	(6,919)

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

	2010 $'000	2009 $'000
Balance at 1 April	6,919	398
Impairment loss recognised/(reversed)	138	6,521
Balance at 31 March	7,057	6,919

(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.

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:

	The Group Carrying amount		The Company Carrying amount	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Variable rate instruments:				
Cash and cash equivalents	1,240,628	1,634,617	779,792	1,236,919
Resale agreements	741,029	2,053,472	693,347	1,923,035

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.

	The Group Profit or loss		The Company Profit or loss	
	5% Increase	10% Decrease	5% Increase	10% Decrease
	$'000	$'000	$'000	$'000
March 31, 2010				
Cash and cash equivalents	62,032	(124,063)	38,990	(77,979)
Resale agreements	37,051	(74,103)	34,667	(69,335)

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

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

Financial risk management (cont'd)

(i) 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

	2010			2009		
	US$ '000	GBP (£) '000	Euro '000	US$ '000	GBP (£) '000	Euro (€) '000
Cash and cash equivalents	9,680	58	-	10,734	24	-
Resale agreements	517	-	-	534	-	-
Related party receivables	1,116	-	-	1,146	-	-
Other receivables	68	-	-	256	-	-
Trade payables	-	(1)	-	(316)	-	-
Related party payables	(361)	-	-	(1,838)	-	-
Other payables	(681)	(308)	(44)	(195)	(235)	-
Exposure, net	10,339	(251)	(44)	10,321	(211)	-

The Company

	2010			2009		
	US$ '000	GBP (£) '000	Euro (€) '000	US$ '000	GBP (£) '000	Euro (€) -
Cash and cash equivalents	4,638	54	-	6,436	18	-
Resale agreements	517	-	-	534	-	-
Related party receivables	1,116	-	-	1,146	-	-
Other receivables	64	(1)	-	252	-	-
Trade payables	-	-	-	(316)	-	-
Related party payables	(361)	-	-	(1,838)	-	-
Other payables	(627)	(305)	(44)	(48)	(192)	-
Exposure, net	5,347	(252)	(44)	6,166	(174)	-

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.

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

	2010 Profit/(Loss) $'000		2009 Profit/(Loss) $'000	
	5% Strengthening	15% Weakening	5% Strengthening	15% Weakening
US ($)	45,913	(137,740)	45,832	(137,496)
GBP (£)	1,626	(4,877)	1,359	(4,077)
Euro (€)	299	(897)	-	-

The Company

	2010 Profit/(Loss) $'000		2009 Profit/(Loss) $'000	
	5% Strengthening	15% Weakening	5% Strengthening	15% Weakening
US ($)	23,783	(71,350)	27,383	(82,149)
GBP (£)	1,682	(5,045)	1,119	(3,357)
Euro (€)	299	(897)	-	-

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

	US$	£
At March 31, 2009:	88.8158	129.0181
At March 31, 2010:	89.5082	135.0720
At May 18, 2010:	88.8052	127.8429

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

		Contractual undiscounted cash flows			
	Carrying amount $'000	Total cash outflow $'000	Within 1 year $'000	1-2 years $'000	2-5 years $'000
March 31, 2010					
Trade accounts payable	12,891	12,891	12,891	-	-
Due to related parties	31,881	31,881	31,881	-	-
Other payables	850,574	850,574	850,574	-	-
	895,346	895,346	895,346	-	-
March 31, 2009					
Trade accounts payable	63,546	63,546	63,546	-	-
Due to related parties	161,582	161,582	161,582	-	-
Other payables	1,043,221	1,043,221	1,043,221	-	-
	1,268,349	1,268,349	1,268,349	-	-

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Notes to the Financial Statements (Continued)
March 31, 2010

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

Financial risk management (cont'd)

(iii) Liquidity risk (cont'd):

The Company

		Contractual undiscounted cash flows			
	Carrying amount $'000	Total cash outflow $'000	Within 1 year $'000	1-2 years $'000	2-5 years $'000
March 31, 2010					
Trade accounts payable	12,891	12,891	12,891	-	-
Due to related parties	31,881	31,881	31,881	-	-
Other payables	822,959	822,959	822,959	-	-
	867,731	867,731	867,731	-	-
March 31, 2009					
Trade accounts payable	63,546	63,546	63,546	-	-
Due to related parties	161,582	161,582	161,582	-	-
Other payables	1,017,304	1,017,304	1,017,304	-	-
	1,242,432	1,242,432	1,242,432	-	-

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.

21. Dividends

	2010 $'000	2009 $'000
Declared:		
First quarter ended June 30, 2009 - 300¢ (June 30, 2008: 200¢)	1,456,320	970,880
Second quarter ended Sep 30, 2009 - 100¢ (Sept 30, 2008: 100¢)	485,440	485,440
Third quarter ended Dec 31, 2009 - 100¢ (Dec 31, 2008: 100¢)	485,440	485,440
Fourth quarter ended Mar 31, 2010 - 200¢ (Mar 31, 2008: 400¢)	970,880	1,941,760
Capital distribution 2009/2010- 0¢ (2008/2009: 830¢)	-	4,029,152
	3,398,080	7,912,672

22. Subsidiary companies

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

Name of company	Principal activity	Percentage of ordinary shares held by The Company 2010 %	The Company 2009 %	Subsidiary 2010 %	Subsidiary 2009 %
Cigarette Company of Jamaica Limited (In Voluntary Liquidation)	Inactive (voluntary liquidation in process)	99.99	99.99	-	-
Sans Souci Development	Dormant	100.00	100.00	-	-
Limited and its subsidiary, Sans Souci Limited	Dormant	-	-	100.00	100.00

23. Contractual commitments

Lease commitments at March 31, are payable as follows:

	The Group 2010 $'000	The Group 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
Within one year	30,614	28,133	30,614	28,133
Subsequent years	39,723	52,429	39,723	52,429
	70,337	80,562	70,337	80,562

23. Contractual commitments (cont'd)

Payments made during the year ended March 31, 2010 aggregated:

	2010 $'000	2009 $'000
Group	38,197	25,131
Company	38,197	25,131

24. Prior year adjustment

The effects of the adjustment in the change in accounting policy are detailed below, see note 3(m).

	2009 $'000
Statement of comprehensive income for the year ended March 31, 2009	
Decrease in employee benefit expense	848,200
Increase in income tax expense	(282,733)
Increase in profit for the year	565,467
Other comprehensive income for the year ended March 31, 2009	
Defined benefit plan actuarial gains/(losses)	(545,200)
Change in unrecognised employee benefit asset	(303,000)
Income tax on other comprehensive income	282,733
Net effect on other comprehensive income	(565,467)

There was no balance sheet impact with these adjustments

25. Tax assessment

On **February 12, 2010,** the Court of Appeal handed down its judgment in the appeal by its subsidiary Cigarette Company of Jamaica Limited (in voluntary liquidation) (CCJ) against the assessment by Commissioner Taxpayer Audit and Assessment. The Court allowed 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 this judgment of the Court of Appeal the amount paid of **J$1,733.1 million** is reflected in the financial statements as taxation recoverable, and interest, as determined by the Court will be payable thereon.

On April 26, 2010 The Court of Appeal granted the application by the Commissioner for leave to appeal to the Privy Council, however, the application for a stay of execution was refused.

26. **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 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 together with interest of J$68,037,111 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.

"On February 15, 2010 the Court of Appeal granted conditional leave to appeal to the Privy Council and an application for Final Leave is now being made. It is possible that the Privy Council could hear the Appeal before the end of December 31, 2010."

While the Appeals were in train, the arbitrators re-considered the question of damages but only in respect of the "unrecoverable expenses" and not in the broader context as SSL had asked them to. The arbitrators made a new award confirming the one they made in 2004. SSL has applied to have this new award set aside, primarily on the basis that the arbitrators had no jurisdiction to award interest in the manner they did. The Case Management Conference is scheduled for July 6, 2010."

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