CARRERAS LIMITED

A Proud Jamaican Company since 1962

Annual Report
2009 - 2010

CARRERAS LIMITED

The beautiful flowers of the tobacco plant

Our Vision and Mission

Our vision is to achieve and maintain leadership of the Jamaican Tobacco Industry in order to create long term shareholder value.

Four elements around which all our efforts revolve are Growth, Productivity, Responsibility and a Winning Organization.

Our Strategy

The four building blocks of our strategy, Growth, Productivity, Responsibility and developing a Winning Organization are interdependent and essential for creating shareholder value, delivering profit growth and long term business sustainability.

GROWTH

We place focus on key strategic segments of the market that offer the best prospects for long term growth, including driving our premium segment. We also believe it is important to continue to develop and utilise innovative, differentiated products and offer our consumers added value from our brands.

PRODUCTIVITY

Our overall approach to productivity is about using our global resources to increase profits and generate funds for reinvesting in our business.

RESPONSIBILITY

We will continue to balance our commercial objectives with the expectations of a broad range of stakeholders, thus ensuring a sustainable business.

WINNING ORGANIZATION

We are confident in our strategies for Growth, Productivity and Responsibility but to deliver our vision we must also have the right people and the right working environment. That is the essence of our Winning Organization strategy.

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Notice of Annual General Meeting

Notice is hereby given that the Forty-Eighth Annual General Meeting of the Stockholders of CARRERAS LIMITED will be held at the Wyndham Kingston Hotel, 77 Knutsford Boulevard, Kingston 5, on Tuesday, September 7, 2010, at 2:00 p.m. for the following purposes:

1. **To receive the Audited Financial Statements and the Reports of the Auditors and Directors for the year ended March 31, 2010**

   To consider and (if thought fit) pass the following Resolution:

   "THAT the Audited Financial Statements and the Reports of the Auditors and Directors for the year ended March 31, 2010 be and are hereby adopted."

2. **To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors**

   To consider and (if thought fit) pass the following Resolution:

   "THAT KPMG, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

3. **To elect Directors**

   (a) The Directors due to retire in accordance with the provisions of Article 84 of the Articles of Association are Hon. William McConnell, OJ and Mr. Trevor Patterson who, being eligible, offer themselves for re-election.

   To consider and (if thought fit) pass the following Resolutions:

   i) "THAT Hon. William McConnell, OJ be and is hereby re-elected a Director of the Company."

   ii) "THAT Mr. Trevor Patterson be and is hereby re-elected a Director of the Company."

   (b) Mr. Federico Jenkins was appointed a Director since the last Annual General Meeting of the Company and will retire at this Annual General Meeting. Being eligible he offers himself for election.

   To consider and (if thought fit) pass the following Resolution:

   "THAT Mr. Federico Jenkins be and is hereby elected a Director of the Company."

4. **To confirm the remuneration of the Non-Executive Directors**

   To consider and (if thought fit) pass the following Resolution:

   "THAT the amount shown in the Financial Statements of the Company for the year ended March 31, 2010 for emoluments received by the Non-Executive Directors for their services as Directors be and is hereby approved."

5. **To consider any other business which may properly be transacted at an Annual General Meeting.**

By Order of the Board

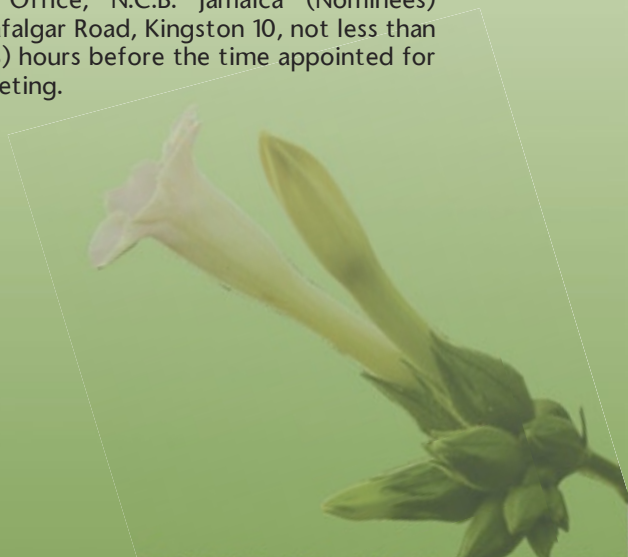
Marcus Steele
Company Secretary

Registered Office
Twickenham Park
Spanish Town
May 18, 2010

Please Note:
Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint one or more proxies to attend and vote in his/her stead.

Such proxies need not be members of the Company.
A suitable Form of Proxy is enclosed.

The Form of Proxy must be lodged with the Registrar and Transfer Office, N.C.B. Jamaica (Nominees) Limited, 32 Trafalgar Road, Kingston 10, not less than forty-eight (48) hours before the time appointed for holding the meeting.



Corporate Data

LOCATION
CARRERAS LIMITED
Twickenham Park
Spanish Town
Telephone: (876) 749-9800
Fax: (876) 984-6571
E-Mail: Carreras@bat.com

DEPOTS:
Twickenham Park, Spanish Town
6 Allan Avenue, Port Antonio
5½ Caledonia Road, Mandeville
74 Main Street, Ocho Rios
26 Humber Avenue, Montego Bay

BOARD OF DIRECTORS
Christopher Burton - Chairman
Michael Bernard
Oliver Holmes
Federico Jenkins
Hon. William McConnell, OJ
Leonardo Morales
Trevor Patterson
Marcus Steele
Bruce Terrier

COMPANY SECRETARY: Marcus Steele

LEADERSHIP TEAM:

NAME	DESIGNATION
Michael Bernard	Managing Director
Marcus Steele	Finance Director
Rhon Bennett	Marketing Deployment Manager
Raoul Glynn	Trade Marketing & Distribution Manager
Christopher Brown	Corporate and Regulatory Affairs Manager
Patrick Sterling	Human Resource Manager

REGISTERED OFFICE: Twickenham Park
Spanish Town

AUDITORS: KPMG
6 Duke Street
Kingston

BANKERS: The Bank of Nova Scotia Jamaica Limited
Scotiabank Centre
Duke & Port Royal Streets
Kingston

REGISTRAR AND TRANSFER OFFICE: N.C.B. Jamaica (Nominees) Limited
32 Trafalgar Road
Kingston 10

Report to Stockholders

Christopher Burton

Chairman

The company's delivery of shareholder value and long term sustainability continues to be threatened by frequent, excessive and unprecedented levels of tobacco tax increases and the resulting price increases necessary to pass on these tax increases to consumers. Our sales volumes, profit margins and trading profit continue to be negatively impacted by these events.

Following on from a 100% increase in Special Consumption Tax (SCT) on cigarettes in April 2008, the industry faced another approximately 75% increase from two SCT increases, May 2009 and January 2010. The increase in General Consumption Tax during the year also impacted the final price to consumers. The net effect of these tax increases is to transfer a higher percentage of consumer price to Government in the form of taxes. The revenues from two of every three cigarettes sold by Carreras is now passed on to the Ministry of Finance in taxes. Our inability to pass on the full effects of tobacco tax increase within the context of a contracting economy, devaluation of the Jamaican dollar and continued pressure on consumer purchasing power, contributed to a 26.7% decline in profit after tax from $4,093.9 million for 2008/09 to $3,001.9 million for this fiscal year. Sales volume decreased by 27.5% for the year as a result of the price increases, the depressed macro-economic environment and speculative trade purchases that negatively impacted both the beginning and end of the fiscal year.

Price increases have in the past been a primary source of profit growth. However, to grow revenues is becoming even more difficult within our macroeconomic environment, and with the Ministry of Finance's reliance on our industry for additional tax revenue.

Gross operating revenue declined by 4.7% to $10,410 million for 2009/10 when compared to 2008/09. Earnings per share have also declined from $8.43 earned in 2008/09 to $6.18 in 2009/10, representing a 26.7% decrease.

The challenges posed by the two SCT increases in conjunction with the increase in General Consumption Tax (GCT) implemented during the past financial year and the speculative purchasing behaviour of the trade in 2008/09 and 2009/10 financial years negatively affected several key performance indicators for this financial year.

Notwithstanding these challenges during the year, Carreras remains committed to delivering long-term shareholder value and our outlook for 2010/2011 fiscal year remains positive as we expect to return to PBIT growth during the fiscal year.

Your board of directors believe that, in spite of the challenges faced by our business that led to the year's results, the company's performance was satisfactory. We are assured of the ability and commitment of the management team in continuing to achieve the several strategic priorities identified in managing the risks posed to the sustainability of the business, including excessive levels of taxation and illicit trade in cigarettes.

As Carreras continues to be a major contributor to government revenues, delivering a total of $8.184 billion dollars in SCT, GCT and corporate profit tax for 2009/10, we are obliged to manage our relationship and engagement with the Ministry of Finance with the objective of ensuring that the levels and timing of tobacco tax increases are not detrimental to the long term sustainability of our company.

We are also determined to support the authorities in their commitment to eliminate the illicit trade in cigarettes and to ensure that all products offered for sale as cigarettes in Jamaica meet the requirements for taxation, duties and product declaration.

We are encouraged by the work and progress being made by the Jamaica Constabulary Force and Jamaica Customs during the year to reduce the incidence of illicit trade in tobacco products and are prepared to provide necessary support to them to protect our interests. Shareholders will recall the discovery of counterfeit Craven "A" cigarettes in the Jamaican market approximately two years ago and the recent finds of contraband products along with other illicit cigarettes by the authorities. It is therefore our intention to continue raising the awareness of the negative consequences of the illicit trade among the public and the appropriate agencies.

Notwithstanding these challenges during the year, Carreras remains committed to delivering long-term shareholder value and our outlook for 2010/2011 fiscal year remains positive...

Significant support and resources were placed behind achieving the optimization and efficiency of our marketing and distribution efforts which is another of the company's strategic priorities. The level of resources placed behind this effort is reflected in the 21.8% increase in our marketing and distribution expenses during 2009/10. The company continued its recruitment of marketing personnel towards ensuring that our brands are available in all outlets that sell cigarettes across Jamaica, and that we enhance our delivery of superior customer service to our valued customers. The expansion of our trade marketing and sales force becomes even more critical in light of the increased cost of our products, increased cash flow pressures on the trade, as well as

competition for customer spend from other FMCG companies. The increase in marketing resources provides us with the capability to address these concerns.

We continued to invest in our core brands Craven "A" and Matterhorn which remain the leading non-menthol and menthol brands, respectively, in Jamaica. Our share of the premium segment of the market has increased since the re-launch of Rothmans and we expect further gains in this segment with continued success in reducing the level of illicit trade.

I must highlight as I do each year, the company's continued adherence to our strict marketing guidelines and responsible product stewardship. These are key factors in ensuring the sustainability of the business and I wish to thank our employees for their commitment to living by our responsible marketing standards. Our Youth Smoking Prevention (YSP) programme continues to assist retailers in restricting access of our brands to minors. In 2010, the company will launch a new campaign for the YSP programme.

As we market our brands we are mindful of the Ministry of Health's efforts, to seek enactment of tobacco control legislation. Jamaica, having ratified the World Health Organization's Framework Convention on Tobacco Control (FCTC) from 2005, is under mounting local and international pressure for legislation to be passed and implemented. While there was no active move by the authorities to enact tobacco control legislation, the Minister of Health has stated his intention to introduce such legislation. The company's management has been working closely with the Ministry of Health to ensure that the legislation put forward in Parliament balances the interest of both smokers and non-smokers. I wish to state again that Carreras has for years been voluntarily observing codes of conduct related to many of the areas that are to be formally addressed by the enactment of the proposed tobacco control regulations. Consequently, pragmatic and balanced legislation will not require dramatic adjustments in our marketing and distribution efforts.

A ban on smoking in enclosed public places as well as restrictions on our ability to advertise and promote our brands are expected to be the most significant elements of any new tobacco control legislation. It is expected that by early 2011, such legislation will be enacted.

In 2009, Carreras continued to send a strong message about its commitment to nation building through its support for education, crime prevention and the Arts. I am pleased to report that the 2009-2011 Carreras Postgraduate Scholarship was awarded to a scholar who is studying Forensic Psychology and is intent on giving back to the development of the Justice System in Jamaica upon her return from studies in the United States.

Additionally, the company increased its tertiary level scholarship offer through its award of scholarships to community colleges as well as to the Edna Manley College. The company recognizes the significance of empowering young adults through education and has in its plans, to make the scholarship programme even more robust with an offer of significant tertiary level bursaries and scholarships for the 2010/2011 academic year.

Carreras also provided important support to the Jamaica Constabulary Force with donations earmarked for the acquisition of millions of dollars worth of equipment including motorbikes and computers, to aid and enhance their crime fighting and quick response capabilities. The company, through its rural area sales depots, also embarked on carrying out special renovation projects for police and fire stations in the respective sales areas across the island.

I am proud to report that Carreras continues to be a winning organization, obtaining two very important awards in 2009. The Company's employees through a survey, identified Carreras as providing exceptional benefits in areas such as, learning opportunities, profitability, health and safety and a good corporate image, and as such was awarded Top Small Employer for 2008 by the Jamaica Employers Federation.

For the third consecutive year, Carreras was recognized for our outstanding business performance and in 2009 was awarded First Runner Up for Best Performing Company for 2008 by the Jamaica Stock Exchange.

I am also pleased to report that as it relates to the tax matter between Cigarette Company of Jamaica (CCJ) and the Commissioner, Taxpayer Audit and Assessment, the Court of Appeal in its judgment delivered February 12, 2010, upheld the appeal of CCJ to recover the J$1,733 million paid to the Commissioner, Taxpayer Audit and Assessment.

The Court of Appeal has subsequently granted the Commissioner leave to appeal to the Privy Council. Our attorneys are optimistic of our case prevailing at this final court of appeal. The Jamaican Court of Appeal also refused the Commissioner's application for a stay of execution from refunding the amount of J$1,733 million until the appeal is heard at the Privy Council. The company has subsequently approached the Ministry of Finance for refund of the tax plus interest.

In the SSL vs VRL arbitration matter, our appeal to the Privy Council of the Court of Appeal ruling is being pursued and we expect a hearing and a decision by the end of the 2010/11 fiscal year.

In February 2010, Mr. Patrick Smith resigned from the Board of Directors. On behalf of the Board of Directors, we wish to thank Mr. Smith for his service to the Board over the past three and half years. On February 9, 2010, Mr. Federico Jenkins was appointed to the Board to replace Mr. Smith.

During the year, the Board appointed a Nominations and Compensation Committee, as a subcommittee of the Board, comprising three non-executive directors. This will assist the company in managing compensation, benefits, executive talent, recruitment and succession.

Your Board of Directors foresees a very challenging future for the business with many opportunities that will be explored to ensure long term sustainable growth in shareholder value. We are confident in the strategic priorities set out to manage and mitigate against the potential negative impact that these challenges pose. We also recognize the importance of our people and our customers and consumers in delivering the very commendable results we report to shareholders year after year and will ensure that we continue to acknowledge their importance to the continued success of our business.

Christopher Brown, Corporate & Regulatory Affairs Manager, receives the First Runner-Up, Best Performing Company Award from Curtis Martin, Chairman of the Jamaica Stock Exchange

I would like to thank all of the company's employees and my fellow directors for their drive and perseverance in what has been a very difficult year for Carreras.

As our country emerges from recession, our forecast is for significant improvement in our 2010/11 performance. The Board of Directors and the management and staff of the company will continue to work with dedication and focus to ensure that we deliver on this promise.

BOARD OF DIRECTORS

Michael Bernard

Mr. Michael Bernard first joined Carreras Group Limited in 1988 and in 1991 he was appointed General Manager of the Jamaica Biscuit Company.

In 1995 he assumed concurrently, the positions of Managing Director of two subsidiaries; the Cigarette Company of Jamaica Limited and Agricultural Products of Jamaica Limited.

In 1997, he was appointed to the Carreras Board of Directors until 2000 when he was seconded to the USA subsidiary of British American Tobacco, Brown and Williamson Tobacco Corporation. He regained leadership of the Cigarette Company of Jamaica Limited at the end of 2001 and was re-appointed to the Board of Carreras Group Limited in 2004. In 2005, he was appointed Managing Director of Carreras Limited and continues to hold that position.

Michael currently serves on the Board of Directors of Salada Foods Ltd., Peak Bottling Company Limited and Jamaica College. He is a graduate of Jamaica College and holds a Bachelor of Arts and Bachelor of Science summa cum laude degrees in Business Administration and Forest Management respectively, from Washington State University, and a Master of Business Administration from the Harvard Graduate School of Business Administration.

Michael is a significant owner and breeder of thoroughbred horses and an avid follower of Cricket.

Christopher Burton

Mr. Christopher Burton, Chairman of the Board of Directors of the Company, was appointed Chairman of the Board in April, 2005 following the retirement of the former chairman, Mr. George Ashenheim.

Over the course of an international career, he has worked with such firms as Procter & Gamble, J Lyons Foods.

He was the President and Chief Executive Officer of British American Tobacco's Guatemala and Indonesian holdings. He has served British American Tobacco for 29 years including in the BAT Latin America and Caribbean Regional Team, where, through his background in marketing, he held the role of Regional Marketing Manager and Area Director for the Caribbean. Mr. Burton retired from BAT in 2000, and has been a director of Carreras Group Limited since 1999.

Oliver W. Holmes

Mr. Holmes was appointed to the Board of Directors of Carreras Ltd. on February 6, 2007. He is Managing Director of Capital Options, a financial advisory firm he founded in 1997.

Prior to establishing Capital Options, Mr. Holmes was the Chief Operating Officer of Manufacturers Merchant Bank Ltd. and prior to that Vice President of Citibank N. A.

He spent 23 years and served as a senior manager in virtually all aspects of the bank and its subsidiaries operations in Jamaica, including Vice President - Corporate Finance, Financial Controller - Citibank Jamaica and its subsidiaries, Corporate Banking Group Head, Managing Director - Citifinance Limited, Manager - Centralized Operations and Chief Inspector for the Caribbean region. During his career, he has lead or participated in many notable transactions in the Jamaican and international markets.

In addition to Carreras, he sits on the Boards of Salada Foods Ltd., Allied Insurance Brokers Limited, Pulse Investments Ltd. and Caribbean Basin Investors Ltd. Mr. Holmes is a Member of the Institute of Chartered Accountants. He attended the University of the West Indies where he earned a B.Sc. degree in Management Studies (Hons) and a M.Sc. degree in Accounting.

Mr. Holmes lists his hobbies as Cricket, Golf, Squash, Running and Reading. He is married and has a son and a daughter.

Hon. William McConnell, OJ

Hon. William "Billy" McConnell, OJ, was appointed to the Board of Directors on February 6, 1997. He is a qualified Chartered Accountant and is a member of both the Canadian and Jamaican Institutes of Chartered Accountants and is currently the Managing Director of Lascelles DeMercado and Company Limited and Wray & Nephew (Group) Limited.

He has served on many Boards most notably as Chairman of both the Petroleum Corporation of Jamaica and Petrojam Limited. He is Chairman of Globe Insurance Company of Jamaica and Sugar Manufacturing Corporation of Jamaica Limited. He is a Director of the Jamaica Observer Limited and the University Hospital of the West Indies – Private Wing Limited.

He is the recipient of the Order of Distinction and the Order of Jamaica for outstanding services in the development of commerce and export (1996) and for distinguished leadership in Business and Export Industry respectively (2006).

Leonardo Morales

Mr. Leonardo Morales was appointed to the Board of Directors on August 1, 2007. He currently holds the position of Area Finance Director for British American Tobacco Caribbean and Central America.

Mr. Morales holds an undergraduate degree in Business Administration from Northern Virginia Community College (USA) and graduate degrees in Finance and Marketing from Instituto Tecnologico de Monterrey (Mexico).

Mr. Morales joined British American Tobacco in his native Nicaragua in January 1992 as Finance Controller Tabacalera Nicaraguense S.A. and since has had a very rich and international career that has taken him to Latin America (Nicaragua, Costa Rica, Brazil and Peru), Europe (England, Spain and Switzerland), the Middle East (Lebanon) and Africa (Kenya), where he held the position of Area Finance Director Equatorial Africa overseeing some 22 markets in sub Sahara Africa.

Mr Morales is married to Isabel and they have three children: Mariano, Leonardo and Isabella.

Trevor Patterson

Mr. Trevor Patterson was appointed to the Board of Directors on February 14, 2006. He has practiced law for over 25 years and holds Bachelor of Laws (LL.B) (Hons.) and Master of Law (LL.M.) degrees from the University of London at which he was a Commonwealth Scholar. He also holds an LL.M. degree in taxation from the University of Miami, School of Law and is an Associate of the Chartered Institute of Insurance, London.

Mr. Patterson has vast experience in banking, insurance, maritime, telecommunications and corporate law. As partner of Patterson, Mair, Hamilton, he has focused his practice primarily on corporate finance, securities law and taxation.

He has served as a Director for Cable & Wireless Jamaica Limited and the National Investment Bank of Jamaica Limited and is currently a Director of Tricon Minerals LLC (Florida).

Federico Jenkins

Mr. Federico Jenkins, a Costa Rican national, is lawyer and notary public with a LL.M. from University of Miami. He also has a B.S. in Business Administration and a Master in Computer Science from Costa Rica University.

He joined British American Tobacco Caribbean and Central America in 2000 as Legal Manager for Central America, and in 2004 was appointed Legal and Corporate Affairs Director for the Caribbean and Central America.

He developed vast experience working as a Corporate Lawyer in Costa Rica and the U.S.A. He worked for Mitrani, Rynor, Adamsky, Macaulay & Zorrilla, P.A as Attorney, in CR Financial Inc. as Financial and Operations Principal, Jenkins y Jenkins Abogados S.A. as Partner.

Mr. Jenkins has been a member of the Costa Rican Bar since 1985, member of the Economic and Social Sciences Professional Association since 1986, member of the American Bar Association (ABA) since 2000, member of the Florida Bar as a foreign legal consultant since 1996 and member of the New York Bar since 2000.

Marcus Steele

Mr. Marcus Steele was appointed to the Board of Directors on October 1, 2007. He is currently the Finance Director of Carreras. Mr. Steele, a graduate of St. Jago High School, is a qualified Chartered Accountant and has a Bachelor of Science degree in Accounting from the University of the West Indies and a Master of Business Administration from Florida International University.

Mr. Steele first joined Carreras Group Limited in the company's Tobacco

division, Cigarette Company of Jamaica Limited, in the capacity of the Company's Management Accountant in April 1998. In June 1999, he was promoted to Finance Planning Manager and later appointed Marketing Finance Manager in June 2001.

In May 2002, Mr. Steele was appointed Finance Planning Manager for Cigarette Company of Jamaica Limited with overall responsibility for management of Marketing and Operations Finance.

In March 2004, Mr. Steele was seconded to British American Tobacco Caribbean and Central America's Area Office in Costa Rica as the Country Readiness Manager for the Caribbean. Since July 2005, he has served as Finance Planning Manager for BAT's operations in the Caribbean and Central America.

Mr. Steele enjoys reading, dancing, cricket, football and athletics and has two children, son, Marquis and daughter, Sonique.

Bruce Terrier

Mr. Bruce Terrier was appointed to the Board of Directors on June 7, 2005. He is currently the Managing Director for Lascelles Limited, a division of Lascelles deMercado and Company Limited.

Mr. Terrier holds a Bachelor of Commerce Degree in Quantitative Methods/Finance and is a Certified General Accountant (CGA) in Canada.

He has worked with the Lascelles Group for several years serving as Managing Director for the Lascelles Limited, Chief

Executive Officer for the Investment Division, Managing Director for the J. Wray and Nephew Limited from 1994-1999 and also as Manager and General Manager for the Export Division of J. Wray and Nephew Limited (1983 to 1990).

Mr. Terrier currently serves as a member of the Board for J. Wray and Nephew Limited (for the UK and Jamaica), the Rum Company of Jamaica Limited (for Jamaica and New Zealand) He has previously served as a Director of the Jamaica Exporter's Association from 1986 to 1999 and the Coffee Industry Board 2002-2008.

DIRECTORS' REPORT

The Directors are pleased to submit their Report and Audited Financial Statements for the year ended March 31, 2010. The following are selected highlights:

Financial Results

	12 Months ended March 31, 2010	12 Months ended March 31, 2009
	$Millions	*$Millions*
Profit before income taxation amounted to:	4,494.48	6,076.89
Income tax for the year	(1,492.61)	(1,982.98)
Total profit after tax	3,001.87	4,093.91
Less: minority interests	(.00)	(0.23)
Net profit for the year attributable to stockholders	3,001.87	4,093.68
Revenue reserves at beginning of year	1,578.95	4,378.02
Total revenue reserves	4,580.82	8,471.70
Appropriations have been made as follows:		
Capital distribution	-	(2,788.99)
Dividends	(3,398.08)	(3,883.52)
Deferred tax on reserves of subsidiaries in liquidation	(.15)	345.22
Defined benefit plan acturial gains/losses, net of tax	(380.00)	(363.46)
Change in unrecognised employee benefit asset, net of tax	(25.87)	(202.00)
Revenue reserves at end of year	776.72	1,578.95
Earnings per stock unit for year:		
Continuing operations	618.38¢	843.29¢

Dividends

The following payments were made during the year:

- First quarter ended June 30, 2009 - $3.00 per stock unit
- Second quarter ended September 30, 2009 - $1.00 per stock unit
- Third quarter ended December 31, 2009 - $1.00 per stock unit
- Fourth quarter ended March 31, 2010 - $2.00 per stock unit

An interim dividend of $1.00 per stock unit will be paid on June 24, 2010.

Auditors

KPMG have expressed their willingness to continue in office.

Directors

The Directors due to retire in accordance with the provisions of Article 84 of the Articles of Association are Hon. William McConnell, OJ and Mr. Trevor Patterson who, being eligible, offer themselves for re-election.

On February 9, 2010 Mr. Patrick Smith resigned from the Board. Mr. Federico Jenkins, who was appointed a Director of the company on that date, retires at this Annual General Meeting and, being eligible, offers himself for election.

ON BEHALF OF THE BOARD

Marcus Steele
Secretary

May 18, 2010

Ten Largest Stockholders as at March 31, 2010

	Stock units held
Rothmans Holdings (Caricom) Limited	244,650,826
Lascelles deMercado & Co. Limited	74,263,144
L.O.J. PIF Equity Fund	14,199,789
NCB Insurance Co. Ltd. A/C WT013	14,004,008
Investment Nominees Ltd. – A/C Las Henriques S/A Fund	9,910,610
Estate John Clinton Edmund Hart Dec'd	6,572,432
Clinton Hart & Co. Insurance Limited	5,899,984
National Insurance Fund	5,051,506
Medsalco Limited	5,049,640
NCB Insurance Co. Ltd. A/C WT 89	4,684,986
Total	384,286,925

Directors' Stockholding as at March 31, 2010

	Stock Units Held
Mr. Michael Bernard	Nil
Mr. Christopher Burton	Nil
Mr. Oliver Holmes	Nil
Mr. Federico Jenkins	Nil
Hon. William McConnell, OJ	Nil
Mr. Leonardo Morales	Nil
Mr. Trevor Patterson	Nil
Mr. Marcus Steele	Nil
Mr. Bruce Terrier	Nil
Mr. Patrick Smith (resigned February 9, 2010)	34,664

There has been no change in the Directors' stockholding interests occurring between the end of the company's financial year and the date of the Notice convening the Annual General Meeting.

At no time during or at the end of the financial year has any Director had any material interest in any contract or arrangement in relation to the business of the company.

CORPORATE GOVERNANCE

Board Mission

The Board of Directors of Carreras Limited is collectively responsible for the success of the company.

The board remains committed to providing entrepreneurial leadership of Carreras within a framework of prudent and effective controls which enables risk to be assessed and managed. The board is responsible for overseeing the company's strategic aims; ensuring that the necessary financial and human resources are in place for the company to meet its objectives; and reviewing management performance. The board also upholds the company's values and standards and ensures that its obligations to the company's shareholders and others are understood and met.

Responsibilities of Board Members

(Chairman, Non-Executive Directors, Company Secretary)

There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.

Chairman

The Chairman is responsible for leadership of the board, ensuring its effectiveness on all aspects of its role and setting its agenda. The chairman is also responsible for ensuring that the directors receive accurate, timely and clear information. He also ensures effective communication with shareholders.

Non-Executive Directors

As part of their role as members of a unitary board, non-executive directors constructively challenge and help develop proposals on strategy. Non-executive directors also scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They ensure the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

Directors can obtain independent professional advice in the course of their duties, if necessary, at the company's expense.

Company Secretary

The Company Secretary plays a key role in assisting all directors to obtain the information they need to carry out their roles effectively. He is responsible for ensuring that board processes and procedures are appropriately followed and that they support effective decision making and governance in accordance with the Company's Act.

Appointments to the Board

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.

Appointments to the board are made on merit and against objective criteria. Care is also taken to ensure that appointees have enough time available to devote to the job. This is particularly important in the case of chairmanship. The board also satisfies itself that plans are in place for orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the board.

Election and Re-election

All directors are submitted for re-election at regular intervals, subject to continued satisfactory performance. The board ensures planned and progressive refreshing of the board.

Board Committees

Audit Committee

The board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.

The main role and responsibilities of the audit committee include:

- to monitor the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;
- to review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems;
- to monitor and review the effectiveness of the company's internal audit function;
- to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditor to supply on-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement needed and making recommendations as to the steps to be taken.
- The audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors.

The audit committee of the board is comprised of three members who are all independent non-executive directors. At least one member of the audit committee has recent and relevant financial experience.

Meetings of the Audit Committee

The audit committee Chairman, in consultation with the Company Secretary decide the frequency and timing of its meetings.

Four (4) meetings were held during the year to coincide with key dates within the financial reporting and audit cycle. The company's external audit lead partner is invited regularly to attend the meetings.

The audit committee met with the external auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.

Relationship with the Board

The role of the audit committee is for the board to decide and to the extent that the audit committee undertakes tasks on behalf of the board, the results are reported to, and considered by, the board. In doing so it identifies any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken. The audit committee should review annually its terms of reference and its own effectiveness and recommend any necessary changes to the board.

The Committee members are:
Christopher Burton, Oliver Holmes (Chairman) and Trevor Patterson.

Nomination and Remuneration Committee

The main role and responsibilities of the nomination and remuneration committee include:

- To determine the framework and policy on terms of engagement including the specific remuneration of each executive director and each member of the Senior Management Team ["Leadership Team"] of the company, including entitlements where applicable under any share incentive schemes and the pensions schemes and any compensation payments.
- To make recommendations to the board on suitable candidates for appointment as board directors and to make recommendations to the board as to the suitability of candidates for appointment as executive directors of the company.
- Fees payable to non executive directors are determined by the main board on the recommendation of the chairman and chief executive.

The Committee is authorized by the board to obtain, at the company's expense, such outside legal or other independent professional advice as it considers necessary and, in particular, is responsible for the appointment of any remunerationconsultants,ExecutiveRecruitment & Placement Services [head-hunters] or any other professional service provider who may advise the Committee. Where such consultants are appointed, the Committee is required to make available a statement of whether they may have any other connections with the company.

Meetings of the Nomination and Remuneration Committee

The Committee was appointed by the board on September 8, 2009 and comprises three members. The quorum is three and in the absence of a member, he will select another director to be his alternate at the meeting. The Chairman and the Managing Director of Carreras Limited are required to attend meetings of the Committee on the occasion of a discussion of remuneration and to discuss the performance of the Executive Directors and other members of the Senior Management Team [except when their own remuneration is under review], and to make proposals as appropriate.

Relationship with the Board

The Committee shall make recommendations to the board in specific regard to the re-appointment of any Non-executive Director at the conclusion of their specified term of office after reviewing the Director's performance; the re-election by shareholders of any director under the retirement or by rotation provisions in the Company's Articles of Association; and the continuation in office of any Director at any time.

The Committee members are:
Trevor Patterson (Chairman), William McConnell and Patrick Smith*

Board Meeting Attendance of Directors

Directors	Board Meetings (6 meetings held)	Apologies
Christopher Burton	6	
Michael Bernard	6	
Oliver Holmes	6	
Patrick Smith	6	
William McConnell	6	
Trevor Patterson	4	2
Marcus Steele	6	
Bruce Terrier	5	1
Leonardo Morales	6	

Audit Committee Attendance

Directors	Audit Committee Meetings (4 meetings held)	Apologies
Christopher Burton	4	
Oliver Holmes	4	
Trevor Patterson	2	2

Nomination and Remuneration Committee Attendance

Directors	Nomination and Remuneration Committee meetings (1 meeting held)	Apologies
Trevor Patterson	1	
William McConnell	1	
Patrick Smith*	1	

* Mr. Patrick Smith resigned from the Board of Directors effective February 9, 2010.

CARRERAS LIMITED & ITS SUBSIDIARIES

Ten Year Financial Review

FINANCIAL YEAR	2009/10	Restated 2008/09	2007/08
PROFIT & LOSS SUMMARY			
GROSS OPERATING REVENUE	10,410,178	10,923,530	9,037,241
TRADING PROFIT	3,514,143	4,782,969	5,136,894
INVESTMENT & INTEREST INCOME	269,142	599,027	690,841
OPERATING PROFIT	3,783,285	5,381,996	5,827,735
EMPLOYEE BENEFIT INCOME	711,200	694,900	-
RESTRUCTURING COSTS	-	-	-
PROFIT BEFORE TAXATION	4,494,485	6,076,896	5,827,735
PROFIT AFTER TAXATION	3,001,875	4,093,911	4,000,020
PROFIT ATTRIBUTABLE TO STOCKHOLDERS	3,001,869	4,093,682	3,999,018
BALANCE SHEET SUMMARY			
FIXED ASSETS	114,724	101,915	79,945
SHARE CAPITAL	121,360	121,360	121,360
RESERVES	2,669,801	3,472,034	7,768,667
STOCKHOLDERS' EQUITY	2,791,161	3,593,394	7,890,027
FINANCIAL RATIOS			
TRADING PROFIT MARGIN	33.8%	43.8%	56.8%
OPERATING PROFIT/OPERATING REVENUE	36.3%	49.3%	64.5%
STOCKHOLDERS' RETURN ON EQUITY	107.5%	113.9%	50.7%
EARNINGS PER STOCK UNIT (from continued operations)	618.3¢	843.2¢	823.8¢
EARNINGS PER STOCK UNIT (from discontinued operations)	-	-	-
P/E RATIO	7.8	4.4	8.9
DISTRIBUTION - PER STOCK UNIT	700¢	1.630¢	540¢
OTHER DATA			
SHARE CAPITAL - STOCK UNITS IN ISSUE ('000)	485,440	485,440	485,440
CLOSING STOCK PRICE ($) - MARCH 31	48.50	37.76	73.51
DIVIDEND PAID	3,398,080	7,912,672	2,621,376
DEPRECIATION CHARGED	40,833	25,081	22,555
EXCHANGE GAIN / (LOSS)	4,945	209,967	167,855
WEIGHTED AVERAGE EXCHANGE RATES: US$ 1 to J$	89.5082	88.8158	71.0888

(all figures expressed in thousands of dollars except where otherwise noted)

2006/07	2005/06	2004/05	2003/04	Restated 2002/03	2001/02	2000/01
7,005,159	6,955,087	6,604,902	5,942,333	4,972,405	4,462,880	4,550,399
3,379,964	3,591,008	2,331,197	2,160,812	2,873,971	1,814,362	2,129,800
657,919	825,485	1,203,564	1,977,412	1,349,153	1,348,067	1,683,984
4,037,883	4,416,493	3,534,761	4,138,224	4,223,124	3,162,429	3,813,784
-	-	-	-	-	-	
-	(269,659)	-	(85,245)	(26,472)	(55,978)	(38,383)
4,037,883	4,146,834	3,534,761	4,052,979	4,196,652	3,106,451	3,775,401
2,766,915	3,033,553	2,459,194	2,849,685	3,354,576	2,358,214	2,863,477
2,765,947	3,032,067	2,457,999	2,846,499	3,350,939	2,355,244	2,860,192
83,560	105,636	503,503	544,970	545,963	2,182,959	2,046,554
121,360	121,360	121,360	121,360	121,360	121,360	121,360
6,642,746	6,315,453	7,666,781	13,966,688	13,493,831	12,450,014	11,378,305
6,764,106	6,436,813	7,788,141	14,088,048	13,615,191	12,571,374	11,499,665
48.2%	51.9%	35.3%	36.4%	57.8%	40.6%	46.8%
57.6%	63.5%	53.5%	69.6%	84.9%	70.9%	83.8%
40.9%	47.1%	31.6%	20.3%	24.6%	18.7%	24.9%
570.1¢	498.9¢	604.0¢	586.4¢	690.3¢	485.2¢	589.2¢
(0.3)¢	125.7¢	(97.7)¢	-	-	-	-
8.7	5.5	6.3	8.2	4.9	5.9	5.7
490¢	860¢	1.680¢	400¢	500¢	300¢	285¢
485,440	485,440	485,440	485,440	485,440	485,440	485,440
49.61	34.40	32.00	48.50	34.00	29.00	34.00
2,378,656	4,174,784	8,155,392	1,941,760	2,427,200	1,456,320	1,383,504
24,913	34,529	43,703	50,363	39,816	18,809	15,435
124,087	345,731	87,216	560,959	1,052,054	259,196	355,564
67.8003	65.4951	61.5438	61.0057	56.2372	47.6101	45.6847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PATRICK STERLING,
BA (Hons.), MSc (Hons.)
Human Resource Manager

Patrick joined Carreras in January 2010. For over fourteen (14) years he has managed the human resources function in numerous organizations in areas of recruitment, employee engagement and staff development in various industries. These include fast food, insurance, manufacturing and distribution and the telecommunications sectors.

Prior to joining Carreras, he served as HR Business Partner at LIME (formerly Cable and Wireless Jamaica) for four (4) years, with responsibility for network operations, information technology, service delivery and the call centres.

Within academia, Patrick served as part of adjunct faculty for the Jamaica Institute of Management, as well as the University College of the Caribbean, where he lectured Principles of Management and Human Resources Management for the Associate and Bachelor's degree programmes.

He is also a member of the Jamaica Employers' Federation where he has been serving as Convention Director. He is the holder of a B.A. General degree from the University of the West Indies, Mona, and a MSc. in Human Resource Management from the Nova Southeastern University, Florida. He is currently reading for a PHD in Philosophy at the University of the West Indies, Mona.

Patrick enjoys travelling, swimming and working out at the gym.

RHON BENNETT,
BBA, MBA
Marketing Deployment Manager

Rhon joined Carreras Limited in 2000 in the capacity of Trade Marketing Representative, a post he held until April 2004, when he was promoted to Area Manager with responsibility for trade marketing and distribution for the eastern region of the island.

In November 2006, he was promoted to Trade Marketing and Distribution Manager with overall responsibility for the company's trade marketing and distribution island-wide. In September 2009, Rhon was appointed as the Marketing Deployment Manager having overall responsibility for the management of the company's brand portfolio.

He is a graduate of St. Georges College and holds a Bachelor of Business Administration in Marketing from the University of Technology, Jamaica and a Master of Business Administration from Florida International University.

His interests include badminton and reading.

RAOUL GLYNN, BSc
Trade Marketing and Distribution Manager

Raoul, a Trinidadian national, was seconded from Carisma Marketing Services in Trinidad, subsidiary of British American Tobacco Caribbean and Central America (BATCCA), to Carreras Limited in September 2009 as the Trade Marketing and Distribution Manager. Raoul first joined BATCCA in 2002 as a Trade Marketing Executive for another BATCCA subsidiary, West Indian Tobacco Company in Trinidad. In 2006, he was promoted to the post of Trade Marketing and Distribution Manager at another BATCCA subsidiary, Demerara Tobacco Company in Guyana.

Raoul was subsequently transferred to Carisma Marketing Services in the same capacity of Trade Marketing and Distribution Manager with overall responsibility for 14 markets in the English speaking Caribbean.

Raoul holds Bachelor Degrees in Economics and History from the University of the West Indies, St Augustine.

He is an avid sports fan.

MICHAEL BERNARD,
BA (Hons), BSc (Hons), MBA
Managing Director

Michael serves as Chairman of the Carreras Leadership Team.

He first joined Carreras Group Limited in 1988 and in 1991 he was appointed General Manager of the Jamaica Biscuit Company. In 1995 he assumed concurrently, the positions of Managing Director of two subsidiaries; the Cigarette Company of Jamaica Limited and Agricultural Products of Jamaica Limited.

In 1997, he was appointed to the Carreras Board of Directors until 2000 when he was seconded to the USA subsidiary of British American Tobacco, Brown and Williamson Tobacco Corporation. He regained leadership of the Cigarette Company of Jamaica Limited at the end of 2001 and was re-appointed to the Board of Carreras Group Limited in 2004. In 2005, he was appointed Managing Director of Carreras Limited and continues to hold that position.

Michael currently serves on the Board of Directors of Salada Foods Ltd., Peak Bottling Company Limited and Jamaica College. He is a graduate of Jamaica College and holds a Bachelor of Arts and Bachelor of Science summa cum laude degrees in Business Administration and Forest Management respectively, from Washington State University, and a Master of Business Administration from the Harvard Graduate School of Business Administration.

Michael is a significant owner and breeder of thoroughbred horses and an avid follower of Cricket.

CHRISTOPHER BROWN,
BSc, (Hons) Dip Int'l Relations, Mphil (Dist.)
Corporate and Regulatory Affairs Manager

Christopher Brown joined Carreras Limited in 2009 as the Corporate and Regulatory Affairs Manager. He has more than 9 years experience at the Senior Management level within the Government of Jamaica. Prior to joining Carreras, he worked as an Advisor to the Minister of National Security, wherein among other things, he had direct responsibility to coordinate the work of the Ministry of National Security in relation to its International Obligations with such bodies as the United Nations and CARICOM and other international organizations and missions.

Christopher has also held the position of Policy Director for Electoral and Parliamentary Affairs in the government of Jamaica between 1998 and 2001. After receiving a Government of Jamaica Scholarship to pursue the Postgraduate Diploma in International Relations in 1995, he graduated with Distinction and emerged as the Top Student overall. He has done research for the CARICOM Secretariat and has been a Tutor in the Department of Government at the University of the West Indies since 1998.

Christopher also has significant Project Management experience having been a part of the project management team during the construction of the Ritz Carlton and Half Moon hotels.

He is a graduate of Calabar High School and holds a Master of Philosophy Degree and a Post Graduate Diploma in International Relations from the Institute of International Relations in Trinidad and Tobago, as well as a Bachelor of Science Degree in Management and Economics from the University of the West Indies, Mona.

He enjoys watching and playing cricket, lawn tennis and swimming.

MARCUS STEELE,
BSc, ACCA, CA, MBA
Finance Director

Marcus first joined Carreras Group Limited in the company's Tobacco division, Cigarette Company of Jamaica Limited, in the capacity of the Company's Management Accountant in April 1998. In June 1999, he was promoted to Finance Planning Manager and later appointed Marketing Finance Manager in June 2001.

In May 2002, Marcus was appointed Finance Planning Manager for Cigarette Company of Jamaica Limited with overall responsibility for management of Marketing and Operations Finance. In March 2004, he was seconded to British American Tobacco Caribbean and Central America's Area Office in Costa Rica as the Country Readiness Manager for the Caribbean. In July 2005, he was appointed Finance Planning Manager for BAT's operations in the Caribbean and Central America. In September 2007, Marcus returned to Jamaica as Finance Director for Carreras and was appointed to the Board October 1, 2007.

Marcus, a graduate of St. Jago High School, is a qualified Chartered Accountant and has a Bachelor of Science Degree in Accounting from the University of the West Indies and a Master of Business Administration from Florida International University.

He enjoys reading, dancing, cricket, football and athletics.

Management's Discussion & Analysis

Michael Bernard

Managing Director

During 2009-2010, we successfully managed the challenges posed by the prevailing economic environment, increased cigarette taxation and illicit trade in cigarettes and managed to achieve satisfactory results due to the hard work of the Carreras Team and the guidance of our Board of Directors.

Our guiding principles remained unchanged as we executed our strategies efficiently and responsibly, continuing to exceed our customers' expectations, while building long-term shareholder value and demonstrating our commitment to nation-building. Since 1962, we have had a long tradition of contributing to the communities in which we live and work and this year, building on that tradition, we expanded our involvement at the local community level through our Depots.

We continue to make developing and empowering our employees a priority, providing new channels to enhance communication and information flow.

As we look forward to a year of improved financial performance, we again pledge responsibility to our shareholders, employees and wider community.

PRINCIPAL ACTIVITIES

Carreras Limited is the leading marketer and distributor of cigarettes and tobacco products in Jamaica and a significant contributor to government tax revenues. The company has been operating in Jamaica for over 50 years and relies on two main brands, Craven "A" and Matterhorn, to deliver value to its shareholders. It employs a direct sales force to distribute its brands to the local wholesale and retail trade.

The company is a subsidiary of British American Tobacco, a UK based publicly listed company, with 50.4% shareholding in Carreras and operates in over 180 markets across the world.

VISION AND STRATEGY

Carreras' vision is to achieve and maintain quantitative and qualitative leadership in all segments of the Jamaican tobacco industry.

Through our support for local brands, Craven "A" and Matterhorn, as well as the development of our premium offer Dunhill and the distribution of Rothmans, the company expects to achieve its quantitative metrics.

The long term sustainability of the business continues to be threatened by frequent and excessive levels of taxation which impacts its financial performance and the ability of its consumers to afford its brands. There are three key areas of our strategy that seeks to address this:

- Continuous evaluation of our portfolio to consider the feasibility of lower priced offers.
- Continued engagement with tax authorities in an effort to manage the levels and frequency oftobacco tax increases.
- Aggressive management of illicit trade in cigarettes and other tobacco products that deprive the government of tax revenues and via evasion of taxes are able to provide market and distribute relatively cheap cigarettes.

Other key elements of our strategy include building our trade marketing and distribution (TMD) capabilities and increasing TMD resources to support the changing dynamics of our business.

Throughout our daily activities, we are guided by the following business principles:

The Principle of Mutual Benefit

The principle of Mutual Benefit is the basis on which we build our relationships with our stakeholders. We are primarily in business to build long term shareholder value and we believe the best way to do this is to seek to understand and take account of the needs of all our stakeholders.

Core Beliefs:

- We believe in creating long term shareholder value
- We believe in engaging constructively with our stakeholders
- We believe in creating inspiring working environments for our people
- We believe in adding value to the communities in which we operate
- We believe that suppliers and other business partners should have the opportunity to benefit from their relationship with us

The Principle of Responsible Product Stewardship

The principle of Responsible Product Stewardship is the basis on which we meet consumer demand for a legal product that is generally accepted as a cause of serious diseases.

Core Beliefs:

- We believe in the provision of accurate, clear health messages about the risks of tobacco consumption
- We believe the health impact of tobacco consumption should be reduced whilst respecting the right of informed adults to choose the products they prefer
- We believe that relevant and meaningful information about our products should continue to be available
- We believe that underage people should not consume tobacco products
- We believe that our brands and products should be marketed responsibly and directed at adult consumers

Financial Results

The Principle of Responsible Product Stewardship cont'd.

- We believe in the appropriate taxation of tobacco products and the elimination of illicit trade
- We believe in regulation that balances the interests of all sections of society, including tobacco consumers and the tobacco industry
- We believe that public smoking should be approached in a way that balances the interests of smokers and non-smokers

The Principle of Good Corporate Conduct

The principle of Good Corporate Conduct is the basis on which all our businesses should be managed. Business success brings with it an obligation for high standards of behaviour and integrity in everything we do and wherever we operate. These standards should not be compromised for the sake of results.

Core Beliefs:

- We believe our businesses should uphold high standards of behaviour and integrity
- We believe that high standards of corporate social responsibility should be promoted within the tobacco industry
- We believe that universally recognised fundamental human rights should be respected
- We believe the tobacco industry should have a voice in the formation of government policies affecting it
- We believe in achieving world class standards of environmental performance

Our business operates in a controversial industry which is targeted for more regulations aimed at restricting tobacco consumption. The company continues to practice responsible marketing of its brands and supports no smoking for minors as well as the rights of adult consumers to choose if they wish to smoke and which brands to smoke.

We are well on our way towards achieving our vision; however, the long term sustainability of our business will continue to be challenged by government's stance towards tobacco taxation.

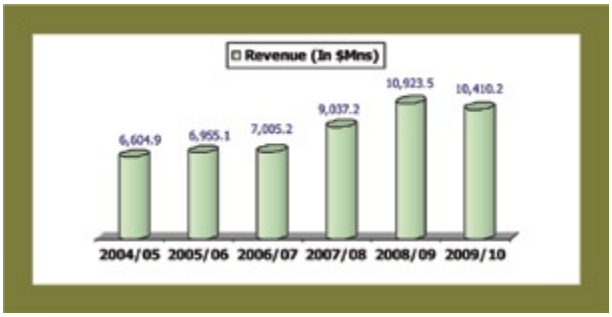
Performance Summary:

In light of two excise led price increases implemented during the financial year that negatively impacted the company's volume performance, Carreras delivered profit after tax of $3,001.9 million down 26.7% when compared to the same period last year. Earnings per share of $6.18 were also 26.7% below the $8.43 earned in the previous financial year. Trading profit margins declined by 10% from 43.8% to 33.8% mainly attributed to lower gross operating profit. This was primarily caused by the excise tax increases, the foreign exchange devaluation impact on product costs and an increase in total overall expenses.

Despite the decline in profit, stockholders return continues to be in excess of total shareholders equity returning 107.5% of stockholders' equity which is slightly down from the 113.9% posted last year.

Total dividends paid during the year amounted to $3,398.1 million ($7.00 per share) compared to the previous dividend payout of $7,912.7 million ($16.3 per share) which was distributed during the previous financial year. Of this amount $4,029.2 million ($8.30 per share) was attributed to capital distribution from CCJ, a subsidiary in voluntary liquidation.

Revenue

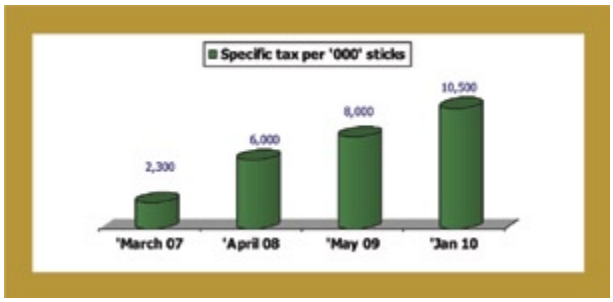


For the financial year 2009-2010, the company recorded gross operating revenue of $10, 410.2 million representing a decrease of 4.9 % when compared to same the period last year.

The company's revenue stream was challenged to deliver growth during the financial year as a result of the two excise lead price increases in May 2009 and January 2010 which negatively impacted the company's volume by 27.5%. This drop in volume was proportionately greater than the positive gain that was realised from the price increase.

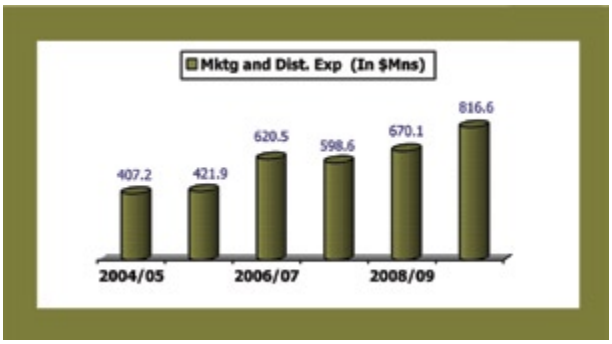
Cost of Sales

Cost of Sales which include product costs and excise taxes have increased for the financial year 2009-2010 by $215.20 million or 4.2% when compared to the same period last year. This was primarily driven by increases in the excise tax level within the financial year; which went up by approximately 75%, in addition to, the negative impact on the products costs caused by the high rate of devaluation experienced during the financial year.



The specific tax per '000' cigarettes increased dramatically by over 450% within the last three financial years; resulting in significant increases in the tax incidence on cigarettes and consequently the company's cost of sales. The cumulative volume decline of 27.5% caused by the two price increases, coupled with a contracting economy, constrained the growth of the overall excise tax intake. The volume decline had an offsetting effect in relation to the overall potential increase in the cigarette taxes.

Marketing and Distribution Expenses

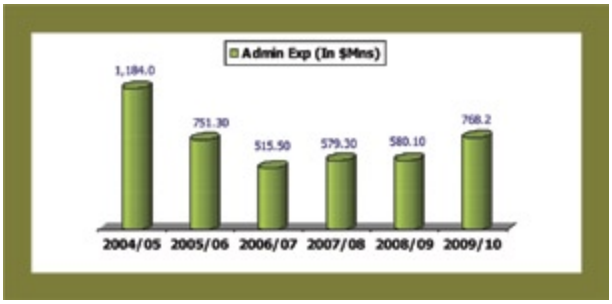


For the financial year 2009-2010, the company recorded growth in its marketing and distribution expenses of $146.5 million up from $670.10 million, posted in the previous financial year 2008-2009, to $816 million representing a 21.8% increase. During the financial year the company expanded its Trade Marketing force in order to continuously strengthen our trade marketing and brand portfolio capabilities to compete in a dynamic and ever-changing consumer and trade environment.

Some of the major issues that the company had to respond to during the year were the volume decline, excise and prices increases, a lower consumer disposable income, illicit trading of cigarettes, a contracting economy, a challenging business environment and the constrained cash flow situation of our trading partners.

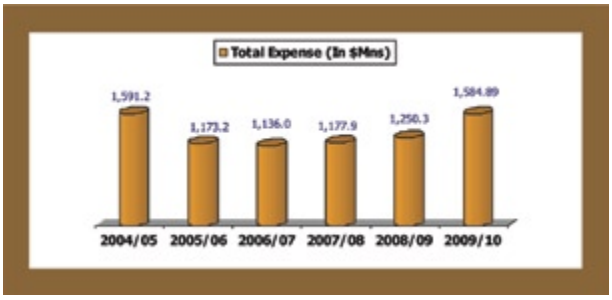
As a result the company had a higher investment spend supporting marketing research initiatives, consumer and trade promotional activities and personnel related costs. This was part of the company's response with the aim to understand the changing market dynamics, fortifying the trading relationship with our business partners and rewarding our loyal consumers.

Administrative Expenses

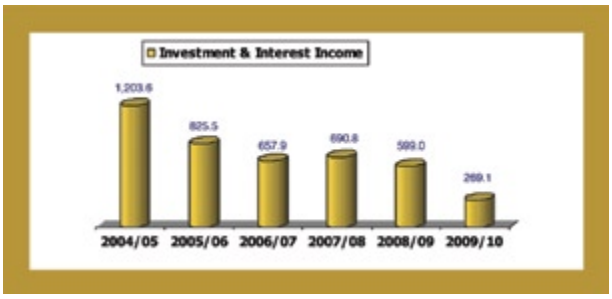


Administrative expenses grew from $580.1 million to $768.2 million during the financial year which represents an increase of 32.4% comparatively over the previous year. The company is committed to leveraging a minimum costs base structure whilst simultaneously attaining the company's objectives effectively. However, during the financial year the administrative expenses were impacted by the continued significant investment employed during the year behind the fight against the illicit trading of cigarettes; increase in people related costs; higher depreciation charges from the implementation of SAP; higher legal fees as we continue to pursue the San Souci vs. VRL arbitration case and higher non branded research costs which was mainly behind understanding more about the illicit trade.

Total Expenses



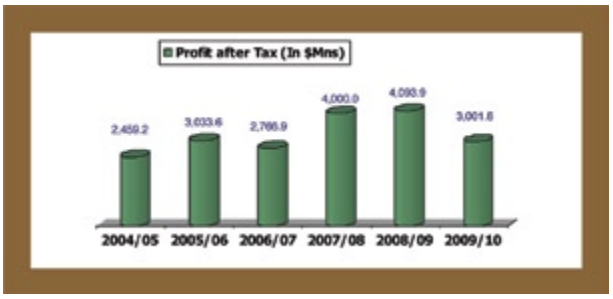
As a result of all the initiatives employed during the financial year in strengthening our trade marketing capabilities, inclusive of investing in our trade marketing force, investing in reinforcing our brand relevance with our loyal consumers, and the significant investment behind the fight against tackling the illicit trading of cigarettes the company's total expense base increased by 26.7%.

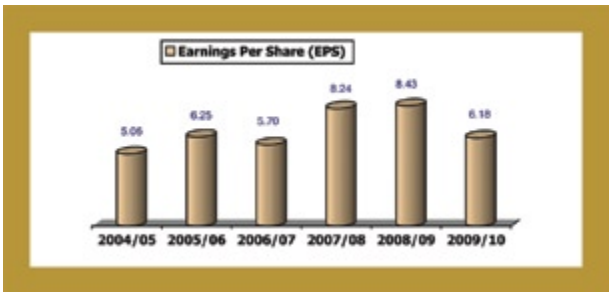


The company's earnings from investment income continue to show year and year decline. This result is in line with the company's expectations given that excess cash generated by the company is being returned to the shareholders in the form of our quarterly dividend payment.

Consequently, this has resulted in the company carrying lower cash balances and a reduction in our investment pool. This measure coupled with the lowering of interest rates has caused us to realize a decline in investment income.

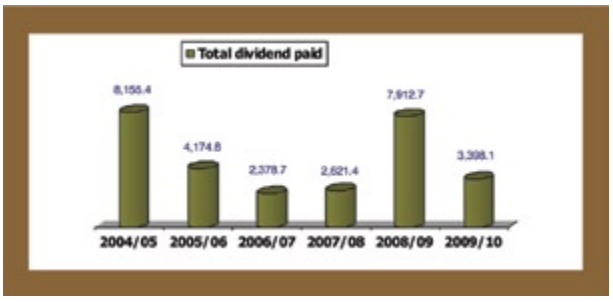
However, the company will continue as a matter of policy to remain committed to maximising the rate of return on its managed funds to the continued benefit of the shareholders.





The company's profit after tax (PAT) and earnings per share (EPS) experienced a decline of 26.7% when compared to the previous year. This result is a reflection of the challenging environment that the company operated in during the financial year.

Our shareholders received dividends during the financial year 2009-2010 in line with our policy to distribute excess cash in the form of quarterly dividends to our shareholders, while ensuring that adequate levels of capital are kept for the purpose of sustaining the business going forward.



Our total shareholder return (including both dividends and change in price of the company's common shares) was 47.0%. This puts our company as one of the top performers among companies listed on the JSE for the period. Our shareholders continue to receive quarterly dividends, which totaled $7.00 per share for the year. During the previous financial year dividend per share paid totaled $16.30 of which $8.30 per share was in the form of capital distribution from CCJ a subsidiary in voluntary liquidation.

The company remains focused on continuing to achieve sustainable, long term earnings growth and stable dividend income streams to our shareholders.

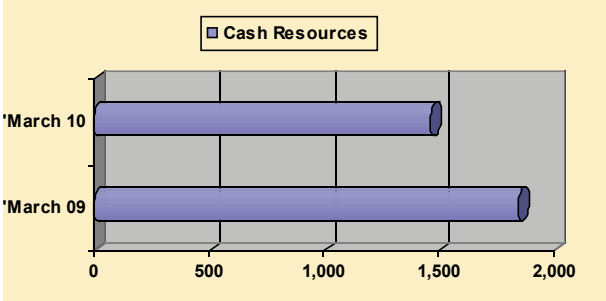
Quarterly Results:

	2008 - 2009					2009 - 2010				
($ million)	Q1	Q2	Q3	Q4	FY 08 - 09	Q1	Q2	Q3	Q4	FY 09 - 10
Gross operating revenue	2,054.0	2,615.3	2,778.3	3,476.0	10,923.5	1,880.7	2,554.5	3,733.4	2,241.5	10,410.1
Cost of operating revenue	-902.3	-1,244.4	-1,325.9	-1,639.7	-5,112.3	-875.5	-1,394.5	-1,973.2	-1,084.4	-5,327.6
Gross operating profit	1,151.7	1,370.9	1,452.3	1,836.3	5,811.2	1,005.2	1,160.0	1,760.2	1,157.1	5,082.5
Gross operating margins	**56.1%**	**52.4%**	**52.3%**	**52.8%**	**53.2%**	**53.4%**	**45.4%**	**47.1%**	**51.6%**	**48.8%**
Employee benefit income				694.9	694.9				711.2	711.2
Interest and other investment income	181.3	108.1	135.1	174.5	599.0	115.7	53.6	55.4	44.4	269.1
Other operating income:	96.9	11.9	84.9	28.3	222.0	10.4	1.0	2.0	3.1	16.5
Total Expenses	-302.3	-320.1	-502.9	-125.1	-1,250.3	-352.1	-360.0	-557.2	-315.6	-1,584.9
Profit before income tax	1,127.6	1,170.8	1,169.5	2,609.0	6,076.9	779.3	854.6	1,260.4	1,600.2	4,494.5
Income tax	-367.9	-391.8	-365.8	-857.4	-1,983.0	-262.2	-283.9	-411.1	-535.5	-1,492.6
Profit for the period	**759.7**	**778.9**	**803.7**	**1,751.6**	**4,093.9**	**517.1**	**570.7**	**849.3**	**1,064.8**	**3,001.9**
Employee benefit income				694.9	694.9				711.2	711.2
Profit for the period (exc Emp. Benefit inc.)	759.7	778.9	803.7	1,056.7	3,399.0	517.1	570.7	849.3	353.6	2,290.7
Net Current Assets	1,956.5	2,252.5	2,646.5	1,885.6	1,885.6	940.3	1,020.2	1,393.7	983.2	983.2
Non Current Assets	2,038.7	2,038.0	1,926.2	1,943.5	1,943.5	1,947.7	1,950.4	1,956.2	2,107.1	2,107.1
Non Current Liabilities	250.5	252.5	217.6	230.9	230.9	228.3	225.8	244.8	294.3	294.3
Total Equity	3,740.1	4,033.4	4,350.5	3,593.4	3,593.4	2,654.9	2,740.0	3,100.2	2,791.2	2,791.2
EPS	**1.56**	**1.60**	**1.66**	**3.61**	**8.43**	**1.07**	**1.18**	**1.75**	**2.19**	**6.18**
ROE	**20.3%**	**19.3%**	**18.5%**	**48.7%**	**113.9%**	**19.5%**	**20.8%**	**27.4%**	**38.1%**	**107.5%**
ROA exc (Employee benefit inc.)	**19.0%**	**18.8%**	**18.1%**	**25.2%**	**88.8%**	**17.9%**	**19.5%**	**26.9%**	**11.0%**	**74.1%**

Summary of Quarterly Results

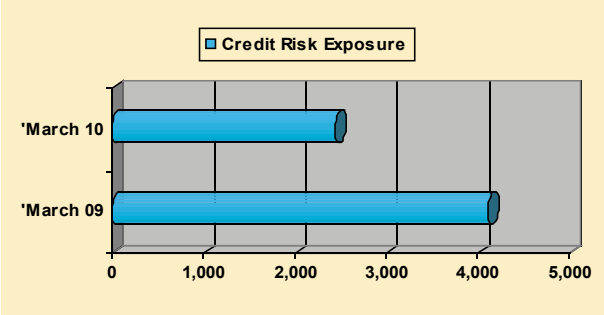
The company delivered consistent growth in earnings for each of the quarterly reporting periods during the financial year. Profit after tax grew for all the four quarters of the year primarily buoyed by increased prices. However, in the fourth quarter, profit before tax adjusting for the pension benefit income declined significantly due in part to a second excise lead price increases which significantly impacted volumes for that quarter.

Cash Resources:



Our cash resources shows a 20.7% decline when compared to the same period last year. The primary contributing factors to this decline are lower cash holdings due to lower revenue and the timing of investments placements in order to meet working capital requirements especially as it relates to excise payments. The company's cash resources are held in liquid form at adequate levels and on terms that enable us to respond effectively to changes in our cash flow requirements, without material adverse consequences.

Credit Risk Exposure

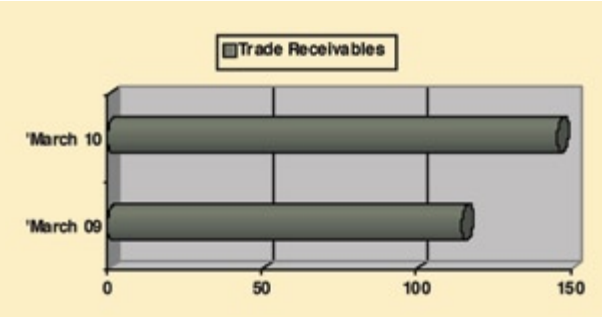


The company's total value of its credit risk exposure continues to show meaningful decline each year as excess cash is paid out in the form of dividend to the shareholders which is in line with expectation. The company invests only in short term repurchase agreements which as at March 2010 were at lower levels than previous years, declining sharply by 64%.

Also, as a result of our investment profile the company had no short term negative exposure impact as a result of the implementation of the Government's JDX programme.

This trend is expected to continue in the foreseeable future and will thus constrain the levels of investment income that can be earned in the future.

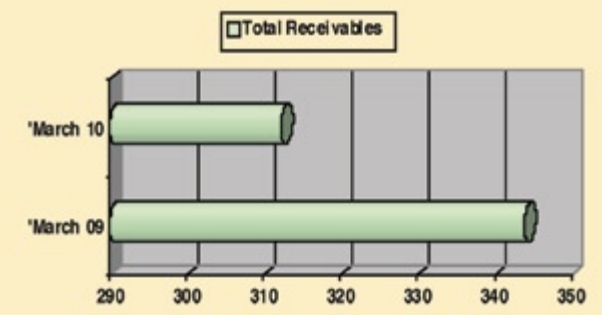
Trade Receivables:



The company's management continues to hold a tight reign on the granting of credit within the current operating environment. Credit days remain below 7 and the increase in value is primarily accounted for by the two price increases implemented during the year.

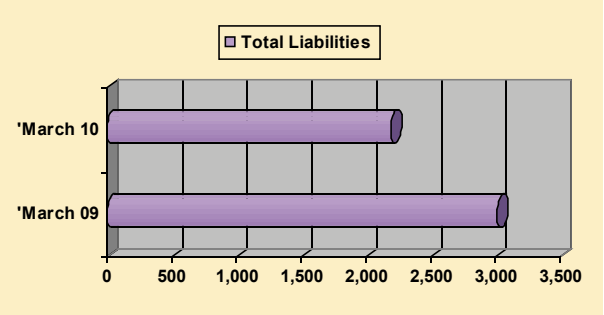
Overdue credit decreased to 10.7%, down from 12.6%, when compared to the same period last year, however, most of these over due credits fall within the 0-30 day's band. The company has a credit committee that has oversight role on the granting and monitoring of the credit exposure established by the Board and adequate provision is made for any receivable that appears doubtful.

Total Receivables:



The company's total receivables declined by 9.0% when compared to the same period last year. The primary factors contributing to this reduction are the reduction in interest receivable, positive movement on provision for bad debt and insurance claim received during the year.

Total Liabilities:



Total liabilities were $2,191.99 million as at March 31, 2010, which represents a decrease of $823.31 million or 27.3% when compared to last year. This reduction is primarily reflecting the lower income tax liability as a result of lower profit before tax (PBT) and a reduced accounts payable balance due to timing of excise payments.

Income Tax Recoverable

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.

Impact of change in accounting policy governing pension accounting under IAS 19:

As at April 1, 2009 Carreras Ltd recognises all actuarial gains and losses in equity through other comprehensive income. In previous years 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 new accounting policy would be recognised in reserves. The change has been applied retrospectively and comparatives have been restated in the accounts.

Impact of changes on the Financial Statements:

	2010	2009
Employee benefit Income	608,800	848,200
Income Tax expenses	(202,933)	(282,733)
Net Impact of change in accounting policy	405,867	565,467
Profit after tax net of impact of the change in policy	$2,596,008	$3,528,444

Marketing

Expansion of Distribution

Considerable investment of resources has been placed in understanding the needs of the market as well as expanding the distribution network in a structured and progressive approach. Interestingly, some of these innovative means of distribution developed have been adopted in other trade marketing distribution systems throughout the globe. We also continued fortifying the relationship with our key wholesaler partners as a means of ensuring that we meet the demand of all consumers by having our products consistently available in the right place and in the right quantity. Focus was also placed on understanding the needs of our consumers all over Jamaica so that all adults who have made the informed decision to consume quality tobacco products have access to a Carreras brand.

Managing a challenging business environment

The greatest challenge for our retailers and likewise consumers is affordability as the return on investment expected from our product is a critical issue facing the retail environment. It therefore requires Carreras to be agile and innovative in its approach to business, thinking outside of the box and ensuring that we perform the role of Category Managers, not only for tobacco, but offering sound business advice towards the management of the retail partners' total business.

Carreras also faces security challenges for our distribution team and retailers alike and are continuously seeking to enhance and enforce prudent measures to protect our people and our products.

Business partnership approach to distribution

We believe wholeheartedly in our business principle of Mutual Benefit in our relationship with our valued customers and consumers.

Understanding their needs and developing plans and mechanisms towards ensuring the goals and aspirations of each are adequately met and exceeded is our main concern. It is an approach which requires open and transparent communication with our business partners and listening to the needs of consumers and retailers alike. It requires tailored approaches and constant measurement of our performance against the defined objectives to ensure we deliver on our promise.

Key Performance Drivers

Strong brands, a business partnership approach to the trade, listening and adjusting to the needs of our consumers and team members who are able and motivated to deliver what is expected of the company and our investors are the key drivers of the business.

These, in addition to the wholehearted embrace of our business principles and guiding principles, allow the company to focus on consistently delivering value to our stakeholders.

The following performance measures are used to track key performance drivers:

- Consumer and Retailer Census - These tools gauge how our brands and our distribution are meeting the needs of our consumers and retailers

- Productivity and Effectiveness Measurements - These tools allow us to ensure that we are maximising our resources

- Availability reports - inform us on our coverage distribution in order to ensure that our brands are always available to our consumers

- Credit Portfolio reports - ensures that we are effectively managing our credit offer particularly in challenging economic times.

The productivity & effectiveness measurements and Consumer and Retailer Census are the key performance indicators most useful in providing early signals regarding our achievement of the drivers.

Carreras Trade Marketing Representative replacing brand communication in a cigarette dispenser .

Carreras Trade Marketing and Distribution Representative delivering cigarettes to an outlet.

Support of our Brands

The main goal of our Marketing efforts is to protect and maintain our existing franchise, while seeking to build new ones. This was achieved by effectively supporting Craven "A" and Matterhorn in an effort to maintain brand loyalty levels, while we develop Dunhill, our Global Drive Brand, as our premium offer. This continuous support for brands during the period under review, helped to enhance their sales performance. Consumers were able to interact with our brands, as we used responsibly executed marketing activities, which included, sponsorship of adult events, consumer engagements at bars and nightclubs, implementation of point of sale materials and island wide consumer promotions. Emphasis was also placed on effective planning and negotiation in order to ensure that the marketing spend was maximized.

Regulatory Environment

The company continues to manage and monitor both the local and regional regulatory environment to ensure that the interest of the company is both understood and considered by national authorities as they move to develop and enact legislation aimed at regulating the tobacco industry.

In fact, having signed and ratified the Framework Convention on Tobacco Control (FCTC), which is the international treaty aimed at controlling tobacco usage, the Jamaican government has been under increasing pressure, particularly in recent times, to enact some form of tobacco control legislation in keeping with its FCTC obligations.

As such, with the recent passage of a comprehensive Tobacco Control legislation in Trinidad and Tobago, and the most recent indication by our own Minister of Health of the Jamaican government's intention to move in a similar direction shortly, the company has embarked upon an extensive engagement process with critical stakeholders to ensure that any legislation that is passed is balanced, fair and practical.

The company has also been working internally as well, to prepare and sensitize the overall team of the impending developments in the regulatory environment, and the implications it will have for the business and its operations.

Shareholders will be mindful, that Carreras has over the years, held the highest standards reflecting a responsible approach to the marketing and distribution of cigarettes in Jamaica. In fact, the company has over the years instituted self-regulatory voluntary marketing standards which have seen us, among other things:

- Voluntarily ceasing advertisement in all media (print, electronic and audio) in December 2002
- Removal of all billboards from the Jamaican market effective December 31, 2005
- Withdrawal from the Carreras Sports Foundation in January 2005 given the controversial nature of the product and its association with sporting events
- Implemented the new Health Warning requirement six months before the date of official gazetting in 2006
- Undertaking an active Youth Smoking Prevention Campaign to ensure that our activities, and the people to whom we sell, do not engage in activities that appeal to, or target children.

The company and its management therefore, will continue to engage all its stakeholders, including the government and the country's legislators, to ensure that the local regulatory environment is characterized by regulations that are sensible, non-emotional, practical, and reasonable.

The Illicit Trade

The illicit trade in cigarettes represents one of the major business risks for the company, and the management is moving to tackle this issue, formally incorporated in its managerial ranks an officer with specific responsibility for its anti-illicit trade efforts.

The company as a part of this anti-illicit trade effort has sought through its communication strategy, to educate both the national authorities and the public at large, of the nature of the illicit trade in cigarettes, its transnational character and the profitability of such a venture.

The company would want to take this opportunity to commend the authorities for the activism it has displayed in disrupting the illicit trade, and bringing the perpetrators before the courts. Indeed, the management of the company recognizes the importance that the national authorities accord to tackling the illicit trade in cigarettes, as the company remains a critical contributor to the country's revenue, estimated to amount to some J$11 billion in the 2010/11 fiscal year – which is approximately 4% of the national budget.

The company and its management will therefore continue to support the authorities in according the eradication of the illicit trade in cigarettes as one of its strategic priorities in ensuring the long term sustainability of the business.

Human Resources

The company embraces the global focus of attracting, recruiting, developing talent, and ensuring retention, in order to meet current and future business needs.

The HR function continues to play a critical part in enabling the company to achieve its vision of achieving and maintaining leadership of the Jamaican tobacco market both in qualitative and quantitative in terms of driving the strategic people agenda to shape an organization that is required to deliver its business vision and strategy.

Recruitment: The hiring of the most talented candidates to support the company's business performance is ensured. HR supported all departments in recruiting talented resources during 2009. The most significant was for the marketing department.

May Francis Cunningham, Carreras' then Acting Human Resource manager accepting the Top Small Employer of Choice Award for 2008 from Brenda Cuthbert, Chief Executive Officer, Jamaica Employers Federation

Promoting of Employer of Choice:
Employees are engaged with the Carreras brand as an Employer of Choice in Jamaica through:

- "What's Up" and "Let's talk" quarterly employee meetings: "What's Up" meetings provide employees with updates on the company's business performance and operating challenges. During "Let's Talk", employees highlight individual and team concerns and seek clarification from the Carreras' Leadership Team on general matters of interest.
- Focus on the Business Principles: Mutual Benefit; Responsible Product Stewardship and Good Corporate Conduct.
- Focus on the Guiding Principles: Open-Mindedness; Strength from Diversity; Freedom Through Responsibility, and Enterprising Spirit.
- Work/life balance: The emphasis is on ensuring that employees refresh mind and body; a gym and sports club enhance the Company's wellness activities.
- Training and development: conducted on and off the job; financial assistance is provided to employees for technical, academic and professional courses.
- Employee recognition: Activities and acknowledgements include birthdays and fun days.

Corporate Social Responsibility

Since 1962, Carreras has continuously and increasingly strengthened its focus on corporate social responsibility, embedding it in our strategies, policies, decision making and practices. In 2009, we responded to social challenges through contributions to Education, crime prevention and drug rehabilitation while ensuring that creating a cleaner environment remained a top priority for our company.

During the year, our company performance and exemplary human resource practices were recognized with two major awards; First Runner Up, Best Performing Company from the Jamaica stock Exchange and Top Small Employer of Choice from Jamaica Employers' Federation.

EMPOWERMENT THROUGH EDUCATION AT THE TERTIARY LEVEL

Michael Bernard, Managing Director, Carreras Limited and Hon. Andrew Holness, Minister of Education converse with Chenelle Taylor, winner of the prestigious 2009 Carreras Postgraduate Scholarship.

Carreras is dedicated to empowering individuals through education, working with educators and their institutions to provide assistance where it is most needed. Showing development year over year, we managed to achieve a milestone this year in terms of the number and diversity of scholarships we offer.

Our prestigious postgraduate scholarship continues to attract an unprecedented level of applicants, this year 90. The only scholarship of its kind offered by a corporate entity in Jamaica, at a value of $1.8 million, the award was made this year to a scholar who is keen on making a contribution to the development of the justice system in Jamaica, sharing Carreras' philosophy of giving back to society.

We also awarded five scholarships to community colleges and four visual and performing arts scholarships at Edna Manley College for the academic year 2009/2010.

For the academic year 2010 we will continue to support university level students with 39 scholarships and bursaries, offering 8 scholarships to community colleges and 4 to Edna Manley College of the Visual and Performing Arts. The company will also be offering 6 scholarships to Teachers Colleges and 21 bursaries to students at major universities across Jamaica.

EMPOWERMENT THROUGH EDUCATION AT THE TERTIARY LEVEL

Carreras Scholars and their respective Members of Parliament pose at the Grand Gala Awards Ceremony held in October of 2009.

FOSTERING THE ARTS

We believe it is critical to inspire creativity and innovation and for the second consecutive year in addition to offering scholarships to pursue the arts we sponsored the Final Year Exhibition of Students at the Edna Manley School of the Visual Arts.

Ashleigh Robotham (third left), Corporate & Regulatory Affairs Executive, Carreras, explores a large suspended installation while Monique Lofters, the artist (right) explains the construction process. Looking on are members of staff at the Edna Manley College of the Visual and Performing Arts, (left to right) Carol Hamilton, VP Academics and Technical Studies; Denise Solomon, VP Administration & Development; Veerle Poupeye, Curator CAG(e) Gallery; Burchell Dunhaney, Principal; and (foreground) Petrona Morrison, Director.

WINNING ORGANIZATION

Top Small Employer of Choice

Excellence is a habit for our team members and Carreras consistently demonstrates exceptional commitment to the growth and development of all employees. For our leadership in this area, we received the Jamaica Employers' Federation Top Small Employer of Choice Award for Jamaica for 2008. This prestigious award recognizes employers who score highest on a list of factors identified by employees in a survey conducted in 2008. The factors include learning opportunities, profitability, health & safety, good corporate image and treatment by management.

First Runner Up for 2008, Best Performing Company

In December 2009, we were presented with the First Runner Up for 2008 Award, in the Best Performing Company category of the Jamaica Stock Exchange Best Practices Competition. Over the years we have maintained a track record of strong performance in this competition, having won the award in 2007 and placed 3rd runner-up in 2006. This award exemplifies the commitment of the Carreras team to enabling sustainability through increasing growth, productivity and shareholder value.

SUPPORTING DRUG REHABILITATION

Through Rise Life Management Services we continued to support drug rehabilitation programmes with donations amounting to over $1 million dollars.

Carreras' Corporate and Regulatory Affairs Executive, Ashleigh Robotham (right), hands over a cheque for $500,000 to Sonita Morin Abrahams of Rise Life Management Services.

CRIME PREVENTION PROGRAMMES

Christopher Brown, CORA Manager, Carreras presenting to the Minister of National Security, Hon. Dwight Nelson a cheque in the amount of $3 million for the renovation of the Spanish Town Police Station.

During the year, we focused on crime prevention programmes and expended over $5.6 million on the purchase of motorbikes to enhance the quick response capabilities of the Jamaica Defense Force and the renovation of the Spanish Town Police Station.

Our members of staff in our sales depots across the island including the Mandeville, Montego Bay and Ocho Rios Depots joined our crime prevention programmes through the donation of computers, hardware, plus other items, to the Mandeville and the Mount Salem Police Stations, and the Montego Bay and Ocho Rios Fire Stations respectively.

We also continued to make significant donations to other charitable and civic organizations as we seek to enhance public and community life.

As part of our continued support for Crime prevention, we donated computers, printers/scanners and laptops valued at over 1 million dollars to the Jamaica Constabulary Force.

L-R: Private Sector Organization of Jamaica, President, Joseph Matalon, then Acting Commissioner of Police, Owen Ellington and Christopher Brown test ride the motorbikes.

CREATING A CLEAN ENVIRONMENT

Carreras has long been associated with recycling, improving the environment through reducing carbon emissions to the atmosphere, cleaning beaches and implementing eco-friendly practices such as recycled paper for company stationery.

"Reduce, Reuse and Recycle"

In 2009/10, we began a well needed trend of facilitating recycling at Jamaica's high profile public events, with the sponsorship of receptacles to collect plastic bottles at Reggae SumFest and the Jamaica Jazz and Blues Festivals.

The recycling programme which focuses on the proper disposal of plastic waste is being implemented in partnership with Protect the Environment Trust. The plastic bottles collected are shredded for export.

BECOMING CARBON NEUTRAL

We took a bold step in 2009 to mitigate our Carbon emissions, embarking on the reforestation of 6.4 acres of land in the Blue and John Crow Mountains over a three year period. It is estimated that in 2008, the company emitted 1,271 tons of Carbon Dioxide.

Using the IPCC (Intergubernamental Panel for Climate Change) approach for mitigation, which establishes that one tree mitigates one ton of CO2 during its life, Carreras, in association with the Jamaica Conservation and Development Trust, will be planting over 1200 trees and conserving the forest over a three year period.

Audited Financial Statements

for year ended March 31, 2010

KPMG
Chartered Accountants
The Victoria Mutual Building
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Kingston
Jamaica, W.I.

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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 44 to 86, 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.

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

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.

Company Statement of Comprehensive Income

Year ended March 31, 2010

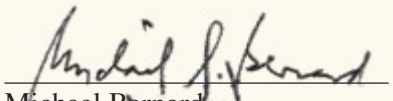
	Notes	2010 $'000	2009 restated $'000
Operating revenue	4	10,410,178	10,923,530
Cost of operating revenue		(5,327,592)	(5,112,316)
Gross operating profit		5,082,586	5,811,214
Other operating income	5	254,530	647,400
Employee benefit income	14(i)(d),14(ii)(c)	711,200	694,900
Distribution/dividends from 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 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.

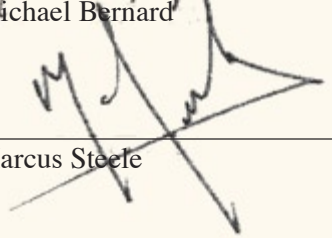
Group Balance Sheet
March 31, 2010

	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 44 to 86 were approved for issue by the Board of Directors on May 18, 2010 and signed on its behalf by:



_____ Director
Michael Bernard



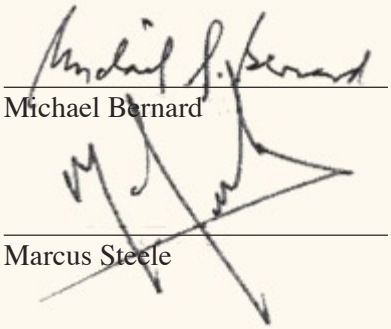
_____ Director
Marcus Steele

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

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 pages 44 to 86 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.

Statement of Changes in Equity

Year ended March 31, 2010

The Group

	Share capital (note 16) $'000		Unappropriated profits $'000
Balances at March 31, 2008	121,360		4,378,023
Profit as previously reported	-		3,528,215
Prior year adjustment (note 24)	-		565,467
Profit for the year as restated		-	4,093,682
Defined benefit plan actuarial gains/(losses), net of tax		-	(363,467)
Change in unrecognised employee benefit asset, net of tax		-	(202,000)
Deferred tax on reserves of subsidiaries in liquidation		-	345,222
Total comprehensive income for the year		-	3,873,437
Dividends paid (note 21)		-	(3,883,520)
Transfer of amount equivalent to intra-group capital distribution		-	(2,785,571)
Transfer tax paid on capital distribution		-	-
Transfer to capital reserves		-	(3,419)
Total transactions with owners		-	(6,672,510)
Balances at March 31, 2009		121,360	1,578,950
Profit for the year		-	3,001,869
Defined benefit plan actuarial gains/(losses), net of tax		-	(380,000)
Change in unrecognised employee benefit asset, net of tax		-	(25,867)
Deferred tax on reserves of subsidiaries in liquidation		-	(155)
Total comprehensive income for the year		-	2,595,847
Dividends paid (note 21), being		-	(3,398,080)
total transactions with owners		-	-
Balances at March 31, 2010		121,360	776,717

Capital reserves $'000	Other reserve $'000	Total attributable to equity holders $'000	Minority interest $'000	Total $'000
49,358	3,341,286	7,890,027	14,601	7,904,628
-	-	3,528,215	229	3,528,444
-	-	565,467	-	565,467
-	-	4,093,682	229	4,093,911
-	-	(363,467)	-	(363,467)
-	-	(202,000)	-	(202,000)
-	-	345,222	-	345,222
-	-	3,873,437	229	3,873,666
(4,029,152)	-	(7,912,672)	(10,030)	(7,922,702)
4,256,095	(1,470,524)	-	-	-
(257,398)	-	(257,398)	-	(257,398)
3,419	-	-	-	-
(27,036)	(1,470,524)	(8,170,070)	(10,030)	(8,180,100)
22,322	1,870,762	3,593,394	4,800	3,598,194
-	-	3,001,869	6	3,001,875
-	-	(380,000)	-	(380,000)
-	-	(25,867)	-	(25,867)
-	-	(155)	-	(155)
-	-	2,595,847	6	2,595,853
-	-	(3,398,080)	-	(3,398,080)
-	-	-	-	-
22,322	1,870,762	2,791,161	4,806	2,795,967

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 intra-group Capital distribution	-	(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.

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.

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	2009	2010	2009
	$'000	$'000	$'000	$'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	2009	2010	2009
	$'000	$'000	$'000	$'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)

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)

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

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.

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		The Company	
	Carrying amount		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	-	-

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, 2009: 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 Limited and its subsidiary,	Dormant	100.00	100.00	-	-
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.

CARRERAS LIMITED

Form of Proxy

I/We.....

of.....

being a Member/Members of Carreras Limited hereby appoint

.....

of .....

or failing him/her.....

of.....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on September 7, 2010 at 2 p.m. and at any adjournment thereof.

SIGNED this.....day of.....2010.

SIGNATURE OF SHAREHOLDER .....

RESOLUTIONS	FOR	AGAINST
1		
2		
3 a(i)		
3 a(ii)		
3 b		
4		

NOTES:

1. To be valid this proxy must be deposited with the Registrar and Transfer Office, N.C.B. Jamaica (Nominees) Limited, 32 Trafalgar Road, Kingston 10, not less than 48 hours before the time appointed for holding the meeting.

2. If the appointer is a Corporation, this form should be executed under Seal in accordance with the Company's Articles of Incorporation.

Place stamp here $100

CARRERAS LIMITED

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St. Catherine, Jamaica W.I.
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