Annual Report 2010 - 2011

CARRERAS LIMITED

A proud Jamaican Company since 1962

Giving value to our consumers
and to Jamaica for nearly 50 years

Our Statement of 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
- 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

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www.carrerasltd.com

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- Press Releases

Scan the Quick Response Code below with your Smart Phone for direct access to our website

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 are Growth, Productivity, Responsibility and developing a Winning Organization. These 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-Ninth 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 6, 2011, 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, 2011**

   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, 2011 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 Mr. Bruce Terrier and Mr. Michael Bernard who, being eligible, offer themselves for re-election.

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

   (i) "THAT Mr. Bruce Terrier be and is hereby re-elected a Director of the Company."

   (ii) "THAT Mr. Michael Bernard be and is hereby re-elected a Director of the Company."

   (b) Mr. Richard Pandohie was appointed a Director since the last Annual General Meeting of the Company.

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

   "THAT Mr. Richard Pandohie be and is hereby elected a Director of the Company."

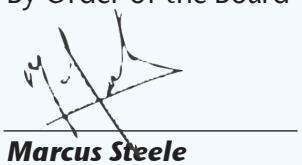
4. **To confirm the remuneration of the Non-Executive Directors**

   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, 2011 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 17, 2011

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) 749-4070
E-mail: Carreras@bat.com
Website: www.carrerasltd.com

BOARD OF DIRECTORS
Christopher Burton - Chairman
Michael Bernard
Oliver Holmes
Alan Davy
Federico Jenkins
Hon. William McConnell, O.J.
Richard Pandohie
Marcus Steele
Bruce Terrier

COMPANY SECRETARY: *Marcus Steele*

LEADERSHIP TEAM:

NAME	***DESIGNATION***
Richard Pandohie	*Managing Director*
Marcus Steele	*Finance Director*
Rhon Bennett	*Marketing Deployment Manager*
Raoul Glynn	*Trade Marketing & Distribution Manager*
Christopher Brown	*Corporate & 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

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

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

Report to Stockholders

Christopher Burton
Chairman

In a continually challenging and uncertain macro-economic climate, coupled with declining consumer purchasing power, constraints on our trade partners' cash flow and growing competition for consumers' spend, I am once again pleased to report that your company delivered good results for the fiscal year in review. We fulfilled our expectation of a return to PBIT growth wherein net profit increased by 10.4% to $3314.1 million compared to the previous year. This was largely attributed to the price increase effected by the excise increase implemented in January 2010.

Operating revenue also showed an increase of 24.3% when compared to the previous year in light of some positive volume recovery over the lower sales volumes realized in the very challenging last quarter of the 2009/2010 financial year resulting from the price increase implemented in January 2010.

The growth of our sales volumes, nonetheless, continued to be challenged by lower consumer disposable income, illicit trading of cigarettes, a contracting economy, and the constrained cash flow environment of our trading partners. The States of Emergency imposed in Kingston, St. Andrew and St. Catherine, stemming from the civil unrest in May 2010, also negatively impacted the Company's operations and resulted in lower sales volumes during that period.

Despite these numerous challenges, I am encouraged by the potential positive effect the stabilized excise level may have on consumer uptake of our brands. Indeed, the Company's management team continued to place tremendous focus on engaging the Government of Jamaica in alleviating our going concern of frequent and excessive

Despite these numerous challenges, I am encouraged by the potential positive effect the stabilized excise level may have on consumer uptake of our brands.

levels of excise increases. We are therefore, satisfied that there was no increase in excise coming out of the Government's 2011/2012 budget announcement and debate. Undoubtedly, we are continuing this meaningful engagement towards maintaining a mutually beneficial partnership as it relates to our Company's contribution to government's revenues.

I will continue to emphasize that creating and enhancing shareholder value is your Company's top priority. Although stockholders' return showed a slight decline, down from 107.5% in the previous year to 99.5%, you will agree that this performance is still outstanding. Earnings per share of $6.83 was 10.4% above the $6.18 earned in the previous financial year, and no doubt reflects our commitment to delivering superior value to our shareholders.

Shareholders will agree that to date, we have made significant strides in managing the major risks posed to our business, namely excessive and frequent excise increases, and the illicit trade in cigarettes. We remain committed to closely monitoring the relevant authorities' work as it relates to disrupting and stemming the illicit trade. We wholly support the major initiatives being employed by the authorities to effectively stem the illicit trade, including the strengthening of its port monitoring systems and processes and all told the bolstering of its border control apparatus. In February 2011, the Jamaica Customs Department seized a 20-foot container of counterfeit cigarettes originating from China containing approximately 4 million sticks with a street value of JA$120 million. This seizure demonstrated the heightened effort of the Customs department in monitoring its ports to ensure that all goods entering the country are legitimate products with the requisite duties paid.

The work of the Revenue Protection Department and the Tax Audit and Assessment Department must also be commended. The involvement of both agencies in the fight against the illicit trade signals to illicit traders and to the public at large, that tax evasion is an illegal act with serious implications.

We continue to state that the estimated magnitude of the underground trade is a more than likely contributing factor to the year on year decline of our sales volumes. As we continue to assess and evaluate reasons for our declining volumes, and through the general monitoring of new developments taking place within the tobacco industry, the Company became aware of the rapidly emerging phenomenon of tobacco growing and consumer demand for raw tobacco. This new development was brought to the fore by a study on tobacco farming conducted by the Rural Agricultural Development Agency (RADA). Results from the study show the prevalence and scale of tobacco growing in Jamaica whereby approximately 600 farmers are engaged in tobacco farming across the country, with some 300 acres of land under cultivation. The estimated size of the raw tobacco cultivated is 496,800 lbs per year or 225,454,545 sticks per year.

Through our own assessment of the supply of "Grabba," as raw tobacco is referred to in the marketplace, we have recognized that the trade is still somewhat informal but the demand is growing, particularly in light of its highly affordable price and relatively steady availability. We are, therefore, currently reviewing the need for a commercial response and strategy to this bourgeoning raw tobacco trade and will report to you, our shareholders, once these plans are finalized.

As your Company continues to face the many challenges posed, I remain confident that the management and staff are well equipped to face these challenges and will continue delivering value to our shareholders. Your Board of Directors maintains its vigilance in ensuring the successful execution of the several strategic priorities identified in enhancing the Company's sustainability.

As a marketing and distribution company, the availability of our brands in the right place at the right time remains paramount to the success of our company. As such, our trade marketing efforts revolve around giving value to our customers who sell our brands, thereby ensuring that our adult consumers consistently have their preferred brands available in the outlets where they shop. Another key area of focus is ensuring that our brands are visible at the point of sale, making them more relevant to our consumers at the point of purchase. We also continue to bolster our trade marketing capabilities mainly through the gradual expansion of our sales force. We believe that so far this has proven to be highly effective in maintaining mutually beneficial relationships with our trade partners, particularly in an environment where competition for their share of dollar from other FMCG companies is intensifying.

I am also satisfied with the management team's continued cost containment efforts as it relates to our marketing and distribution expenses. For the fiscal year, expenses marginally increased by $11.2 million, up from $816.6 million posted in the previous financial year.

We are consistently evaluating our brand portfolio and the value offered by each brand to our consumers. Craven "A" and Matterhorn continue to be the preferred non-menthol and menthol brands for consumers and we therefore focus our resources behind boosting the high levels of consumer loyalty and relevance they currently enjoy. Our premium brand offers, Dunhill and Rothmans, continue to perform well, growing year on year despite the challenging economic climate. In line with our commitment to leading innovation in the Jamaican tobacco industry, in October 2010 we launched a new contemporary pack design for the Dunhill brand, thus cementing the brand's image as the most premium tobacco offer in Jamaica.

Our brand portfolio plans for the 2011/2012 fiscal year will demonstrate our company's commitment to giving value to our consumers. Several initiatives are currently in the pipeline with the objective of rewarding and enhancing consumer loyalty to our core brands and bolstering our position as leaders in the premium segment.

The continued success of our company remains largely attributed to the responsible marketing and distribution of our tobacco products. I cannot over-emphasize the need for responsible product stewardship especially as we are about to face tobacco control regulation. In recent times, the call for the enactment of such legislation is becoming more vociferous and aggressive by the tobacco control community. The Minister has also again publicly stated his intention to bring to parliament a comprehensive set of tobacco control measures with the aim of reducing its consumption. I would like to remind shareholders that Carreras does support the need for the enactment of legislation that

is balanced, practical and respects the rights of both smokers and non-smokers.

We are a responsible tobacco company and we want to consistently highlight the fact that we are in broad agreement with several areas of the WHO Framework Convention on Tobacco Control (FCTC) which the proposed legislation aims to support. While we await the presentation of the legislation in Parliament, the Company continues its preparations to ensure a smooth transition of our marketing and distribution activities within the context of a more heavily regulated environment. I want to assure our shareholders that despite this imminent regulated environment, your company is far advanced in its preparations, including the sensitization of our trade partners to the impending legislation, particularly as it relates to the ban of smoking in indoor public places, and how they may strike a balance in accommodating both smokers and non-smokers through the creation and designation of non-smoking areas indoors and smoking areas outdoors. We therefore anticipate that in the face of tobacco control regulations, your Company will not be adversely affected and will continue to deliver shareholder value.

During 2010, we re-launched our Youth Smoking Prevention (YSP) campaign receiving the endorsements of two of the nation's leading agencies on protecting the interest of minors. Both the Child Development Agency (CDA) and the Ministry of Education endorsed our retail access prevention programme, signalling their support for our business principle of no cigarette sales to persons less than 18 years of age. This programme is currently implemented in the outlets in which we distribute our tobacco brands and there is now a drive to expand coverage in all outlets that sell cigarettes across the island.

We continue to demonstrate that our commitment to being a responsible tobacco company is not only reflected in our highly focused and careful marketing and distribution activities, but also in our giving of resources that enable the social and economic development of Jamaica. We recognize that our significant contributions in two key areas of national priority, crime prevention and education, are going a far way towards stemming crime and violence and providing empowerment to individuals in need. During the fiscal year, the Company in response to an appeal from the Commissioner of Police, funded the repair of over sixty service vehicles as part of our extended initiative to enhance the mobile capability of the JCF. Shareholders will recall that we have previously donated to the JCF, fourteen motorbikes and various other strategic equipment to augment the JCF's crime fighting capabilities.

I am pleased to report that our scholarships programme continues to be enriched year on year through our offer of several scholarships at varying levels of tertiary education. For the 2010/2011 academic year, Carreras provided a total of forty scholarships to students at community colleges, teachers colleges, all the island's major universities and the Edna Manley College. Undoubtedly, our scholarship programme will continue to evolve to meet the needs, as far as we can, of exceptional students in need of financial assistance.

Offsetting our carbon footprint also remains a key area of focus. I am pleased to report that we are continuing our reforestation programme in the Blue and John Crow Mountains National Park and since 2009, we have reforested over 13 acres of forest. We continue

to demonstrate our commitment to supporting the arts through our providing resources for the empowerment of students in the visual and performing art schools at the Edna Manley College and through our annual support of their final year student exhibitions and catalogue.

Altogether, our various corporate social investments are no doubt of national importance and our support of the various programmes, individuals and institutions continues to demonstrate our longstanding and significant contribution to the Jamaican landscape.

Carreras continues to be a great place to work as our efforts in recruiting and retaining the best talent remains a top priority. We continue to take all the necessary steps to ensure that we have the right people with the right fit for the job. Our implementation of initiatives to enrich employee well-being is constantly on our human resources agenda including: providing training for employees' personal and professional development, employee recognition programmes and several other programmes which seek to enhance employees' work life balance. For these reasons our employees continue to deliver superior results enabling Carreras to remain a best performing company year after year. For the fourth consecutive year, Carreras has again been recognized for our superb business performance, receiving the First Runner-up Award for Best Performing Company for 2009 by the Jamaica Stock Exchange.

As it relates to legal matters and further to my report last year, 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. Final leave to Appeal to the Privy Council was granted on February 28, 2011. CCJ has filed its Notice of Objection and the next step is for the Commissioner to finalize the Record of Proceedings and provide a draft Statement of Facts and Issues to the Privy Council.

Shareholders are aware by now of the several changes which took place among your Company's Board of Directors. I want to assure you that in spite of all these changes, your Company remains in good hands and will continue to be guided by solid leaders whose only interest is to continue delivering value.

In December 2010, after over two decades of executive service to Carreras as General Manager of the Jamaica Biscuit Company Limited; Managing Director of the Cigarette Company of Jamaica Limited; the Agricultural Products of Jamaica Limited; and Carreras Limited, Mr. Michael Bernard, retired from his executive position as Managing Director of Carreras. The Board of Directors thanks Mr. Bernard for successfully piloting our company

through difficult times. Mr. Bernard now serves our company as a Non-Executive Director which will allow for his experience and expertise in our business to continue to be made available to Carreras in the challenging times that lie ahead.

Following on from Mr. Bernard's retirement, your Board of Directors appointed Mr. Richard Pandohie as Managing Director of Carreras and as an Executive Director of the Board. Your Board is confident in Mr. Pandohie's ability to steer our company through the difficult times which lie ahead and to continue delivering superior shareholder value.

I would like to thank Mr. Trevor Patterson, who resigned from the Board in December 2010. The Board thanks him for his contributions and wishes him all the best.

The Board also extends its heartiest thanks and congratulations to Mr. Marcus Steele, who will be leaving our company and subsequently relinquishing his executive capacity as Finance Director and Company Secretary, to assume the position of Country Manager for the Trinidad branch of another BAT company, Carisma Marketing Services Limited, effective August 1, 2011. His successor, Mrs. Patrice Gray will therefore take up the responsibility as Finance Director and Company Secretary of Carreras Limited effective August 1, 2011. The Board welcomes Mrs. Gray and wishes her all the best.

I wish to thank you our valued shareholders, for the confidence you exhibited in allowing me to serve as your Chairman for the past 6 years and as a Non-Executive Director since 1999. I am sure you are aware by now of my retirement from the Board at the end of June 2011. I wish to thank my fellow Board members for their outstanding contributions which enabled me to lead efficiently and effectively over the many years.

You may also be aware that Mr. Richard Lewis succeeded me as Chairman of the Board effective July 1, 2011. Mr. Lewis is an astute businessman who shares the same desire as I had and will continue to have and, that is, to deliver superb business performance and superior shareholder returns. The Board therefore welcomes Mr. Lewis and wishes him all the best.

As I bid you farewell, I want to reassure you that your Board of Directors is continuously evaluating the strategic priorities identified in enabling long term success and overall sustainability of our company. We recognize the various challenges which will come and as far as is possible, have identified ways to mitigate against them. It is in this regard, that I take the opportunity to sincerely thank the Company's management and staff for their assiduous work in ensuring that Carreras Limited remains a top performing company offering exceptional returns for our shareholders each year. I must also extend our appreciation to our customers for their continued support despite the challenging economic environment and, more importantly, the increasingly competitive marketplace.

With the breathing space afforded to our company as a result of no new excise increase for this fiscal year, the Board of Directors and the management of the Company are at this time, working on ways to recover our sales volumes and altogether work towards delivering another year of exceptional business performance.

Christopher Burton

Chairman

Board of Directors

1. FEDERICO JENKINS

Mr. Federico Jenkins, a Costa Rican national, is a 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.

2. 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.

3. MARCUS STEELE

Mr. Marcus Steele was appointed to the Board of Directors on October 1, 2007. He is currently the Finance Director and Company Secretary 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. In July 2005, he served as Finance Planning Manager for BAT's operations in the Caribbean and Central America.

4. 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, the role he held until going on retirement in 2010. Michael currently serves on the Board of Directors of Salada Foods Ltd., Peak Bottling Company Limited, Jamaica International Insurance Company, Lascelles deMercado & Co Ltd. 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.

5. RICHARD PANDOHIE

Mr. Richard Pandohie was appointed to the Board of Directors on January 1, 2011. He is currently the Managing Director of Carreras. Richard joined the Carreras Group in October 1994 as a Management Trainee and has served in several positions over the last 16 years, including Head of Anti-Illicit Trade and Security at British American Tobacco, Caribbean and Central America (BATCCA) since 2007. He has also held the position of Operations Manager at Jamaica Biscuit Company, a subsidiary of Carreras Group. Prior to joining Carreras, Richard worked in various senior management positions within the Governments of Jamaica and the Caribbean as well as the private sector: Retail Marketing Supervisor at Esso Standard Oil; Process Engineer at Alcan Bauxite Company; Operations Manager, Kraft Foods International (Jamaica, Trinidad and Nicaragua); Country Manager for Jamaica at Coca-Cola (Caribbean); General Manager/Director of IGL Limited (Jamaica). He has covered a wide cross section of disciplines - sales, brand development, production, supply chain management, warehousing, distribution, security and anti-illicit trade. Richard was a lecturer at the University of Technology and the PSOJ appointed representative at the invitation of the Minister of Security for the Jamaica Constabulary Force Implementation Oversight Committee, 2010. He is currently a member of the Standing Committee on National Security within the Private Sector Organization of Jamaica and is the President Elect of the Rotary Club of New Kingston for the Administrative year 2010 - 2011. Awarded a Canadian Commonwealth Scholarship in 1992, Richard is a graduate of the Kellogg School of Management in Chicago, INCAE University in Costa Rica. He holds a Master of Business Administration Degree in Corporate Finance and Operations from McGill University in Canada, as well as a Bachelor of Science degree in Chemical Engineering from the University of the West Indies, Trinidad. Richard enjoys cricket, squash and chess.

6. ALAN DAVY

Alan Davy is the Area Director of British American Tobacco Caribbean and Central America, based in San Jose, Costa Rica since February 2010. Immediately prior to this role Alan held the post of Managing Director of British American Tobacco Bangladesh, based in Dhaka since December 2008, after completing 4 years as the Regional Head of Operations for the BAT Asia Pacific region. Alan was previously the Area Operations Director for Central America and the Caribbean, and prior to this was responsible for establishing Supply Chain and Manufacturing as part of a green-field business start-up in Turkey. Since joining BAT in 1988 Alan has held a wide variety of Operations positions in Europe, Africa and the Middle East, Latin America and the Caribbean and the Asia Pacific region respectively. Prior to joining BAT, Alan worked for General Electric in the UK as a construction engineer on nuclear power stations. Alan holds a Master's Degree from Cambridge University, UK in Manufacturing and is a degree-qualified mechanical engineer. He is married with 3 children aged 23, 21 and 18.

Board of Directors

7. 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).

8. 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.

9. OLIVER W. HOLMES

Mr. Oliver 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.

Directors' Report

The Directors are pleased to submit their Report and Audited Financial Statements for the year ended March 31, 2011. The following are selected highlights:

Financial Results

	12 Months ended March 31, 2011 *$000s*	12 Months ended March 31, 2010 *$000s*
Profit before income taxation amounted to:	4,980,494	4,494,485
Income tax for the year	(1,666,418)	(1,492,610)
Total profit after tax	3,314,076	3,001,875
Less: minority interest	,021	(,006)
Net profit for the year attributable to stockholders	3,314,097	3,001,869
Revenue reserves at beginning of year	776,717	1,578,950
Total revenue reserves	4,090,814	4,580,819
Appropriations have been made as follows:		
Dividends	(2,427,200)	(3,398,080)
Deferred tax on reserves of subsidiaries in liquidation	41,519	(155)
Defined benefit plan acturial gains/losses, net of tax	(308,933)	(380,000)
Change in unrecognised employee benefit asset, net of tax	(78,867)	(25,867)
Revenue reserves at end of year	1,317,333	776,717
Earnings per stock unit for year:		
Continuing operations	682.70¢	618.38¢

Dividends

The following payments were made during the year:

First quarter ended June 30, 2010	- $1.00 per stock unit
Second quarter ended September 30, 2010	- $1.00 per stock unit
Third quarter ended December 31, 2010	- $1.50 per stock unit
Fourth quarter ended March 31, 2011	- $1.50 per stock unit

An interim dividend of $1.50 per stock unit will be paid on June 23, 2011.

Auditors

KPMG have expressed their willingness to continue in office and offer themselves for re-appointment.

Directors

The Directors due to retire in accordance with the provisions of Article 84 of the Articles of Association are Messrs. Bruce Terrier and Michael Bernard who, being eligible, offer themselves for re-election.

Mr. Bernard who retired on December 31, 2010 continues to serve as a Non-Executive Director. Mr. Richard Pandohie was appointed Managing Director on January 1, 2011.

Mr. Christopher Burton will retire on June 30, 2011 and Mr. Richard Lewis will assume the position of Chairman of the Board effective July 1, 2011.

Mr. Marcus Steele will be seconded to another company within British American Tobacco and will be replaced by Mrs. Patrice Gray as Finance Director and Company Secretary effective August 1, 2011.

ON BEHALF OF THE BOARD

Marcus Steele
Secretary
May 17, 2011

Ten Largest Stockholders

as at March 31, 2011

	Stock Units Held
Rothmans Holdings (Caricom) Limited	244,650,826
Lascelles deMercado & Co. Limited	74,263,144
L.O.J. PIF Equity Fund	14,252,639
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
Trading Account - National Insurance Fund	5,143,215
National Insurance Fund	5,051,506
Medsalco Limited	5,049,640
Total	384,798,004

Directors' stockholding as at March 31, 2011

	Stock Units Held
Mr. Michael Bernard	Nil
Mr. Christopher Burton	Nil
Mr. Alan Davy	Nil
Mr. Oliver Holmes	Nil
Mr. Federico Jenkins	Nil
Hon. William McConnell, OJ	Nil
Mr. Richard Pandohie	58,449
Mr. Marcus Steele	Nil
Mr. Bruce Terrier	Nil

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.

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 compensation 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 is 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), Michael Bernard.

Nomination and Compensation Committee

The main role and responsibilities of the

nomination and compensation committee include:

- To determine the framework and policy on terms of engagement including the specific compensation 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 compensation consultants, Executive Recruitment & 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 Compensation 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 compensation and to discuss the performance of the Executive Directors and other members of the Senior Management Team [except when their own compensation 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 reappointment 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:
Christopher Burton, Alan Davy and
Hon. William McConnell, OJ.

Name of Director	Board	Audit	Nomination and Compensation
Christopher Burton	4	3	2
Michael Bernard	5	4	1
Alan Davy	4		2
Oliver Holmes	5	4	
Federico Jenkins	5		
William McConnell	5		2
Richard Pandohie*	2	1	1
Marcus Steele	5	4	2
Bruce Terrier	5		

Meetings for the financial year:	
Board	5
Audit Committee	4
Nomination & Compensation Committee	2

*Mr. Richard Pandohie was appointed to the Board of Directors effective January 1, 2011.

*Executive Directors are invited members of the Nomination and Compensation and Audit Committees

Carreras Limited & Its Subsidiaries

FINANCIAL YEAR	2010/11	2009/10	Restated 2008/09
PROFIT & LOSS SUMMARY			
GROSS OPERATING REVENUE	12,935,692	10,410,178	10,923,530
TRADING PROFIT	4,291,204	3,514,143	4,782,969
INVESTMENT & INTEREST INCOME	138,890	269,142	599,027
OPERATING PROFIT	4,430,094	3,783,285	5,381,996
EMPLOYEE BENEFIT INCOME	550,400	711,200	694,900
RESTRUCTURING COSTS	-	-	-
PROFIT BEFORE TAXATION	4,980,494	4,494,485	6,076,896
PROFIT AFTER TAXATION	3,314,076	3,001,875	4,093,911
PROFIT ATTRIBUTABLE TO STOCKHOLDERS	3,314,097	3,001,869	4,093,682
BALANCE SHEET SUMMARY			
FIXED ASSETS	140,190	114,724	101,915
SHARE CAPITAL	121,360	121,360	121,360
RESERVES	3,210,417	2,669,801	3,472,034
STOCKHOLDERS' EQUITY	**3,331,777**	**2,791,161**	**3,593,394**
FINANCIAL RATIOS			
TRADING PROFIT MARGIN	33.2%	33.8%	43.8%
OPERATING PROFIT/OPERATING REVENUE	34.2%	36.3%	49.3%
STOCKHOLDERS' RETURN ON EQUITY	99.5%	107.5%	113.9%
EARNINGS PER STOCK UNIT (from continued operations)	682.7¢	618.3¢	843.2¢
EARNINGS PER STOCK UNIT (from discontinued operations)	-	-	-
P/E RATIO	8.9	7.8	4.4
DISTRIBUTION - PER STOCK UNIT	500¢	700¢	1,630¢
OTHER DATA			
SHARE CAPITAL - STOCK UNITS IN ISSUE ('000)	485,440	485,440	485,440
CLOSING STOCK PRICE ($) - MARCH 31	60.51	48.50	37.76
DIVIDEND PAID	2,427,200	3,398,080	7,912,672
DEPRECIATION CHARGED	48,884	40,833	25,081
EXCHANGE GAIN / (LOSS)	(48,911)	4,945	209,967
WEIGHTED AVERAGE EXCHANGE RATES: US$1 to J$	85.7486	89.5082	88.8158

Ten Year Financial Review

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

2007/08	2006/07	2005/06	Restated 2004/05	2003/04	2002/03	2001/02
9,037,241	7,005,159	6,955,087	6,604,902	5,942,333	4,972,405	4,462,880
5,136,894	3,379,964	3,591,008	2,331,197	2,160,812	2,873,971	1,814,362
690,841	657,919	825,485	1,203,564	1,977,412	1,349,153	1,348,067
5,827,735	4,037,883	4,416,493	3,534,761	4,138,224	4,223,124	3,162,429
-	-	-	-	-	-	-
-	-	(269,659)	-	(85,245)	(26,472)	(55,978)
5,827,735	4,037,883	4,146,834	3,534,761	4,052,979	4,196,652	3,106,451
4,000,020	2,766,915	3,033,553	2,459,194	2,849,685	3,354,576	2,358,214
3,999,018	2,765,947	3,032,067	2,457,999	2,846,499	3,350,939	2,355,244
79,945	83,560	105,636	503,503	544,970	545,963	2,182,959
121,360	121,360	121,360	121,360	121,360	121,360	121,360
7,768,667	6,642,746	6,315,453	7,666,781	13,871,058	13,493,831	12,450,014
7,890,027	**6,764,106**	**6,436,813**	**7,788,141**	**13,992,418**	**13,615,191**	**12,571,374**
56.8%	48.2%	51.9%	35.3%	36.4%	57.8%	40.6%
64.5%	57.6%	63.5%	53.5%	69.6%	84.9%	70.9%
50.7%	40.9%	47.1%	31.6%	20.3%	24.6%	18.7%
823.8¢	570.1¢	498.9¢	604.0¢	586.4¢	690.3¢	485.2¢
-	(0.3)¢	125.7¢	(97.7)¢	-	-	-
8.9	8.7	5.5	6.3	8.2	4.9	5.9
540¢	490¢	860¢	1,680¢	400¢	500¢	300¢
485,440	485,440	485,440	485,440	485,440	485,440	485,440
73.51	49.61	34.40	32.00	48.50	34.00	29.00
2,621,376	2,378,656	4,174,784	8,155,392	1,941,760	2,427,200	1,456,320
22,555	24,913	34,529	43,703	50,363	39,816	18,809
167,855	124,087	345,731	87,216	560,959	1,052,054	259,196
71.0888	67.8003	65.4951	61.5438	61.0057	56.2372	47.6101

LEADERSHIP TEAM

RICHARD PANDOHIE

BSc (Hons), MBA, Managing Director

Richard serves as Chairman of the Carreras Leadership Team.

Richard joined the Carreras Group in October 1994 as a Management Trainee and has served in several positions over the last 16 years, including Head of Anti-Illicit Trade and Security at British American Tobacco, Caribbean and Central America (BATCCA) since 2007. He has also held the position of Operations Manager at Jamaica Biscuit Company, a subsidiary of Carreras Group.

Prior to joining Carreras, Richard worked in various senior management positions within the Governments of Jamaica and the Caribbean as well as the private sector: Retail Marketing Supervisor at Esso Standard Oil; Process Engineer at Alcan Bauxite Company; Operations Manager, Kraft Foods International (Jamaica, Trinidad and Nicaragua); Country Manager for Jamaica at Coca-Cola (Caribbean); General Manager/Director of IGL Limited (Jamaica). He has covered a wide cross section of disciplines - sales, brand development, production, supply chain management, warehousing, distribution, security and anti-illicit trade.

Richard was a lecturer at the University of Technology and the PSOJ appointed representative at the invitation of the Minister of Security for the Jamaica Constabulary Force Implementation Oversight Committee, 2010. He is currently a member of the Standing Committee on National Security within the Private Sector Organization of Jamaica and is the President Elect of the Rotary Club of New Kingston for the Administrative year 2010 - 2011.

Awarded a Canadian Commonwealth Scholarship in 1992, Richard is a graduate of the Kellogg School of Management in Chicago, INCAE University in Costa Rica. He holds a Master of Business Administration Degree in Corporate Finance and Operations from McGill University in Canada, as well as a Bachelor of Science degree in Chemical Engineering from the University of the West Indies, Trinidad.

Richard enjoys cricket, squash and chess.

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

Mr. Marcus Steele was appointed to the Board of Directors on October 1, 2007. He is currently the Finance Director & Company Secretary of Carreras Limited. 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 with the responsibility for leading the migration of the Caribbean legal entities into the regional shared service centre. In July 2005, he was appointed Finance Planning and Reporting Manager for BAT's operations in the Caribbean and Central America where he focussed on financial reporting, strategy and planning. Mr. Steele enjoys reading, dancing, cricket, football and athletics and has two children: son, Marquis and daughter, Sonique.

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

Christopher 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 a 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.

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 a Bachelor Degrees in Economics and History from the University of the West Indies, St. Augustine. He is an avid sports fan.

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 currently a trustee of the Carreras Limited Superannuation fund. Rhon is a graduate of St. George's 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.

PATRICK STERLING
BA (Hons.), MSc (Hons.)
Human Resource Manager

Patrick joined Carreras in February 2010 as Human Resource Manager having more than 14 years experience in Human Resources. He previously served as HR Business Partner at Cable and Wireless Jamaica (now LIME) for 4 years where he had responsibility for employee engagement, talent management and change management initiatives. Patrick also has extensive experience in academia where he currently lectures Associate and Bachelor Degree courses in Principles of Management and Human Resources part-time at the University College of the Caribbean. He has also lectured Bachelor degree courses at the Jamaica Institute of Management. Patrick is currently a Convention Director for the Jamaica Employers Federation and is a member of the Human Resource Management Association of Jamaica (HRMAJ). He holds a Bachelor of Arts in Social Science and History (Hons) from the University of the West Indies, Mona, a Master of Science Degree in Human Resource Management (Hons) from Nova Southeastern University in Florida and is currently reading for a Master of Philosophy Degree at the University of the West Indies, Mona. He enjoys travelling, swimming and working out at the gym.

Management Discussion & Analysis

Richard Pandohie
Managing Director

Dear Shareholders,

It is an absolute privilege to take the reins of a Company with such a strong tradition of outstandingleadershipinnation building and value creation for its stakeholders. I am committed to building on the legacy of all the past Managing Directors (MD), especially that of the immediate past MD, Michael Bernard, under whose stewardship shareholders received outstanding returns.

The Company's financial performance in 2010/2011 was creditable, recording a 10.4% growth in profit after tax despite a difficult economic environment. However, the fact is that our underlying business fundamentals combined with global and local economic challenges have created real cause for concern with regards to ensuring and/or maintaining future growth. The Company's volume has declined by 38% over the past 3 years on the back of 3 consecutive excise increases that have resulted in the unit price of cigarettes increasing by over 100%. The unintended consequence of these aggressive excise increases between 2008 and 2010 has been the rapid growth of illicit trade, through a combination of local and imported offerings, and this now represents a significant risk to the legitimate industry. A review of the experiences in several other jurisdictions

We support the need for sensible and balanced regulation of our industry and in many areas our goals and that of the Tobacco Control Community have common ground.

indicates that where the illicit trade is allowed to firmly establish itself as permanent competition to the legitimate industry, all Government's efforts at tobacco legislation and sustainable revenue returns will be undermined.

We are thankful that in 2011 the authorities recognized that this strategy of continuous excise increases was driving the legitimate industry to a point of near diminishing returns for both the Company and the Government, while having negligible impact on the smoking incidence in the country. We are actively engaging the authorities to bolster the resources required to protect Jamaica's borders and to change legislations to allow greater penalties for those engaging in illicit trade.

Another major change in the landscape relates to the imminent passing of a Tobacco Control Bill. The Government is legally bound to do this as a signatory to the World Health Organization Framework Convention on Tobacco Control (FCTC). You, our Shareholders, are well aware of Carreras' strict self regulatory framework. In fact, we have been voluntarily observing codes of conduct related to many of the areas that are likely to be addressed by the enactment of the Tobacco Control Bill, such as, restricting our activities to those which are age controlled, similarly we do not advertise on the electronic media, a position which has been our marketing framework for many years.

We support the need for sensible and balanced regulation of our industry and in many areas our goals and that of the Tobacco Control Community have common ground, especially as it relates to:

1. Respect for the rights of non-smokers;
2. The fight against illicit trade as it undermines the health objectives of legislation;
3. The prevention of underage smoking.

Against this background we strongly believe that any tobacco control regulation must be balanced and practical, respecting the rights of smokers and non-smokers alike.

Going forward, we will continue to:

1. Work towards a balanced portfolio of brands and to improve our value proposition by focusing on innovation.
2. Actively engage the authorities to ensure balanced Tobacco regulations and an equitable excise strategy.
3. Manage the repositioning of the Company to successfully deal with the challenges of a new regulatory operating environment.
4. Reinforce Carreras' footprint on the Jamaican landscape, especially in areas of National Security, Education and overall economic empowerment for individuals and organizations in need.

Carreras will celebrate, along with Jamaica, 50 years of solid achievements in 2012 and I am confident that this Carreras family will make its predecessors proud by continuing to deliver superior shareholder returns in 2011/2012 and beyond.

Richard Pandohie
Managing Director

Financial Results

Performance Summary

The two excise led price increases implemented during the previous financial year continue to negatively impact the Company's volume performance. Notwithstanding, Carreras Limited delivered profit after tax of $3,314.1 million, up 10.4% when compared to the same period last year.

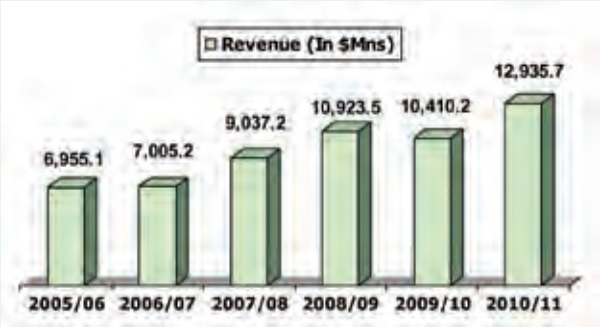
Earnings per share of $6.83 was also 10.4% above the $6.18 earned in the previous financial year. Trading profit margins declined by .6pp from 33.8% to 33.2%.

Stockholders' return continues to perform excellently although showing a minor decline to 99.5% when compared to the previous year's performance of 107.5%.

Total dividends paid during the year amounted to $2,427.2 million ($5.00 per share) compared to the previous dividend payout of $3,398.1 million ($7.00 per share) which was distributed during the previous financial year.

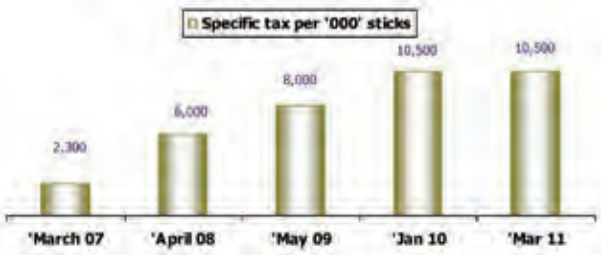
Revenue

For the financial year 2010 - 2011, the Company recorded gross operating revenue of $12,935.7 million representing an increase of 24.3 % when compared to the same period last year. This increase in revenue is as a result of the lower revenue realised in the fourth quarter of the previous financial year caused by the negative volume impact arising from the price increase implemented on January 1, 2010. However, the positive volume recovery was recorded in the current financial year, thus explaining the year on year revenue growth.



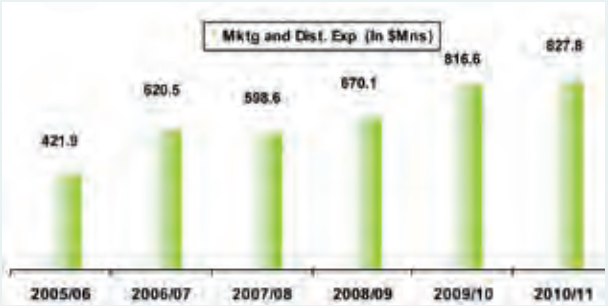
Cost of Sales

Cost of Sales which includes product costs and excise taxes has increased for the financial year 2010 - 2011 by $1,622.6 million or 30.5% when compared to the same period last year. This was primarily driven by the full year impact of increases in the excise tax level in the fourth quarter of the previous year, in addition to, the negative impact on the products costs caused by higher transfer prices experienced during the financial year.



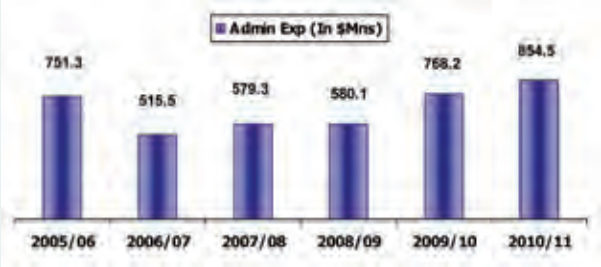
Whilst the specific tax per '000' cigarettes remained the same during the financial year, the impact on the Company's volume is still being felt after increases of over 450% experienced within the last four financial years, resulting in significant increases in the tax incidence on cigarettes and, consequently, the Company's cost of sales.

Marketing and Distribution Expenses



For the financial year 2010 - 2011, the Company recorded a marginal increase in its total marketing and distribution expenses of $11.2 million, up from $816.6 million posted in the previous financial year 2009 - 2010. During the financial year, the Company continued to focus on the expansion of the trade marketing force which started in the previous year, in order to continuously strengthen our trade marketing and brand portfolio capabilities to compete in a dynamically changing consumer and trade environment.

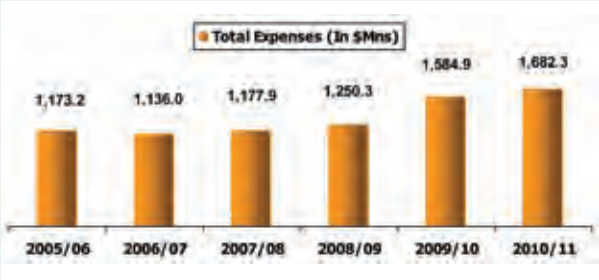
Some of the major issues that the Company had to respond to during the financial year were the continued negative impact on the Company's volume base resulting from the excise led price increases, a lower consumer disposable income, illicit trading of cigarettes, a contracting economy, a challenging business environment and the constrained cash flow environment of our trading partners.



The Company's administrative expenses grew from $768.2 million to $854.5 million during the financial year which represent an increase of 11.2% comparatively over the previous year. Included in administrative expenses are one-off people related costs incurred during the year, however, adjusting for these one-off expenses, administrative expenses on a "like for like" basis would have increased by only 2.3%. This expense performance was achieved within an environment of a high single digit inflation of 7.6%, higher investment in anti-illicit trade activities and increases in fuel and security costs.

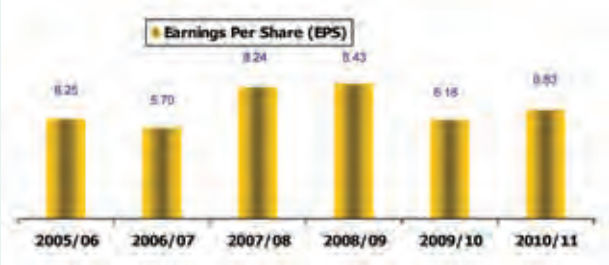
Notwithstanding, the Company is committed to leveraging a minimum costs base structure, driving efficiency through process improvements while simultaneously attaining the Company's objectives effectively.

Total Expenses

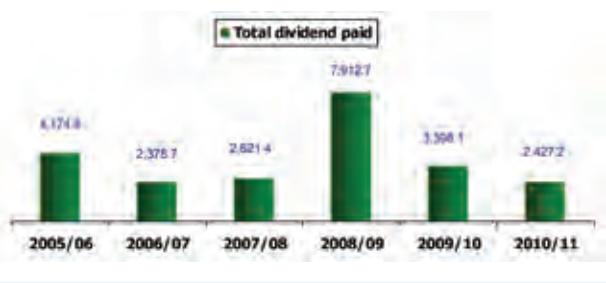


Notwithstanding the costs relating to the initiatives employed in strengthening our trade marketing capabilities, investing in reinforcing our brand relevance with our loyal consumers, one-off people related costs and the significant investment behind the fight against tackling the illicit trading of cigarettes, the Company's total expense base only grew by 6.1% during the current financial year. This overall expense performance speaks to the continued focus by the Company in ensuring that effective costs containment measures are in place and are working.

The Company's earnings from investment income continue to show year on 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 quarterly dividend payments. Consequently, this has resulted in the Company carrying lower cash balances and a reduction in our investment pool. This measure coupled with the impact of lower interest rates have resulted in the decline in investment income. However, the Company will continue as a matter of policy to remain committed to maximizing 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 an increase of 10.4% when compared to the previous year.



Our shareholders received dividends during the financial year 2010 - 2011 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 35.1%. 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 $5.00 per share for the year.

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

Quarterly Results

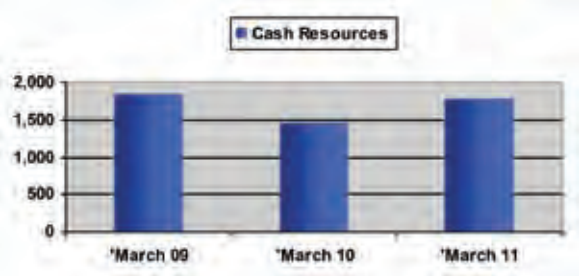
	2009_2010					2010_2011				
($ million)	Q1	Q2	Q3	Q4	FY 09_10	Q1	Q2	Q3	Q4	FY 10_11
Gross operating revenue	1,880.7	2,554.5	3,733.4	2,241.5	10,410.1	2,973.4	3,103.7	3,472.0	3,386.6	12,935.7
Cost of operating revenue	-875.5	-1,394.5	-1,973.2	-1,084.4	-5,327.6	-1,594.2	-1,668.1	-1,874.7	-1,813.1	-6,950.2
Gross operating profit	1,005.2	1,160.0	1,760.2	1,157.1	5,082.5	1,379.2	1,435.5	1,597.3	1,573.5	5,985.5
Gross operating margins	**53.4%**	**45.4%**	**47.1%**	**51.6%**	**48.8%**	**46.4%**	**46.3%**	**46.0%**	**46.5%**	**46.3%**
Employee benefit income				711.2	711.2				550.4	550.4
Interest and other investment income	115.7	53.6	55.4	44.4	269.1	27.9	30.0	34.3	46.8	138.9
Other operating income:	10.4	1.0	2.0	3.1	16.5	-12.2	22.3	2.0	-24.2	-12.0
Total Expenses	-352.1	-360.0	-557.2	-315.6	-1,584.9	-384.0	-368.6	-556.7	-373.0	-1,682.3
Profit before income tax	779.3	854.6	1,260.4	1,600.2	4,494.5	1,010.9	1,119.3	1,076.9	1,773.4	4,980.5
Income tax	-262.2	-283.9	-411.1	-535.5	-1,492.6	-337.0	-372.1	-363.2	-594.1	-1,666.4
Profit for the period	**517.1**	**570.7**	**849.3**	**1,064.8**	**3,001.9**	**673.9**	**747.2**	**713.7**	**1,179.3**	**3,314.1**
Employee benefit income				711.2	711.2				550.4	550.4
Profit for the period (exc Emp. Benefit inc.)	517.1	570.7	849.3	353.6	2,290.7	673.9	747.2	713.7	628.9	2,763.7
Net Current Assets	940.3	1,020.2	1,393.7	983.2	983.2	1,175.7	1,425.1	1,398.6	1,459.2	1,459.2
Non Current Assets	1,947.7	1,950.4	1,956.2	2,107.1	2,107.1	2,102.6	2,115.2	2,140.5	2,151.4	2,151.4
Non Current Liabilities	228.3	225.8	244.8	294.3	294.3	293.8	294.1	307.4	274.1	274.1
Total Equity	2,654.9	2,740.0	3,100.2	2,791.2	2,791.2	2,979.6	3,241.4	3,226.9	3,331.8	3,331.8
EPS	**1.07**	**1.18**	**1.75**	**2.19**	**6.18**	**1.39**	**1.54**	**1.47**	**2.43**	**6.83**
ROE	**19.5%**	**20.8%**	**27.4%**	**38.1%**	**107.5%**	**22.6%**	**23.1%**	**22.1%**	**35.4%**	**99.5%**
ROA exc (Employee benefit inc.)	**17.9%**	**19.5%**	**26.9%**	**11.0%**	**74.1%**	**20.6%**	**21.9%**	**20.2%**	**17.6%**	**76.5%**

Summary of Quarterly Results

The Company delivered consistent growth in earnings per share for all except the third quarter of the financial year.

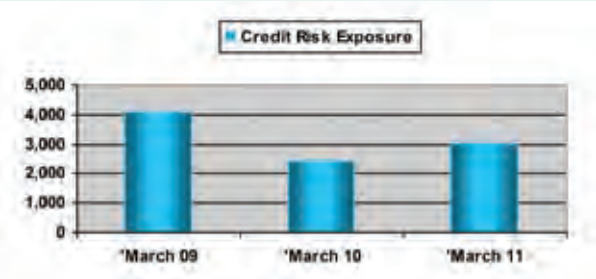
Balance Sheet

Cash Resources



Our cash resources show a 20.9% increase when compared to the same period last year. The primary contributing factors to this increase are higher cash holdings due to higher revenue and the timing of investments placements in order to meet working capital requirements. 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.

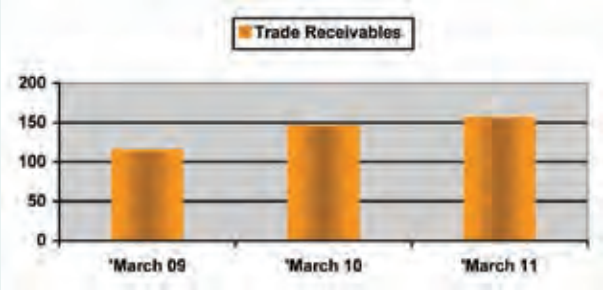
Credit Risk Exposure



The credit risk exposure of the Company totaled approximately $3.2 billion representing an increase of 25.8% when compared to the previous year. This is attributed to increase in cash and cash equivalent of 20.9% and increased investment in repurchase agreements of 34.6%.

The Company invests only in short term repurchase agreements which as at March 2011 were at higher levels as a result of higher cash sales.

Trade Receivables

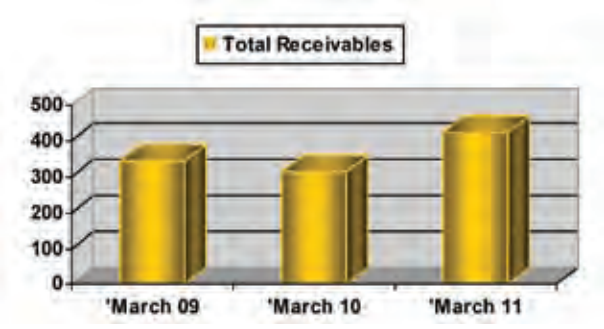


Total trade receivables of $156.1 million represents an increase of 7.1%, when compared to the previous year. Overdue credit increased to 19.0% of total receivables up from 10.7% when compared to the same period last year, however, most of these over-due credits fall within the 0-30 days' band. The Company 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.

Although the Company's trading partners had significant cash flow challenges during the year which resulted in higher usage of credit to generate

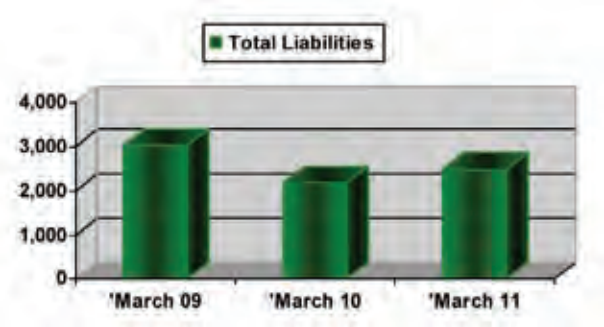
sales, the Company's management continues to hold a tight reign on the granting of credit within that operating environment in order not to have any significant exposure. Credit duration remain below 7 days.

Total Receivables



The Company's total receivables grew by 35.5% when compared to the same period last year as a result of an increase in interest receivable, increase in amounts advanced on behalf of the pension fund (subject to final approval of the winding up of the old fund by the FSC) and increase in trade receivables.

Total Liabilities



Total liabilities were $ 2,475.6 million as at March 31, 2011, which represent an increase of $283.61million or 12.9% when compared to last year. This increase is primarily reflecting the higher income tax liability as a result of higher profit before tax (PBT), higher unclaimed dividend offset by lower GCT liability.

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.

Final leave to Appeal to the Privy Council was granted on February 28, 2011. CCJ has filed its Notice of Objection and the next step is for the Commissioner to finalise the Record of Proceedings and provide a draft Statement of Facts and Issues to the Privy Council.

Marketing

Trade Marketing and Distribution

Our TM&D Mission

Consumer centricity, innovative brands and a powerful commercial strategy are imperative to the success of Carreras' Limited growth strategy. Our efforts are being focused towards speeding up the growth rate of our strategic brands and reinforcing our capability to "replicate success" in as many areas as possible.

Carreras Limited is building its growth platform and positioning itself for further success in the market. In delivering against this mission, we have changed our mindset and are pursuing new approaches in order to achieve commercial and operational excellence in all areas of TM&D.

We work together, as one strong team, ensuring that we build up our people, systems and processes to act as key enablers of this operational excellence as we leverage our knowledge across the market.

Core Competencies

Today's Jamaica places ever increasing pressure on marketing freedoms. This is why the achievement of our growth objectives depends on our ability to deliver brands with speed, vigour, scale and excellent execution at points of sale.

We have spent a lot of time over the past months working with our internal team members, and our partners in the trade. It was an inspirational journey, resulting in a clear plan of how to take TM&D forward and ensure the sustainability of our business.

TM&D plays a pivotal role in supplying and distributing

Impacto Dispenser

Dunhill Black Box Dispenser

Pixel M-12 Dispenser

We have the potential to do great things and with the innovations we have been implementing, Carreras will realize this potential.

Being at the forefront of the business, Trade Marketing & Distribution's mission is to excite shoppers to buy and customers to sell our brands.

We are inspired by this energizing mission and we are confident that TM&D will achieve it. This mission provides the foundation upon which

Being at the forefront of the business, Trade Marketing & Distribution's mission is to excite shoppers to buy and customers to sell our brands.

our products at retail, building profitable relationships with trade partners and our loyal consumer base. We have shaped our ambition to develop three core competencies in pursuit of operational excellence.

- **Route To Market**
  Route to Market is the strategy and strategic choices we make to market our products and make them available to consumers.
- **Shopper Marketing**
  Successful Shopper Marketing ensures we make the brand more relevant at the moment of purchase.
- **Customer Management**
  Customer Management optimizes our total customer investment to drive efficiency, growth and positive customer behaviour.

Key Enablers

- **People**
  People Enabler is about ensuring that our people have the right mindset and competencies to activate the TM&D Agenda in their day-to-day job.
- **Systems & Processes**
  Systems & Processes Enabler is about ensuring that our systems and processes enable the new TM&D agenda.

Marketing Deployment

Premium Performance

During the year under review 2010/2011 Carreras experienced year on year growth of 13% in premium volumes, which resulted in a 1% growth in this segment of our portfolio. The brands responsible for this performance, Dunhill and Rothmans continue to display resilience, as they are both experiencing relatively good performance, despite the adverse economic climate. During October 2010, we launched a new contemporary pack design for the Dunhill brand, with the aim of further improving the brand's image as the most premium tobacco offer in Jamaica and as the "Perfectionist in Tobacco".

Support for our Big Brands

Carreras continues to provide support for our Big Brands, Craven "A" and Matterhorn, to guarantee their continued performance into the future. This support comes in the form of both large and small sponsorship activities, promotions and trade executions, which include "The Greatest Reggae Show on Earth" Reggae Sumfest, which is sponsored by Craven "A" on an annual basis, and Bacchanal Jamaica, which is sponsored by Matterhorn, also on an annual basis. Both events provide continued exposure for the brands and ensure that high levels of relevance and brand loyalty are maintained.

Low Price Segment

Due to the illicit trade in tobacco products, a low price segment has been created over the last three to four years. Although Carreras does not not have products within this segment, we are doing extensive research to gain a better understanding of this segment.

Understanding our Consumers

Carreras continues to be a consumer centric organisation and to this end, we invest considerable sums of money on an annual basis in consumer research programmes in order to better understand our consumers. The most important being an annual consumer survey, which allows us to listen to our consumers' views and feelings about our products and utilize this information to guide our investments and programmes.

The Regulatory Environment

The government is far advanced with its stated intention to introduce tobacco control regulations. The introduction of these tobacco control measures will no doubt establish a new operating business environment for the Company and indeed the wider industry. To this end, the Company has spent the last year engaging both the government and the wider regulatory authorities towards ensuring that these measures are balanced, practical and respect the rights of smokers and non smokers alike. To be clear, the Company is not opposed to the introduction of tobacco control regulations.

In fact, the Company is mindful of Jamaica's obligation under the FCTC arrangement which it signed and ratified in 2005. Equally, the fact that our major Caricom-sister partners, Trinidad and Barbados, have both proceeded to introduce some form of tobacco control regulations, represents an added impetus for Jamaica to move quickly in a similar direction. This regional reality is indeed often cited by the local tobacco control community while they urge the government aggressively to introduce these regulations.

The imminent Regulations will impact matters relating to Public Place Smoking, Sponsorships, Promotions, Retail Displays and Advertising among other issues. On the matter of sponsorships, the Company believes that as a responsible corporate entity it should be allowed to continue to support national, cultural and entertainment events. In fact, the Company prides itself for its support of critical nation-building initiatives which over the last 50 years have redounded to the benefit of the Jamaican people. The Company is also unopposed to the institution of a ban of smoking in enclosed public places. In this matter, the critical issue, as occurs in other jurisdictions across the world, is that provisions must be made within those restrictions to allow for the designation of smoking and non-smoking areas in public places, particularly for outlets that have outdoor accommodation for smoking.

The Company also believes that:

- Restrictions should protect the right to communicate with adults who

The Company is also unopposed to the institution of a ban of smoking in enclosed public places. We believe provisions must be made within those restrictions to allow for the designation of smoking and non-smoking areas in public places, particularly for outlets that have outdoor accommodation for smoking.

have already taken the decision to smoke at the point of sale in outlets that sell tobacco products;

- And we believe we have a right to communicate with adults who have already taken the decision to smoke in adult oriented venues such as night clubs and adult parties.

All told, the Company has been fully engaging the authorities, to encourage the institution of tobacco control legislation that recognizes the fact that we are a legitimate Company, offering a legal product for sale to adults, who have a constitutional right of choice which must be balanced against not infringing the rights of non-smokers. Regulations as such should be sensible, practical and non-emotional.

We are also executing a programme of engagement activities to prepare our frontline marketing staff in engaging the trade to ensure a smooth transition once the law comes into effect, and we have also been encouraged by the advocacy of members of the trade and wider corporate groupings who themselves have been advancing the view for balanced tobacco control regulations.

The Illicit Trade

The illicit trade in cigarettes continues to be a major risk to the Company. Within this challenge though, the Company would like to recognize the continued work of both the Jamaica Customs Department and the Organized Crime Investigative Department of the JCF for the strong commitment displayed in moving to dismantle this trade.

The Company maintains that the strategy being employed by the authorities to disrupt the major supply chain of the illicit traders through the deployment of aggressive Port Monitoring and Border Control initiatives represent the fundamental strategic pillar upon which the fight must be grounded. In this regard, the Company was particularly pleased with what it believes is a major win for the government through the recent granting of support from the US government for Jamaica's involvement in a regional container monitoring system. The truth is, the fight against the illicit trade is not only national, it is also a transnational and regional effort.

The illicit trade in cigarettes continues to be a major risk to the Company.

The Company and its management would also like to take this opportunity to commend the work of the Revenue Protection Department and the Tax Audit and Assessment Department in moving to ensure that the illicit traders understand that all hands are onboard to eradicate the illicit trade. The Company remains mindful of the direct linkages between the illicit trade in cigarettes and excessively high levels of excise and taxation. Within all of this, the Company will continue to work with the law enforcement authorities to ensure that their work to eradicate the illicit trade in cigarettes will be successful.

Corporate Social Responsibility

Richard Pandohie, Carreras' Managing Director, presents a plaque to scholarship recipient, Kimani Beckford, 2010-2011 Final Year Male of Edna Manley College of the Visual and Performing Arts.

During the year, Carreras again demonstrated a commitment to improving the quality of life of our citizens, while engaging in ethical conduct and making a contribution to Jamaica's economic development. We focused on education, supporting crime fighting efforts and fostering the arts.

Empowering Adults through Scholarships and Bursaries

For over 43 years, Carreras has been dedicated to empowering individuals through education, working with educators and their institutions to provide assistance where it is most

Carreras' Scholarship and Bursary Awardees pose with Michael Bernard after the 2010 Awards Banquet.

needed. This year, we expanded our scholarship programme, offering a total of 40 scholarships and bursaries, a milestone in both the number and diversity of awards. Our contribution to education now covers scholarships to community colleges, the Edna Manley College, Teachers Colleges and bursaries at major universities across Jamaica thus solidifying our position as a leading corporate donor in adult education.

Providing resources to enhance the quick response and crime fighting capabilities of the Jamaica Constabulary Force

As part of an extended initiative to provide resources that enhance the crime fighting and quick response capabilities of the Jamaica Constabulary Force (JCF), creating a safer society for all Jamaicans, we provided funding for the repair of approximately sixty-eight (68) police service vehicles which were in dire need of reconditioning earlier this year. This initiative by Carreras is arguably the first of its kind where a partnership between the Private Sector, the government of Jamaica and the JCF is effected to make the Force more mobile. All told, we have expended over $10 million on the purchase of motorbikes for the Force, in addition to providing other well-needed equipment, such as: printers, scanners, computers.

We plan to deepen our relationship with the JCF by including members in our scholarship programme for the 2011-2012 academic year.

Equipment donated to assist the Jamaica Constabulary Force in their crime fighting efforts

Funding provided for the repair of approximately 68 police service vehicles

Fostering the Arts

We believe it is critical to inspire creativity and innovation. Consequently, we have consistently provided sponsorship for the Final Year Exhibition of the work of students at the Edna Manley School of the Visual Arts as well as provided scholarships for students studying both the visual and performing arts.

Environmental Preservation

Since 2009, we have supported the reforestation of over 6 acres or 2.6ha of land in deforested parts of the Blue and John Crow Mountains National Park (BJCMNP). This activity forms a part of our efforts to become more "Carbon neutral" through planting trees to offset our carbon emissions. In order to offset our 2009 and 2010 Carbon emissions, we again provided resources for the reforestation/rehabilitation and protection of over 13 acres of forest in deforested and reforested parts of the Blue and John Crow Mountain National Park.

Reforestation/rehabilitation and protection of the Blue and John Crow Mountain National Park.

Giving Back to the Communities in which we Operate

Carreras also continues to make significant donations to other charitable and civic organizations as we seek to enhance public and community life. Additionally, through our employee volunteering programme "Volunteers for Jamaica", Carreras employees continue to demonstrate their willingness to give of their time and energy to worthwhile causes.

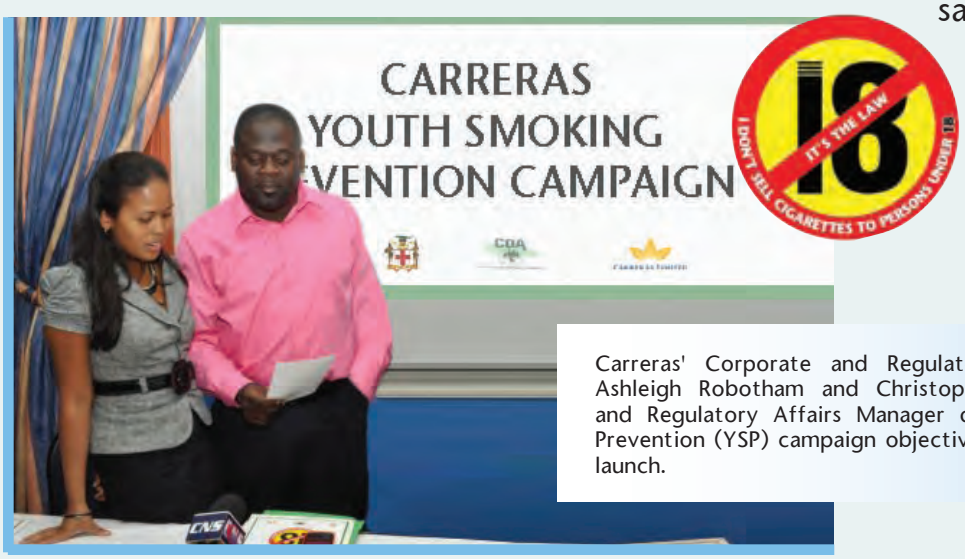
Responsible Marketing and Distribution

In May 2010 Carreras Limited formally re-launched its Youth Smoking Prevention (YSP) campaign with one objective in mind; to tackle underage access to cigarettes at the point of sale in 100% of the outlets in which Carreras directly distributes its products.

Youth Smoking Prevention Campaign

The endorsement of the campaign by one of Jamaica's leading organizations on ensuring the welfare of the nation's youth, The Child Development Agency and The Ministry of Education, is a clear indication of the importance of the YSP campaign in restricting underage access to cigarettes.

It also reaffirms Carreras' position as a responsible corporate citizen in insisting on our retailers' compliance with national legislation prohibiting tobacco sales to persons under the age of 18, as well as in accordance with our Statement of Business Principles.



Carreras' Corporate and Regulatory Affairs Executive, Ashleigh Robotham and Christopher Brown, Corporate and Regulatory Affairs Manager discuss Youth Smoking Prevention (YSP) campaign objectives after the YSP media launch.

Human Resources

The Company continues to embrace the global focus of attracting, recruiting, developing talent, and ensuring retention, in order to meet our current and future business needs. The function supported the seamless transition of the Company's outgoing and incoming Managing Directors between December 2010 and January 2011, and facilitated numerous organizational changes, including the recruitment of a new Finance Director.

For 2012, the focus will be on analyzing the Company's current talent pool in an effort to provide opportunities for the strengthening of individual capabilities to assist short term succession planning within Carreras, as well as for international assignments.

Recruitment

The hiring of the most talented candidates to support the Company's business performance is a priority. We supported all departments in recruiting talented resources during 2010, the most significant being the Trade Marketing and Distribution department.

Promotion of Employer of Choice

During the year, staff members remained engaged with the Carreras brand as an Employer of Choice in Jamaica through:

"What's Up" and "Let's talk" quarterly staff meetings

- "What's Up" meetings provide staff with updates on the Company's business performance and operating challenges.
- During "Let's Talk", staff highlight individual and team concerns and seek clarification from the Carreras Leadership Team on general matters of interest.

Guiding Principles

- Focus on the Guiding Principles of Open-Mindedness, Strength from Diversity, Freedom Through Responsibility, and an Enterprising Spirit.

Work/life balance

- We continue to emphasize that employees should refresh their mind and body. A gym and sports club at our Twickenham location as well as opportunities for gym membership for rural staff enhance the Company's wellness activities.

Training and development

- Training and development was conducted on and off the job and financial assistance was provided to employees to pursue technical, academic and professional courses.

Annual Staff Convention

- The event provides an opportunity for staff to get together, and through team building and other group activities, re-orient themselves with the Company's vision and Guiding Principles.

  The 2010 convention was held at the Bahia Principe Resort in St. Ann.

Employee Recognition and Acknowledgement

- The importance of employee recognition has been embraced at Carreras for many years through the celebration of milestones for our employees and the promotion of Your Voice Survey feedback and action planning.

The Human Resource Department continues to be a key business partner in enhancing a sustainable talent pipeline and employee wellness and enrichment, supporting the Company in the delivery of shareholder value.

Audited Financial Statements

for year ended March 31, 2011

KPMG
Chartered Accountants
The Victoria Mutual Building
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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") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 44 to 86, which comprise the group's and company's statement of financial position as at March 31, 2011 the group's and company's statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 control. 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, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company as at March 31, 2011 and of the group's and company's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by 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, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

May 17, 2011

GROUP STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2011

	Notes	2011	2010
		$'000	$'000
Operating revenue	4	12,935,692	10,410,178
Cost of operating revenue		(6,950,221)	(5,327,592)
Gross operating profit		5,985,471	5,082,586
Employee benefit income	14(i)(d),14(ii)(c)	550,400	711,200
Other operating income	5	126,877	285,594
		6,662,748	6,079,380
Distribution and marketing expenses		(827,797)	(816,613)
Administrative expenses		(854,457)	(768,282)
		(1,682,254)	(1,584,895)
Profit before income tax	6	4,980,494	4,494,485
Income tax	7	(1,666,418)	(1,492,610)
Profit for the year		3,314,076	3,001,875
Other comprehensive income			
Defined benefit plan actuarial losses	14(i)(e),14(ii)(d)	(463,400)	(570,000)
Change in unrecognised employee benefit asset	14(i)(e)	(118,300)	(38,800)
Income tax on other comprehensive income		193,900	202,933
Deferred tax on subsidiaries		41,519	(155)
Other comprehensive losses, net of tax		(346,281)	(406,022)
Total comprehensive income for the year		2,967,795	2,595,853
Profit attributable to:			
Non-controlling interests		(21)	6
Stockholders' interests		3,314,097	3,001,869
		3,314,076	3,001,875
Total comprehensive income attributed to:			
Non-controlling interests		(21)	6
Stockholders in parent		2,967,816	2,595,847
		2,967,795	2,595,853
Earnings per ordinary stock unit	9	682.70¢	618.38¢

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

COMPANY STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2011

	Notes	2011	2010
		$'000	$'000
Operating revenue	4	12,935,692	10,410,178
Cost of operating revenue		(6,950,221)	(5,327,592)
Gross operating profit		5,985,471	5,082,586
Other operating income	5	129,370	254,530
Employee benefit income		550,400	711,200
		6,665,241	6,048,316
Expenses:			
Administrative, distribution and marketing		(1,663,442)	(1,548,374)
Profit before income tax	6	5,001,799	4,499,942
Income tax	7	(1,664,068)	(1,491,924)
Profit for the year	8	3,337,731	3,008,018
Other comprehensive (loss)/income			
Defined benefit plan actuarial losses	14(i)(e),14(ii)(d)	(463,400)	(570,000)
Change in unrecognised employee benefit asset	14(i)(e)	(118,300)	(38,800)
Income tax on other comprehensive income		193,900	202,933
Other comprehensive loss net of tax		(387,800)	(405,867)
Total comprehensive income for the year		2,949,931	2,602,151

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

GROUP STATEMENT OF FINANCIAL POSITION

Year ended March 31, 2011

	Notes	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	10	1,769,750	1,464,345
Resale agreements	11	997,318	741,029
Accounts receivable	12	422,961	312,259
Income tax recoverable		111,174	152,172
Inventories	3 (e)	359,527	211,098
		3,660,730	2,880,903
Current liabilities			
Accounts payable	13	932,822	965,468
Income tax payable		1,268,710	932,256
		2,201,532	1,897,724
Net current assets		1,459,198	983,179
Non-current assets:			
Retirement benefit asset	14	278,100	259,200
Income tax recoverable	24	1,733,137	1,733,137
Property, plant and equipment	15	140,190	114,724
		3,610,625	3,090,240
Equity:			
Share capital	16	121,360	121,360
Reserves:			
Unappropriated profits		1,317,333	776,717
Capital		22,322	22,322
Other		1,870,762	1,870,762
		3,210,417	2,669,801
Total attributable to stockholders of the parent		3,331,777	2,791,161
Non-controlling interest		4,785	4,806
Total equity		3,336,562	2,795,967
Non-current liabilities:			
Deferred tax liability	17	118,063	169,973
Retirement benefit obligation	14	156,000	124,300
		3,610,625	3,090,240

The financial statements on pages 44 to 86 were approved for issue by the Board of Directors on May 17, 2011 and signed on its behalf by:

_____ Director
Richard Pandohie

_____ Director
Marcus Steele

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

COMPANY STATEMENT OF FINANCIAL POSITION

Year ended March 31, 2011

	Notes	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	10	1,316,078	991,334
Resale agreements	11	946,785	693,347
Accounts receivable	12	420,463	310,618
Income tax recoverable		28,848	65,448
Inventories	3 (e)	359,527	211,099
		3,071,701	2,271,846
Current liabilities			
Accounts payable	13	895,927	937,854
Income tax payable		1,176,905	834,326
		2,072,832	1,772,180
Net current assets		998,869	499,666
Non-current assets:			
Investment in subsidiary companies	22	206,294	206,294
Retirement benefit asset	14	278,100	259,200
Property, plant and equipment	15	148,559	122,884
		1,631,822	1,088,044
Equity:			
Share capital	16	121,360	121,360
Reserves:			
Capital		22,322	22,322
Unappropriated profits		1,296,485	773,754
		1,318,807	796,076
Total equity		1,440,167	917,436
Non-current liabilities:			
Deferred tax liability	17	35,655	46,308
Retirement benefit obligation	14	156,000	124,300
		1,631,822	1,088,044

The financial statements on page 44 to 86 were approved for issue by the Board of Directors on May 17, 2011 and signed on its behalf by:

_____ Director
Richard Pandohie

_____ Director
Marcus Steele

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

STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2011

The Group

	Share capital (note 16) $'000	Unappropriated profits $'000
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 total transactions with owners	-	(3,398,080)
Balances at March 31, 2010	121,360	776,717
Profit for the year	-	3,314,097
Defined benefit plan actuarial gains/(losses), net of tax	-	(308,933)
Change in unrecognised employee benefit asset, net of tax	-	(78,867)
Deferred tax on reserves of subsidiaries in liquidation	-	41,519
Total comprehensive income for the year	-	2,967,816
Dividends paid (note 21), being total transactions with owners	-	(2,427,200)
Balances at March 31, 2011	121,360	1,317,333

Capital reserves $'000	Other reserve $'000	Total attributable to equity holders $'000	Non-controlling interest $'000	Total $'000
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
-	-	3,314,097	(21)	3,314,076
-	-	(308,933)	-	(308,933)
-	-	(78,867)	-	(78,867)
-	-	41,519	-	41,519
-	-	2,967,816	(21)	2,967,795
-	-	(2,427,200)	-	(2,427,200)
22,322	1,870,762	3,331,777	4,785	3,336,562

STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2011

The Company

	Share capital (note 16) $'000	Unappropriated profits $'000	Capital reserves $'000	Total $'000
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
Profit for the year	-	3,337,731	-	3,337,731
Defined benefit plan actuarial gains/(losses), net of tax	-	(308,933)	-	(308,933)
Change in unrecognised employee benefit asset, net of tax	-	(78,867)	-	(78,867)
Total comprehensive income for the year	-	2,949,931	-	2,949,931
Dividends paid (note 21), being total transactions with owners	-	(2,427,200)	-	(2,427,200)
Balances at March 31, 2011	121,360	1,296,485	22,322	1,440,167

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

STATEMENT OF GROUP CASH FLOWS

Year ended March 31, 2011

	Notes	2011 $'000	2010 restated $'000
Cash flows from operating activities			
Profit for the year		3,314,076	3,001,875
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Items not involving cash:			
Depreciation	15	48,884	40,833
Employee benefits		(568,900)	(727,600)
Income tax expense	7	1,666,418	1,492,610
Foreign exchange gain		48,911	(4,945)
Gain on disposal of property, plant and equipment and investments		(3,533)	(1,039)
Investment income earned		(138,890)	(269,142)
Operating profit before changes in working capital and provisions		4,366,966	3,532,592
Changes in:			
Accounts receivable		(101,182)	16,479
Inventories		(148,429)	(25,283)
Accounts payable		(32,646)	(384,994)
Cash generated from operations		4,084,709	3,138,794
Income tax paid		(1,105,457)	(1,671,959)
Net cash provided by operating activities		2,979,252	1,466,835
Cash flows from investing activities			
Resale agreement, net		(256,289)	1,312,443
Investment income received		129,370	283,685
Additions to property, plant and equipment	15	(75,262)	(53,913)
Proceeds of disposal of property, plant and equipment, investments and investment properties		4,445	1,310
Net cash (used)/provided by investing activities		(197,736)	1,543,525
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities		(2,427,200)	(3,398,080)
Net increase/ (decrease) in cash and cash equivalents before effect of foreign exchange rate changes		354,316	(387,720)
Effect of exchange rate changes on cash and cash equivalents		(48,911)	4,945
Cash and cash equivalents at beginning of year		1,464,345	1,847,120
Cash and cash equivalents at end of year	10	1,769,750	1,464,345

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

STATEMENT OF COMPANY CASH FLOWS

Year ended March 31, 2011

	Notes	2011 $'000	2010 restated $'000
Cash flows from operating activities			
Profit for the year		3,337,731	3,008,018
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Items not involving cash:			
Depreciation	15	48,675	39,552
Employee benefits		(568,900)	(727,600)
Gain on disposal of property, plant and equipment and investments		(3,533)	(1,039)
Foreign exchange gain		30,081	(3,378)
Income tax expense	7	1,664,068	1,491,924
Investment income earned		(122,553)	(245,684)
Operating profit before changes in working capital and provisions		4,385,569	3,561,793
Changes in:			
Accounts receivable		(101,183)	19,600
Inventories		(148,428)	(25,283)
Accounts payable		(41,926)	(386,592)
Cash generated from operations		4,094,032	3,169,518
Income tax paid		(1,101,643)	(1,666,303)
Net cash provided by operating activities		2,992,389	1,503,215
Cash flows from investing activities			
Investments, net		(253,438)	1,229,688
Investment income received		113,891	260,263
Additions to property, plant and equipment	15	(75,262)	(53,913)
Proceeds of disposal of property, plant and equipment, investments and investment properties		4,445	1,310
Net cash (used)/provided by investing activities		(210,364)	1,437,348
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities		(2,427,200)	(3,398,080)
Net increase/(decrease) in cash and cash equivalents before effect of foreign exchange rate changes		354,825	(457,517)
Effect of foreign exchange rate changes		(30,081)	3,378
Cash and cash equivalents at beginning of year		991,334	1,445,473
Cash and cash equivalents at end of year	10	1,316,078	991,334

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:

New and revised standards and interpretations that became effective during the year

A certain new and revised standards and interpretations which was in issue came into effect for the current financial year, as follows:

- Revised IFRS 3, *Business Combinations*, and Amended IAS 27, *Consolidated and Separate Financial Statements*, amended the definition of business combination and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements were introduced. The standard did not have a significant impact on the financial statements.

New and revised standards and interpretations that are not yet effective

At the date of approval of the financial statements, certain new and revised standards and interpretations were in issue but are not yet effective and have not been early-adopted. Management has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has concluded as follows:

- Amendment to IFRS 7, *Disclosures – Transfer of Financial Assets*, is effective for annual reporting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets. The Group is assessing the impact the amendment will have on the financial statements.

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

New and revised standards and interpretations that are not yet effective (cont'd)

(a) Statement of compliance (cont'd):

- *IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment is effective for annual reporting periods beginning on or after January 1, 2011. It applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset. Management is assessing the impact that the interpretation will have on the financial statements.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2013, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, *Financial Instruments: Recognition and Measurement*, on the recognition and de-recognition of financial assets and financial liabilities. Management does not expect the amendment to this standard to have a significant impact on its financial statements.

- IAS 24, *Related Party Disclosures, Revised*, which is effective for annual reporting periods beginning on or after January 1, 2011, amends the definition of a related party and also expands the list of transactions that require disclosure. Management is assessing the impact that the amendment will have on the financial statements.

- *Improvements to IFRS* (2010) contain amendments to six standards and to one interpretation and are effective for annual reporting periods beginning on or after July 1, 2010 or January 1, 2011. The main applicable amendment is as follows:

  - IAS 1, *Presentation of Financial Statements*, which is effective for annual reporting periods beginning on or after January 1, 2011, is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners. Management does not expect the amendment to this standard to have a significant impact 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 reporting 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 statement of financial position and statement of comprehensive income 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.

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

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

(i) Key source of estimation uncertainty (cont'd)

- Allowance for losses

In determining amounts recorded for allowance for losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from investments, notes receivable and other financial assets, for example, repayment default and adverse economic conditions. The specific counterparty of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparties' financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and estimate of cash flows considered recoverable are independently approved by the Credit and Market Risk functions.

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.

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, 2011 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.

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

(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.

(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 are stated at amortised cost.

A provision is recognised in the statement of financial position when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(g) Related parties:

A party is related to the group, if:

(i) directly, or indirectly through one or more intermediaries, the party:

(a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(b) has an interest in the entity that gives it significant influence over the entity; or

(c) has joint control over the entity;

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venturer;

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

(g) Related parties (cont'd):

A party is related to the group, if (cont'd):

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(h) Property, plant and equipment:

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses [note (o)].

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, 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.

(i) Income tax:

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss 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)**

(i) 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 reporting 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 reporting 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.

(j) 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 reporting 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 profit or loss.

(k) 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 profit or loss 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.

(l) 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)**

(m) Leases:

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease.

(n) 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 reporting 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 profit or loss.

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

(n) Employee benefits (cont'd):

(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 reporting date is shown as an obligation on the reporting.

(o) Impairment:

The carrying amounts of the group's and the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated at each reporting 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 profit or loss.

(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.

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

(o) Impairment (cont'd):

(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 profit or loss, except for available-for-sale equity securities, which is recognised in other comprehensive income.

(p) 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.

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest income:				
Cash and cash equivalents	72,565	74,070	60,217	58,484
Resale agreements	66,325	195,072	62,336	187,200
Exchange(loss)/gains	(48,911)	4,945	(30,081)	3,378
Gain on disposal of property, plant, equipment and investment properties	3,533	1,039	3,533	1,039
Miscellaneous income	33,365	10,468	33,365	4,429
	126,877	285,594	129,370	254,530

6. **Profit before income tax**

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Depreciation	48,884	40,833	48,675	39,552
Auditors' remuneration	5,470	4,972	4,840	4,400
Directors' emoluments:				
Fees	5,827	5,886	5,827	5,886
Management services	206,335	233,720	206,335	233,720

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:

	2011	2010
	$'000	$'000
Current:		
Provision for charge on current year's profit	1,482,817	1,255,502
Adjustment in respect of prior year's provision	92	2,945
	1,482,909	1,258,447
Deferred:		
Origination and reversal of temporary differences	183,509	234,163
	1,666,418	1,492,610

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

The Group (cont'd)

(b) Reconciliation of effective tax rate and charge:

	2011		2010	
	%	$'000	%	$'000
Profit before taxation		4,980,494		4,494,485
Computed "expected" tax charge	33.33	1,660,165	33.33	1,498,162
Taxation difference between profit for financial statements and tax reporting purposes on –				
Effect of tax losses	0.06	2,937	0.05	2,546
Depreciation and capital allowances	(0.14)	(7,131)	(0.19)	(8,807)
Gain on sale of investments and fixed assets	(0.03)	(1,482)	(0.01)	(346)
Unrealised foreign exchange gains/(loss)	0.24	12,029	(0.04)	(2,246)
Other adjustments	-	(100)	0.07	3,301
Actual tax rate and charge	33.46	1,666,418	33.25	1,492,610

(c) At March 31, 2011 taxation losses in subsidiaries, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, amounted to approximately $803,298,523 (2010: $794,444,728).

The Company

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

	2011 $'000	2010 $'000
Current:		
Provision for charge on current year's profit	1,480,821	1,254,517
Adjustment in respect of prior year's provision	-	3,245
	1,480,821	1,257,762
Deferred:		
Origination and reversal of temporary differences	183,247	234,162
	1,664,068	1,491,924

The Company (cont'd)

(e) Reconciliation of effective tax rate and charge:

	2011		2010	
	%	$'000	%	$'000
Profit before taxation		5,001,799		4,499,942
Computed "expected" tax charge	33.33	1,667,266	33.33	1,499,981
Taxation difference between profit for financial statements and tax reporting purposes on –				
Depreciation and capital allowances	(1.43)	(7,131)	(0.20)	(9,234)
Gain on sale of investments and fixed assets	(0.30)	(1,482)	(0.01)	(346)
Unrealised foreign exchange gains	0.11	5,654	(0.04)	(1,723)
Other adjustments	(0.05)	(239)	0.07	3,246
Actual tax rate and charge	31.68	1,664,068	33.15	1,491,924

8. **Profit for the year**

	2011 $'000	2010 $'000
Profit for the year, dealt with in the financial statements of the company	3,337,731	3,008,018
This amount is made up as follows:		
Amount reported in the financial statements of the company	3,337,731	3,008,018
Amount dealt with in consolidated profit for the year	3,337,731	3,008,018

9. **Earnings per ordinary stock unit**

Earnings per ordinary stock unit is calculated by dividing $3,314,097,000 (2010: $3,001,869,000) the profit attributable to stockholders arising by 485,440,000, the number of stock units in issue.

10. **Cash and cash equivalents**

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Demand and call deposits	981,825	1,044,918	587,567	634,134
Short-term fixed deposits	787,925	419,427	728,511	357,200
	1,769,750	1,464,345	1,316,078	991,334

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.

11. **Resale agreements (cont'd)**

The market value of the underlying securities as at March 31, 2011 was $1,106,957,573 and $1,051,890,476 (2010: $774,106,635 and $725,098,885) for the group and the company, respectively.

12. **Accounts receivable**

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade accounts receivable	156,055	145,658	156,055	145,658
Interest and other investment income receivable	14,051	4,531	12,606	3,944
Prepayments	16,108	18,243	16,108	18,243
Other receivables and				
advances - pension scheme	5,792	5,792	5,792	5,792
- other related parties	99,256	99,891	99,256	99,891
- other	136,817	45,201	135,764	44,147
	428,079	319,316	425,581	317,675
Less: Provision for doubtful debts	(5,118)	(7,057)	(5,118)	(7,057)
	422,961	312,259	420,463	310,618

During the year, net bad debts recognised aggregated $3,614,000 (2010: $162,000) 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade accounts payable	22,705	12,891	22,705	12,891
General consumption tax payable	27,067	70,122	27,067	70,122
Other related parties	71,644	31,881	71,644	31,881
Unclaimed Dividends	551,023	533,059	551,023	533,059
Other	260,383	317,515	223,488	289,901
	932,822	965,468	895,927	937,854

Article 117 of the Articles of Association provides that dividends declared after the date of adoption of this Article which remain unclaimed after a period of twelve years from the date of declaration shall be forfeited and revert to the Company.

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.

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 statement of financial position in respect of retirement benefits are as follows:

	The Group and The Company	
	2011	2010
	$'000	$'000
Pension benefits	(278,100)	(259,200)
Post employment health and group life insurance benefits	156,000	124,300

The amounts recognised are computed as follows:

(i) Pension benefits

(a) Asset recognised in the statement of financial position:

	The Group and The Company	
	2011	2010
	$'000	$'000
Present value of funded obligations	2,440,200	1,932,600
Fair value of plan assets	(8,828,700)	(8,183,900)
Present value of net obligations	(6,388,500)	(6,251,300)
Unrecognised amount due to limitation	6,110,400	5,992,100
Asset recognised in balance sheet	(278,100)	(259,200)

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 statement of financial position:

	The Group and The Company	
	2011	2010
	$'000	$'000
Net asset at beginning of year	(259,200)	(108,400)
Contributions paid	(9,300)	(9,800)
Expenses recognised in the statement of comprehensive income	(9,600)	(141,000)
Net asset at end of year	(278,100)	(259,200)

(c) Movements in plan assets:

	The Group and The Company	
	2011	2010
	$'000	$'000
Fair value of plan assets at beginning of year	8,183,900	7,056,600
Expected return on plan assets	815,700	978,900
Contributions paid	21,100	22,500
Benefits paid	(74,100)	(151,100)
Actuarial (loss)/gain on plan assets	(117,900)	277,000
Fair value of plan assets at end of year	8,828,700	8,183,900

	The Group and The Company	
	2011	2010
	$'000	$'000
Plan assets consist of the following:		
Equities	1,586,800	1,424,100
Real property	565,000	526,800
Resale agreements	5,787,100	5,436,300
Leased assets	33,700	50,600
Net current assets	856,100	746,100
	8,828,700	8,183,900

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	
	2011	2010
	$'000	$'000
Past service costs	-	88,400
Current service costs	24,600	11,000
Interest costs	222,000	150,700
Expected return on plan assets	(815,700)	(978,900)
	(569,100)	(728,800)
Actual return on plan assets	697,800	1,255,900

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

	2011	2010
	$'000	$'000
Change in disallowed asset	118,300	38,800
Actuarial losses, net	441,200	549,000
	559,500	587,800

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

	2011	2010
	%	%
Discount rate	10.5	11.5
Expected return on plan assets	7.5	10.0
Future salary increases	7.5	8.5
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 7.5% per annum.

(h) The pension plan assets include ordinary shares issued by the company with a fair value of $847,242,484 (2010: $ 679,194,388).

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

(ii) Post employment health and group life insurance benefits

(a) Liability recognised in statement of finanacial position

	The Group and The Company	
	2011	2010
	$'000	$'000
Present value of funded obligations, being liability recognised in statement of financial position	156,000	124,300

(b) Movements in the net liability recognised in the Group's and the Company's statement of financial position:

	The Group and The Company	
	2011	2010
	$'000	$'000
Net liability at the beginning of the year	124,300	92,300
Contributions paid	(9,200)	(6,600)
Expense recognised in the statement of comprehensive income	40,900	38,600
Net liability at the end of the year	156,000	124,300

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

	The Group and The Company	
	2011	2010
	$'000	$'000
Past service costs	600	-
Current service costs	3,900	2,900
Interest on obligation	14,200	14,700
	18,700	17,600

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

	2011	2010
	$'000	$'000
Recognised during period	22,200	21,000

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

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

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

	2011 %	2010 %
Discount rate	10.5	11.5
Annual increase in health care costs	9.5	10.5

(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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Effect on the aggregate service and interest cost	3,600	3,100	2,700	2,300
Effect on the defined benefit obligation	24,300	18,700	19,200	14,900

(g) Historical information:

(i) Defined benefit pension plan:

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Present value of the defined benefit obligation	(2,440,200)	(1,932,600)	(994,900)	(1,287,500)	(896,800)
Fair value of plan assets	8,828,700	8,183,900	7,056,600	7,168,100	5,867,000
Experience adjustments on plan liabilities	(85,600)	(202,300)	87,700	254,500	(73,500)
Experience adjustments arising on plan assets	(117,900)	277,000	(953,200)	869,000	467,100

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

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

(g) Historical information (cont'd):

(ii) Post employment medical and life insurance benefits:

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Present value of the defined benefit obligation	156,000	124,300	92,300	74,500	63,100
Experience adjustments arising on plan liabilities	(22,000)	(20,200)	(11,200)	1,400	3,000

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, 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
Additions	-	21,550	53,712	75,262
Disposals and write offs	-	-	(20,231)	(20,231)
March 31, 2011	342	78,962	318,597	397,901
Depreciation:				
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
Charge for the year	-	6,333	42,551	48,884
Eliminated on disposals and write offs	-	-	(19,319)	(19,319)
March 31, 2011	-	41,328	216,383	257,711
Net book values:				
March 31, 2011	342	37,634	102,214	140,190
March 31, 2010	342	22,417	91,965	114,724
March 31, 2009	342	24,423	77,150	101,915

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, 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
Additions	-	75,262	-	75,262
Transfers	21,550	(90,300)	68,750	-
Disposals	-	-	(20,231)	(20,231)
March 31, 2011	69,947	-	270,722	340,669
Depreciation:				
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
charge for the year	6,333	-	42,342	48,675
Eliminated on disposals	-	-	(19,319)	(19,319)
March 31, 2011	34,485	-	157,625	192,110
Net book values:				
March 31, 2011	35,462	-	113,097	148,559
March 31, 2010	20,245	15,038	87,601	122,884
March 31, 2009	22,251	46,056	40,487	108,794

16. Share capital

	2011 $`000	2010 $`000
Authorised:		
485,440,000 (2010: 485,440,000) ordinary shares of no par value		
Stated, issued and fully paid:		
485,440,000 (2010: 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	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax on reserves of subsidiaries in liquidation	-	-	(81,960)	(123,479)	(81,960)	(123,479)
Accounts payable	2,679	339	-	-	2,679	339
Property, plant and equipment	6,568	-	-	(366)	6,568	(366)
Retirement benefit obligation	52,000	41,433	(92,700)	(86,400)	(40,700)	(44,967)
Accounts receivable	-	-	(4,650)	(1,500)	(4,650)	(1,500)
	61,247	41,772	(179,310)	(211,745)	(118,063)	(169,973)

The Company

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Accounts payable	2,679	339	-	-	2,679	339
Property, plant and equipment	6,568	-	-	(366)	6,568	(366)
Retirement benefit obligation	52,000	41,433	(92,700)	(86,400)	(40,700)	(44,967)
Accounts receivable	-	-	(4,202)	(1,314)	(4,202)	(1,314)
	61,247	41,772	(96,902)	(88,080)	(35,655)	(46,308)

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

The Group

	Balance at 01.04.10	Recognised in equity	Recognised in income	Balance at 31.03.11
	$'000	$'000	$'000	$'000
Deferred tax on reserves of subsidiaries in liquidation	(123,479)	41,519	-	(81,960)
Accounts payable	339	-	2,340	2,679
Property, plant and equipment	(366)	-	6,934	6,568
Retirement benefit obligation	(44,967)	193,900	(189,633)	(40,700)
Interest receivable	(1,500)	-	(3,150)	(4,650)
	(169,973)	235,419	(183,509)	(118,063)

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

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

The Company

	Balance at 01.04.10 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.11 $'000
Accounts payable	339	-	2,340	2,679
Property, plant and equipment	(366)	-	6,934	6,568
Retirement benefit obligation	(44,967)	193,900	(189,633)	(40,700)
Accounts receivable	(1,314)	-	(2,888)	(4,202)
	(46,308)	193,900	(183,247)	(35,655)

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

	2011 $'000	2010 $'000
Tax losses	246,766	264,815

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**

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 2011 $'000	2010 $'000
(a)	Purchases from related companies - cigarettes	523,679	503,083
(b)	Technical fees paid to parent company	101,746	121,600
(c)	Technical fees paid to other related company	201,387	211,905
(d)	Carreras Limited Superannuation Scheme:		
	Expenses incurred with the scheme:		
	Lease of motor vehicles and equipment	27,588	29,228
	Dividends	70,020	98,028
(e)	Key management personnel - short-term employee benefits	106,837	94,530
	- post-employment benefits	40,400	136,700
	- other long-term benefits	120,791	5,407
		268,028	236,637

All related party transactions were undertaken in the normal course business.

19. **Staff costs**

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Salaries and profit-related pay	484,969	447,693	484,969	447,693
Statutory payroll contributions	38,950	39,113	38,950	39,113
	523,919	486,806	523,919	486,806
Cost of post-retirement benefits, net	22,100	(109,000)	22,100	(109,000)
	546,019	377,806	546,019	377,806

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

	2011	2010
Permanent	89	82
Temporary	7	5
	96	87

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.

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

Financial risk management (cont'd)

(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.

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.

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

Financial risk management (cont'd)

(i) Credit risk (cont'd):

The maximum exposure to credit risk at the reporting date was:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash and cash equivalents	1,769,750	1,464,345	1,316,078	991,334
Resale agreements	997,318	741,029	946,785	693,347
Trade receivables, net	150,937	138,601	150,937	138,601
Other receivable	142,609	50,993	141,556	49,939
Due from related parties	99,256	99,891	99,256	99,891
	3,159,870	2,494,859	2,654,612	1,973,112

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Wholesale customers	74,497	88,604	74,497	88,604
Retail customers	76,440	49,997	76,440	49,997
	150,937	138,601	150,937	138,601

The age of trade receivables at the reporting date was:

	The Group		The Company	
	Gross	Impairment	Gross	Impairment
	2011	2011	2010	2010
	$'000	$'000	$'000	$'000
Not past due	126,374	-	130,156	-
Past due 0-30 days	24,299	-	8,445	-
Past due 31-120 days	3,665	(3,401)	1,493	(1,493)
More than one year	1,717	(1,717)	5,564	(5,564)
	156,055	(5,118)	145,658	(7,057)

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

Financial risk management (cont'd)

(i) Credit risk (cont'd):

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

	2011	2010
	$'000	$'000
Balance at 1 April	7,057	6,919
Impairment loss (reversed)/recognised	(1,939)	138
Balance at 31 March	5,118	7,057

(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.

At the reporting date the interest profile of the company's and the group's interest-bearing financial instruments was:

	The Group		The Company	
	Carrying amount		Carrying amount	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Variable rate instruments:				
Cash and cash equivalents	1,578,403	1,240,628	1,135,379	779,792
Resale agreements	997,318	741,029	946,785	693,347

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.

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

Financial risk management (cont'd)

(ii) Market risk (cont'd):

(a) Interest rate risk (cont'd)

	The Group Profit or loss		The Company Profit or loss	
	1% Increase $'000	1% Decrease $'000	1% Increase $'000	1% Decrease $'000
March 31, 2011				
Cash and cash equivalents	15,784	(15,784)	11,353	(11,353)
Resale agreements	9,973	(9,973)	9,467	(9,467)

	The Group Profit or loss		The Company Profit or loss	
	5% Increase $'000	10% Decrease $'000	5% Increase $'000	10% Decrease $'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)

(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

	2011			2010		
	US$ '000	GBP (£) '000	Euro (€) '000	US$ '000	GBP (£) '000	Euro (€) '000
Cash and cash equivalents	11,070	35	-	9,680	58	-
Resale agreements	478	-	-	517	-	-
Related party receivables	1,158	-	-	1,116	-	-
Other receivables	65	-	-	68	-	-
Trade payables	-	-	-	-	(1)	-
Related party payables	(838)	-	-	(361)	-	-
Other payables	(123)	(203)	-	(681)	(308)	(44)
Exposure, net	11,810	(168)	-	10,339	(251)	(44)

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

Financial risk management (cont'd)

(ii) Market risk (cont'd)

The Company

	2011			2010		
	US$ '000	GBP (£) '000	Euro (€) '000	US$ '000	GBP (£) '000	Euro (€) '000
Cash and cash equivalents	5,927	32	-	4,638	54	-
Resale agreements	478	-	-	517	-	-
Related party receivables	1,158	-	-	1,116	-	-
Other receivables	64	-	-	64	(1)	-
Related party payables	(838)	-	-	(361)	-	-
Other payables	(68)	(200)	-	(627)	(305)	(44)
Exposure, net	6,721	(168)	-	5,347	(252)	(44)

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.

The Group

	2011 Profit/(Loss) $'000		2010 Profit/(Loss) $'000	
	1% Strengthening	1% Weakening	5% Strengthening	15% Weakening
US ($)	10,489	(10,489)	45,913	(137,740)
GBP (£)	(217)	217	1,626	(4,877)
Euro (€)	-	-	299	(897)

The Company

	2011 Profit/(Loss) $'000		2010 Profit/(Loss) $'000	
	1% Strengthening	1% Weakening	5% Strengthening	15% Weakening
US ($)	5,740	(5,740)	23,783	(71,350)
GBP (£)	(231)	231	1,682	(5,045)
Euro (€)	-	-	299	(897)

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)

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

	US$	£
At March 31, 2010:	89.5082	135.0720
At March 31, 2011:	85.7486	137.2759
At May 17, 2011:	85.7352	138.7550

(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 statement of financial position.

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, 2011					
Trade accounts payable	22,705	22,705	22,705	-	-
Due to related parties	71,644	71,644	71,644	-	-
Unclaimed Dividends	551,023	551,023	551,023	-	-
Other payables	260,383	260,383	260,383	-	-
	905,755	905,755	905,755	-	-
March 31, 2010					
Trade accounts payable	12,891	12,891	12,891	-	-
Due to related parties	31,881	31,881	31,881	-	-
Unclaimed Dividends	533,059	533,059	533,059	-	-
Other payables	317,515	317,515	317,515	-	-
	895,346	895,346	895,346	-	-

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, 2011					
Trade accounts payable	22,705	22,705	22,705	-	-
Due to related parties	71,644	71,644	71,644	-	-
Unclaimed Dividends	551,023	551,023	551,023	-	-
Other payables	223,488	223,488	223,488	-	-
	868,860	868,860	868,860	-	-
March 31, 2010					
Trade accounts payable	12,891	12,891	12,891	-	-
Due to related parties	31,881	31,881	31,881	-	-
Unclaimed Dividends	533,059	533,059	533,059	-	-
Other payables	289,901	289,901	289,901	-	-
	867,732	867,732	867,732	-	-

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

	2011 $'000	2010 $'000
Declared:		
First quarter ended June 30, 2010 - 100¢ (June 30, 2009: 300¢)	485,440	1,456,320
Second quarter ended Sept 30, 2010 - 100¢ (Sept 30, 2009: 100¢)	485,440	485,440
Third quarter ended Dec 31, 2010 - 150¢ (Dec 31, 2009: 100¢)	728,160	485,440
Fourth quarter ended Mar 31, 2011 - 150¢ (Mar 31, 2010: 200¢)	728,160	970,880
	2,427,200	3,398,080

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 Company		Subsidiary	
		2011 %	2010 %	2011 %	2010 %
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		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Within one year	31,208	30,614	31,208	30,614
Subsequent years	17,981	39,723	17,981	39,723
	49,189	70,337	49,189	70,337

Payments made during the year ended March 31, 2011 aggregated:

	2011 $'000	2010 $'000
Group	37,044	38,197
Company	37,044	38,197

24. **Tax assessment**

On February 12, 2010, the Court of Appeal handed down its judgement in the appeal by its subsidiary Cigarrette 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 judgement 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. CCJ has filed its Notice of Objection and the next step is for the Commissioner to finalise the Record of Proceedings and provide a draft Statement of Facts and Issues to the Privy Council.

25. **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.

25. **Contingency (cont'd)**

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.

SSL appealed to the Privy Council. The Record of Appeal has been finalized and the Notice and Grounds of Appeal was prepared and filed at the Privy Council.

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.

CARRERAS LIMITED

ANNUAL GENERAL MEETING

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 6, 2011 at 2 p.m. and at any adjournment thereof.

SIGNED this.....day of.....2011.

SIGNATURE OF SHAREHOLDER .....

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

NOTES:

Place stamp here $100

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.

CARRERAS LIMITED

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