



CARRERAS LIMITED

On behalf of the Board of Directors, I am pleased to report the unaudited financial results for the FIRST QUARTER ended June 30, 2011.

First Quarter ended June 30, 2011 Performance Highlights are:

	Unaudited			Unaudited		
	Discrete		%	Cumulative		%
	Apr-Jun Q1 11/12	Apr-Jun Q1 10/11		Apr-Jun Q1 11/12	Apr-Jun Q1 10/11	
	\$000	\$000	Change	\$000	\$000	Change
Gross operating revenue	2,579,001	2,973,408	-13.3%	2,579,001	2,973,408	-13.3%
Total operating income	2,582,148	2,987,263	-13.6%	2,582,148	2,987,263	-13.6%
Interest and other investment income	35,249	27,852	26.6%	35,249	27,852	26.6%
Net income	523,431	673,899	-22.3%	523,431	673,899	-22.3%
EPS	107.8	138.8	-22.3%	107.8	138.8	-22.3%

Carreras Limited achieved total operating income of \$2,582.1 million for the first quarter ended June 30, 2011, representing a decrease of 13.6% when compared to the same period last year.

The Company also delivered \$523.4 million in net income for the first quarter ended June 30, 2011, representing a decrease of 22.3% versus the same period last year.

Cigarette sales volume continues to be negatively impacted by the challenging operating environment. Although the Government did not implement another excise increase in the budget of the current fiscal year, the company remains concerned about the long term sustainability of the business given the materialisation of cumulative negative effects of the previous excise-led price increases.

It is expected that volumes will continue to be challenged going forward especially within an environment where consumers' disposable income is already being stretched to meet basic needs.

Interest and other investment income reported were \$35.2 million for the first quarter representing an increase of 26.6% when compared to the same period last year. This performance is in line with our expectation given the company's higher cash holding position.

With our volume base being significantly lower than the underlying base prior to the May 2009 and January 2010 excise-led price increases, the financial results were as a result of the lower sales volume within the quarter.

Variable costs were lower than previous year which is also attributed to the lower volume performance.

Marketing and Distribution costs were higher than the previous period primarily driven by the higher utilization of the brand expenditure budget within the quarter in support of the company's current marketing initiatives. Administrative expenses also increased due to one-off people related cost incurred during the quarter. The company also experienced increases in the cost of security, electricity and fuel. However, management has implemented initiatives in order to offset some of these costs increases in the future.

Consequently, the company experienced a 22.3% decline in net income for the first quarter ended June 30, 2011.

Despite the challenging environment and the lower net income performance for the quarter, I am pleased to report that your Board of Directors in our meeting held on July 19, 2011, approved an interim dividend of \$1.50 per stock unit for payment out of accumulated profits on August 25, 2011.

In face of the challenges, we will continue to place greater emphasis on improving our marketing and distribution capabilities, to stay closer to our consumers and to manage the main risks to the business to ensure sustainability.

I am also pleased to report that the Financial Services Commission has now given the approval for the winding up of the Carreras Group Limited Superannuation Scheme.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Richard Lewis', written over two horizontal lines.

Richard Lewis
Chairman



CARRERAS LIMITED

CARRERAS LIMITED & SUBSIDIARIES
UNAUDITED GROUP FINANCIAL STATEMENTS
For 3 months to June 30, 2011

	Group Statement of Comprehensive Income		
	UNAUDITED		AUDITED
	3 months		12 months
	June-11	June-10	March-11
\$'000	\$'000	\$'000	
Gross operating revenue	2,579,001	2,973,408	12,935,692
Cost of operating revenue	(1,375,931)	(1,594,205)	(6,950,221)
Gross operating profit	1,203,070	1,379,203	5,985,471
Employee benefit income		-	550,400
Interest and other investment income	35,249	27,852	138,890
Other operating income:			
Exchange gains/(Loss)	1,132	(26,023)	(48,911)
Other income	3,147	13,855	36,898
Distribution and marketing expenses	(231,140)	(182,327)	(827,797)
Administrative expenses	(222,249)	(201,678)	(854,457)
Profit before income tax	789,209	1,010,882	4,980,494
Income tax	(265,777)	(336,983)	(1,666,418)
Profit for the period	523,431	673,899	3,314,076
Other comprehensive income			
Defined benefit plan actuarial losses asset	-	-	(463,400)
Income tax on other comprehensive income	-	-	(118,300)
Deferred tax on subsidiaries	-	-	193,900
	-	-	41,519
Other comprehensive income, net of tax	-	-	(346,281)
Total comprehensive income for the year	523,431	673,899	2,967,795
Attributable to:			
Minority interests	(7)	-	(21)
Stockholders in parent	523,439	673,899	3,314,097
	523,431	673,899	3,314,076
Total comprehensive income attributed to:			
Minority interests	(21)	-	(21)
Stockholders in parent	523,452	-	2,967,816
	523,431	-	2,967,795
Earnings per ordinary stock unit of 25¢ each	107.83¢	138.82¢	682.70¢

CARRERAS LIMITED & SUBSIDIARIES

UNAUDITED GROUP STATEMENT OF FINANCIAL POSITION


As at June 30, 2011

Group Statement of Financial Position		
	Unaudited	Audited
	30-Jun-11	31-Mar-11
	\$000	\$000
Current Assets		
Cash and cash equivalents	1,655,470	1,769,750
Resale Agreements	1,004,717	997,318
Accounts receivable	373,642	422,961
Income tax recoverable	119,090	111,174
Inventories	219,587	359,527
	3,372,506	3,660,730
Current Liabilities		
Accounts payable	874,495	932,822
Income tax payable	1,235,424	1,268,710
	2,109,919	2,201,532
Net Current Assets	1,262,587	1,459,198
Non-current assets:		
Retirement benefit asset	278,100	278,100
Taxation Recoverable	1,733,137	1,733,137
Fixed Assets	133,033	140,190
	3,406,857	3,610,625
Equity:		
Share Capital	121,360	121,360
Reserves:		
Unappropriated profits	1,112,736	1,317,333
Capital	22,322	22,322
Other	1,870,762	1,870,762
	3,005,820	3,210,417
Total attributable to stockholders of parent	3,127,180	3,331,777
Minority interests	4,778	4,785
Total equity	3,131,958	3,336,562
Non-current liabilities:		
Deferred taxation liability	118,899	118,063
Retirement benefit obligation	156,000	156,000
	3,406,857	3,610,625

ON BEHALF OF THE BOARD

.....
Richard Pandohie
Managing Director

.....
Patrice Gray
Finance Director



CARRERAS LIMITED
Statement of Changes in Equity
For 3 Months ended June, 2011

The Group

	Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Other Reserves \$'000	Total \$'000	Minority Interest \$'000	Total \$'000
Audited balance at March 31, 2010	121,360	776,717	22,322	1,870,762	2,791,161	4,806	2,795,967
Profit for the year		673,899			673,899	-	673,899
Dividends paid, being total transactions with owners		(485,440)			(485,440)		(485,440)
Net movements for the year	-	188,459	-	-	188,459	-	188,459
Unaudited balance at June 30, 2010	121,360	965,176	22,322	1,870,762	2,979,620	4,806	2,984,426

	Share Capital \$'000	Unappropriated Profits \$'000	Capital Reserves \$'000	Other Reserves \$'000	Total \$'000	Minority Interest \$'000	Total \$'000
Audited balance at March 31, 2011	121,360	1,317,333	22,322	1,870,762	3,331,777	4,785	3,336,562
Profit for the year		523,440			523,440	(7)	523,432
Total recognised gains for the year	-	523,440	-	-	523,440	(7)	523,432
Deferred tax on reserves of subsidiaries in liquidation		124			124		124
Dividends paid, being total transactions with owners		(728,160)			(728,160)		(728,160)
Net movements for the year	-	(204,597)	-	-	(204,597)	(7)	(204,604)
Unaudited balance at June 30, 2011	121,360	1,112,736	22,322	1,870,762	3,127,180	4,778	3,131,958

CARRERAS LIMITED
Statement of Changes in Equity
For 3 Months ended June, 2011

The Company

Audited balance at March 31, 2010

Profit for the year
 Dividends paid, being total transactions with owners

Share Capital \$'000	Revenue Reserves \$'000	Capital Reserves \$'000	Total \$'000
121,360	773,754	22,322	917,436
	673,898		673,898
	(485,440)		(485,440)
	188,458	-	188,458
121,360	962,212	22,322	1,105,894

Unaudited balance at June 30, 2010

Audited balance at March 31, 2011

Profit for the year
 Dividends paid, being total transactions with owners

121,360	1,924,423	22,322	2,211,787
	526,539		526,539
	(728,160)	-	(728,160)
-	(201,621)	-	(201,621)
121,360	1,722,802	22,322	2,010,166

Unaudited balance at June 30, 2011

CARRERAS LIMITED & SUBSIDIARIES

UNAUDITED GROUP STATEMENT OF CASH FLOWS

For 3 Months ended June, 2011

Cash flows from operating activities:

Net profit for the period

Items not affecting cash

Changes in working capital

Cash provided by operating activities

Cash (used)/provided by investing activities

Cash used by financing activities

Increase/(Decrease) in cash and cash equivalents

Effect of exchange rate changes on cash and cash equivalents

Cash and cash equivalents, at beginning of period

Cash and cash equivalents, at end of period

Group Statement of Cash Flows		
3 Months		12 months
30-Jun-11	30-Jun-10	31-Mar-11
\$'000	\$'000	\$'000
523,432	673,897	3,314,076
243,345	346,844	1,052,888
766,777	1,020,741	4,366,964
(172,207)	(646,279)	(1,387,714)
594,571	374,462	2,979,250
18,177	23,323	(197,734)
(728,160)	(485,440)	(2,427,200)
(115,412)	(87,655)	354,316
1,132	(26,023)	(48,911)
1,769,751	1,464,345	1,464,345
1,655,470	1,350,667	1,769,750

CARRERAS LIMITED AND SUBSIDIARIES

Notes to the Financial Statements June 30, 2011

1. General

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

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

2. (a) Basis of Preparation

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

(b) Accounting estimates and judgements:

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

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

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

(i) Key source of estimation uncertainty

Employee benefits:

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

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

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

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

3. Significant Accounting Policies

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

4. Income Tax

Income tax for the year comprises current and deferred tax based upon taxable profits. Capital gains, which are not subject to taxation, are excluded.

5. Earnings per Stock Unit

The calculation of earnings per stock unit is based on the net profit for the period attributable to stockholders and the 485,440,000 issued and fully paid ordinary stock units.

6. Deferred Tax

A provision has been made in these financial statements for deferred transfer tax on undistributed reserves of subsidiaries in liquidation.

7. Tax Assessment

On February 12, 2010, the Court of Appeal handed down its judgment in the appeal by its subsidiary Cigarette Company of Jamaica Limited (in voluntary liquidation) (CCJ) against the assessment by Commissioner Taxpayer Audit and Assessment. The Court allowed the Appeal with costs in the Court of Appeal and the Court below to be CCJ's; such costs to be taxed if not agreed. Based on this judgment of the Court of Appeal the amount paid of \$1,733.1 million is reflected in the financial statement 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.

Final leave to Appeal to the Privy Council was granted on February 28, 2011. Our Attorneys advised that the Commissioner Taxpayer and Assessment had submitted all documentation required for the said appeal. The solicitors are in the process of listing the appeal and it is anticipated that it will be heard in the first quarter of 2012.

8. Contingency

On July 16, 2004 an award was made against Sans Souci Limited, a subsidiary company, in arbitration proceedings between it and VRL Services Limited whereby Sans Souci Limited was ordered to pay VRL Services Limited the sum of J\$370,705,264 together with interest of 21% per annum and costs. An application was made to the Supreme Court pursuant to Section 12 of the Arbitration Act and the inherent Jurisdiction of the Court to set aside the award or alternatively to reduce the amount of the said award. Under a Consent Order for stay of execution, Sans Souci Limited paid VRL Services the said sum of J\$370,705,264 together with interest of J\$68,037,111 and J\$10,000,000.00 on account of costs, secured by bank guarantees to be repaid to Sans Souci Limited with simple interest thereon, should it succeed in setting aside or varying the Award.

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

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

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

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

The Court of Appeal handed down its judgment on September 25, 2009 in favour of VRL. SSL applied for Leave to Appeal to the Privy Council.

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.

That application was dismissed on June 19, 2009 with leave to appeal. Sans Souci appealed and that matter was heard on July 13th & 14th, September 25th and November 25th 2009 but the appeal was also dismissed.

That matter is now before the Supreme Court and is scheduled to continue on May 28, 2012, subject to us receiving a decision from the Privy Council by then.

VRL applied directly to the Privy Council for permission to cross-appeal in relation to costs that were awarded in SSL's favour in the appeal which resulted in the remission of the arbitral award. Leave to cross-appeal was granted and VRL is taking steps to have certain documents included in the Record of Appeal. No date has yet been set for the hearing, but the company's Attorneys expect that it might be heard at the end of 2011 or early 2012.

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

ON BEHALF OF THE BOARD


Richard Pandohie
Managing Director


Patrice Gray
Finance Director