CARRERAS LIMITED

CARRERAS LIMITED & SUBSIDIARIES

UNAUDITED GROUP FINANCIAL STATEMENTS

For 3 Months Ended June 30, 2010

GROUP PROFIT & LOSS ACCOUNT

	UNAUDITED 3 months to June-10 $'000	UNAUDITED 3 months to June-09 $'000	AUDITED 12 months March-10 $'000
Gross operating revenue	2,973,408	1,880,732	10,410,178
Cost of operating revenue	(1,594,205)	(875,498)	(5,327,592)
Gross operating profit	1,379,203	1,005,234	5,082,586
Employee benefit income	-	-	711,200
Interest and other investment income	27,852	115,726	269,142
Other operating income:			
Exchange gains	(26,023)	8,895	4,945
Other income	13,855	1,492	11,507
Distribution and marketing expenses	(182,327)	(175,752)	(816,613)
Administrative expenses	(201,678)	(176,335)	(768,282)
Profit before income tax	1,010,882	779,260	4,494,485
Income tax	(336,983)	(262,208)	(1,492,610)
Profit for the period	673,898	517,052	3,001,875
Other comprehensive income			
Defined benefit plan acturial losses	-	-	(570,000)
asset	-	-	(38,800)
Income tax on other comprehensive income	-	-	202,933
Deferred tax on subsidiaries	-	-	(155)
Other comprehensive income, net of tax	-	-	(406,022)
Total comprehensive income for the year	673,898	517,052	2,595,853
Attributable to:			
Minority interests	-	(21)	6
Stockholders in parent	673,898	517,073	3,001,869
	673,898	**517,052**	**3,001,875**
Total comprehensive income attributed to:			
Minority interests	-	-	**6**
Stockholders in parent	-	-	**2,595,847**
	-	-	**2,595,853**
Earnings per ordinary stock unit of 25c each	**138.82¢**	**106.52¢**	**618.38¢**

CARRERAS LIMITED & SUBSIDIARIES

UNAUDITED GROUP FINANCIAL STATEMENTS

As at June 30, 2010

	GROUP BALANCE SHEET	
	Unaudited	**Audited**
	30-Jun-10	**31-Mar-10**
	\$000	**\$000**
Current Assets		
Cash and cash equivalents	1,350,667	1,464,345
Resale Agreements	739,740	741,029
Accounts receivable	434,897	312,259
Income tax recoverable	159,475	152,172
Inventories	268,328	211,098
	2,953,107	2,880,903
Current Liabilities		
Accounts payable	904,029	965,468
Income tax payable	873,384	932,256
	1,777,413	1,897,724
Net Current Assets	1,175,694	983,179
Non-current assets:		
Retirement benefit asset	259,200	259,200
Taxation Recoverable	1,733,137	1,733,137
Fixed Assets	110,214	114,724
	3,278,245	**3,090,240**
Equity:		
Share Capital	121,360	121,360
Reserves:		
Unappropriated profits	965,176	776,717
Capital	22,322	22,322
Other	1,870,762	1,870,762
	2,858,260	2,669,801
Total attributable to stockholders of parent	2,979,620	2,791,161
Minority interests	4,806	4,806
Total equity	2,984,426	2,795,967
Non-current liabilities:		
Deferred taxation liability	169,519	169,973
Retirement benefit obligation	124,300	124,300
	3,278,245	**3,090,240**

ON BEHALF OF THE BOARD

Michael Bernard
Managing Director

Marcus Steele
Finance Director

CARRERAS LIMITED

Statement of Changes in Equity

For 3 Months ended June 30, 2010

<u>**The Group**</u>

	Share Capital $'000	Unappropriated Profits $'000	Capital Reserves $'000	Other Reserves $'000	**Total** $'000	Minority Interest $'000	**Total** $'000
Audited balance at March 31, 2010	**121,360**	**776,717**	**22,322**	**1,870,762**	**2,791,161**	**4,806**	**2,795,967**
Net profit for the period attributable to stockholders		673,899			673,899	-	673,899
Total recognised gains for the year	-	673,899	-	-	673,899	-	673,899
Dividends paid		(485,440)	-		(485,440)		(485,440)
Net movements for the year	-	188,459	-	-	188,459	-	188,459
Unudited balance at June 30, 2010	**121,360**	**965,176**	**22,322**	**1,870,762**	**2,979,620**	**4,806**	**2,984,426**

CARRERAS LIMITED
Statement of Changes in Equity
For 3 Months ended June 30, 2010

The Company

	Share Capital $'000	Revenue Reserves $'000	Capital Reserves $'000	Total $'000
Audited balance at March 31, 2010	**121,360**	**773,754**	**22,322**	**917,436**
Net profit for the period attributable to stockholders		673,898		673,898
Total recognised gains for the year	-	673,898	-	673,898
Dividends paid		(485,440)	-	(485,440)
Net movements for the year	-	188,458	-	188,458
Unaudited balance at June 30, 2010	**121,360**	**962,212**	**22,322**	**1,105,894**

CARRERAS LIMITED & SUBSIDIARIES

UNAUDITED GROUP FINANCIAL STATEMENTS

For 3 Months ended June 30, 2010

Group Statement of Cash Flows	3 months 30-Jun-10 $'000	3 months 30-Jun-09 $'000	12 months 31-Mar-10 $'000
Cash flows from operating activities:			
Net profit for the period	673,897	517,052	3,001,875
Items not affecting cash	346,844	144,008	530,719
	1,020,740	661,060	3,532,594
Changes in working capital	(646,279)	(793,296)	(2,065,759)
Cash provided by operating activities	374,462	(132,236)	1,466,834
Cash (used)/provided by investing activities	23,323	1,152,495	1,543,525
Cash used by financing activities	(485,440)	(1,456,320)	(3,398,080)
Increase/(Decrease) in cash and cash equivalents	(87,655)	(436,061)	(387,720)
Effect of exchange rate changes on cash and cash equivalents	(26,023)	8,895	4,945
Cash and cash equivalents, at beginning of period	1,464,345	1,847,120	1,847,120
Cash and cash equivalents, at end of period	**1,350,667**	**1,419,954**	**1,464,345**

CARRERAS LIMITED AND SUBSIDIARIES

Notes to the Financial Statements
June 30, 2010

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

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

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

(i) Key source of estimation uncertainty

Employee benefits:

The amounts recognised in the balance sheet and income statement for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-employment obligations and the expected rate of increase in medical costs for post-employment medical benefits.

Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

It is reasonably possible that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

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

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

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. Interest due as determined by the Court has not been accrued in these financial statements.

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.

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 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, 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. This leave to appeal to the Privy Council was granted on July 12, 2010.

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

ON BEHALF OF THE BOARD

Michael Bernard
Managing Director

Marcus Steele
Finance Director