CARRERAS LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2016

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
CARRERAS LIMITED

Report on the Financial Statements

We have audited the separate financial statements of Carreras Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 3 to 42, which comprise the group's and the company's statements of financial position as at March 31, 2016, the group's and the company's statements of profit or loss and other 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 of financial statements that give a true and fair view 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 or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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, 2016, and of the group's and the company's financial performance 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, so far as appears from our examination of those records, 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 25, 2016

CARRERAS LIMITED

Group Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
Operating revenue	3	11,980,138	11,208,369
Cost of operating revenue	4	(6,243,890)	(5,867,203)
Gross operating profit		5,736,248	5,341,166
Other operating income	5	247,635	604,554
		5,983,883	5,945,720
Administrative, distribution and marketing expenses	6	(2,071,221)	(1,995,458)
Employee benefits expense	9(i)(d),9(ii)(c)	(9,100)	(11,900)
		(2,080,321)	(2,007,358)
Profit before income tax		3,903,562	3,938,362
Income tax	7(a)	(892,229)	(995,402)
Profit for the year		3,011,333	2,942,960
Other comprehensive (loss)/income			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	9(i)(e)	(460,900)	379,000
Remeasurement gain/(loss) on plan assets	9(i)(e)	247,000	(400)
Remeasurement gain/(loss) on obligation	9(i)(e),9(ii)(d)	127,300	(428,800)
Income tax on other comprehensive income	15(b)	58,004	71,623
Other comprehensive (losses)/income, net of tax		(28,596)	21,423
Total comprehensive income for the year		2,982,737	2,964,383
Profit attributable to:			
Non-controlling interests		142	46
Stockholders' interests in parent	8	3,011,191	2,942,914
		3,011,333	2,942,960
Total comprehensive income attributable to:			
Non-controlling interests		142	46
Stockholders' interests in parent		2,982,595	2,964,337
		2,982,737	2,964,383
Earnings per ordinary stock unit	8	620.30¢	606.24¢

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

CARRERAS LIMITED

Group Statement of Financial Position
March 31, 2016

	Notes	2016 $'000	2015 $'000
Assets			
Employee benefits asset	9(i)(a)	168,200	260,600
Property, plant and equipment	10	236,485	248,256
Non-current assets		404,685	508,856
Cash and cash equivalents	11	2,622,147	3,724,749
Accounts receivable	12	448,005	1,345,353
Income tax recoverable		16,473	422,289
Inventories	23(f)	220,879	188,572
Current assets		3,307,504	5,680,963
Total assets		3,712,189	6,189,819
Equity			
Share capital	13	121,360	121,360
Reserves:			
Unappropriated profits		1,631,980	3,028,074
Other	14	22,322	22,322
		1,654,302	3,050,396
Total attributable to stockholders of the parent		1,775,662	3,171,756
Non-controlling interest	23(b)	1,152	3,281
Total equity		1,776,814	3,175,037
Liabilities:			
Deferred tax liability	15	12,056	288,350
Employee benefits obligation	9(ii)(a)	218,700	227,500
Non-current liabilities		230,756	515,850
Current liabilities			
Accounts payable	16	1,135,063	1,280,569
Income tax payable		569,556	1,218,363
Current liabilities		1,704,619	2,498,932
Total liabilities		1,935,375	3,014,782
Total equity and liabilities		3,712,189	6,189,819

The financial statements on pages 3 to 42, were approved for issue by the Board of Directors on May 25, 2016 and signed on its behalf by:

_________________ Director
Michael G. Bernard

_________________ Director
Marcus B. Steele

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

CARRERAS LIMITED

Group Statement of Changes in Equity
Year ended March 31, 2016

	Share capital (note 13) $'000	Unappropriated profits $'000	Capital reserves (note 14) $'000	Total attributable to stockholders $'000	Non-controlling interests [note 23(b)] $'000	Total $'000
Balances at March 31, 2014	121,360	4,050,80722,3224,194,489		6,734	4,201,223	
Profit for the year	-	2,942,914	-	2,942,914	46	2,942,960
Remeasurement of employee benefits assets and obligation, net of taxes	-	(37,650)	-	(37,650)	-	(37,650)
Deferred tax on reserves of subsidiary in liquidation	-	59,073	-	59,073	-	59,073
Total comprehensive income for the year	-	7,015,144	-	7,158,826	6,780	7,165,606
Transactions with owners						
Transfer tax paid on intra-group distributions	-	(59,860)	-	(59,860)	-	(59,860)
Dividends and distributions (note 19)	-	(3,927,210)	-	(3,927,210)	(3,499)	(3,930,709)
Total transactions with owners	-	(3,987,070)	-	(3,987,070)	(3,499)	(3,990,569)
Balances at March 31, 2015	121,360	3,028,074	22,322	3,171,756	3,281	3,175,037
Profit for the year	-	3,011,191	-	3,011,191	142	3,011,333
Remeasurement of employee benefit assets and obligation, net of taxes	-	(64,950)	-	(64,950)	-	(64,950)
Deferred tax on reserves of subsidiary in liquidation	-	36,354	-	36,354	-	36,354
Total comprehensive income for the year	-	2,982,595	-	2,982,595	142	2,982,737
Transactions with owners						
Transfer tax paid on intra-group distributions	-	(38,856)	-	(38,856)	-	(38,856)
Dividends and distributions (note 19)	-	(4,339,833)	-	(4,339,833)	(2,271)	(4,342,104)
Total transactions with owners	-	(4,378,689)	-	(4,378,689)	(2,271)	(4,380,960)
Balances at March 31, 2016	121,360	1,631,980	22,322	1,775,662	1,152	1,776,814

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

CARRERAS LIMITED

Group Statement of Cash Flows
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit for the year		3,011,333	2,942,960
Adjustments for:			
Depreciation	10	62,506	65,887
Employee benefits		(3,000)	71,900
Income tax expense	7(a)	892,229	995,402
Foreign exchange gain	5	(30,692)	(45,591)
Loss/(gain) on disposal of property, plant and equipment	5	2,943	(357,648)
Investment income earned	5	(176,612)	(146,141)
		3,758,707	3,526,769
Changes in:			
Accounts receivable		894,677	299,587
Income tax recoverable		405,816	883,425
Inventories		(32,307)	106,993
Accounts payable		(145,506)	94,196
Cash generated from operations		4,881,387	4,910,970
Income tax paid		(1,798,182)	(921,850)
Net cash provided by operating activities		3,083,205	3,989,120
Cash flows from investing activities			
Investment income received		179,283	150,575
Additions to property, plant and equipment	10	(56,763)	(158,200)
Proceeds of disposal of property, plant and equipment		3,085	406,337
Net cash provided by investing activities		125,605	398,712
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities	19	(4,342,104)	(3,930,709)
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes		(1,133,294)	457,123
Effect of exchange rate changes on cash and cash equivalents		30,692	45,591
Cash and cash equivalents at beginning of year		3,724,749	3,222,035
Cash and cash equivalents at end of year	11	2,622,147	3,724,749

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

CARRERAS LIMITED

Company Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
Operating revenue	3	11,980,138	11,208,369
Cost of operating revenue	4	(6,243,890)	(5,867,203)
Gross operating profit		5,736,248	5,341,166
Other operating income	5	1,138,343	2,003,520
		6,874,591	7,344,686
Administrative, distribution and marketing expenses	6	(2,072,408)	(1,991,639)
Employee benefits expense	9(i)(d),(ii)(c)	(9,100)	(11,900)
Profit before income tax		4,793,083	5,341,147
Income tax	7(d)	(917,393)	(987,645)
Profit for the year		3,875,690	4,353,502
Other comprehensive loss			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	9(i)(e)	(460,900)	379,000
Remeasurement gain/(loss) on plan assets	9(i)(e)	247,000	(400)
Remeasurement gain/(loss) on obligation	9(i)(e),9(ii)(d)	127,300	(428,800)
Income tax on other comprehensive income	15(b)	21,650	12,550
Other comprehensive losses, net of tax		(64,950)	(37,650)
Total comprehensive income for the year		3,810,740	4,315,852

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

CARRERAS LIMITED

Company Statement of Financial Position
March 31, 2016

	Notes	2016 $'000	2015 $'000
Assets			
Deferred tax assets	15	15,257	-
Employee benefits asset	9(i)(a)	168,200	260,600
Property, plant and equipment	10	243,522	255,293
Investment in subsidiaries	20	206,294	206,294
Non-current assets		633,273	722,187
Cash and cash equivalents	11	2,011,848	3,100,877
Accounts receivable	12	448,003	469,843
Income tax recoverable		11,346	45,514
Inventories	23(f)	220,879	188,572
Current assets		2,692,076	3,804,806
Total assets		3,325,349	4,526,993
Equity			
Share capital	13	121,360	121,360
Reserves:			
Unappropriated profits		1,231,362	1,760,455
Other	14	22,322	22,322
		1,253,684	1,782,777
Total equity		1,375,044	1,904,137
Liabilities			
Deferred tax liability	15	-	8,559
Employee benefits obligation	9(ii)(a)	218,700	227,500
Non-current liabilities		218,700	236,059
Accounts payable	16	1,173,278	1,581,439
Income tax payable		558,327	805,358
Current liabilities		1,731,605	2,386,797
Total liabilities		1,950,305	2,622,856
Total equity and liabilities		3,325,349	4,526,993

The financial statements on pages 3 to 42 were approved for issue by the Board of Directors on May 25, 2016 and signed on its behalf by:

Director
Michael G. Bernard

Director
Marcus B. Steele

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

CARRERAS LIMITED

Company Statement of Changes in Equity
Year ended March 31, 2016

	Share capital (note 13) $'000	Unappropriated profits $'000	Capital reserves (note 14) $'000	Total $'000
Balances at March 31, 2014	121,360	1,371,813	22,322	1,515,495
Profit for the year	-	4,353,502	-	4,353,502
Remeasurement of employee benefit asset and obligation, net of taxes	-	(37,650)	-	(37,650)
Total comprehensive income for the year	-	4,315,852	-	4,315,852
Dividends paid (note 19), being total transactions with owners	-	(3,927,210)	-	(3,927,210)
Balances at March 31, 2015	121,360	1,760,455	22,322	1,904,137
Profit for the year	-	3,875,690	-	3,875,690
Remeasurement of employee benefit asset and obligation, net of taxes	-	(64,950)	-	(64,950)
Total comprehensive income for the year	-	3,810,740	-	3,810,740
Dividends paid (note 19), being total transactions with owners	-	(4,339,833)	-	(4,339,833)
Balances at March 31, 2016	121,360	1,231,362	22,322	1,375,044

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

CARRERAS LIMITED

Company Statement of Cash Flows
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit for the year		3,875,690	4,353,502
Adjustments for:			
Depreciation	10	62,506	65,887
Employee benefits		(3,000)	71,900
Loss/(gain) on disposal of property, plant and equipment		2,943	(357,648)
Foreign exchange loss/(gain)		23,273	(21,938)
Income tax expense	7(d)	917,393	987,645
Investment income earned	5	(165,484)	(132,466)
		4,713,321	4,966,882
Changes in:			
Accounts receivable		19,169	298,680
Income tax recoverable		34,168	1,519
Inventories		(32,307)	106,993
Accounts payable		(408,161)	(461,672)
Cash generated from operations		4,326,190	4,912,402
Income tax paid		(1,166,590)	(921,990)
Net cash provided by operating activities		3,159,600	3,990,412
Cash flows from investing activities			
Investment income received		168,155	136,755
Additions to property, plant and equipment	10	(56,763)	(158,200)
Proceeds from disposal of property, plant and equipment		3,085	406,337
Net cash provided by investing activities		114,477	384,892
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities	19	(4,339,833)	(3,927,210)
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes		(1,065,756)	448,094
Effect of exchange rate changes on cash and cash equivalents		(23,273)	21,938
Cash and cash equivalents at beginning of year		3,100,877	2,630,845
Cash and cash equivalents at end of year	11	2,011,848	3,100,877

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

CARRERAS LIMITED

Notes to the Financial Statements
March 31, 2016

1. **Identification and principal activity**

Carreras Limited ("the company") is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It 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 and listed on the London Stock Exchange. The principal activities of the company are the marketing and distribution of cigarettes.

The address of the principal place of business and the registered office of the company is 13A Ripon Road, Kingston 5, Jamaica.

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

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act.

A summary of significant accounting policies is included in note 23.

(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 company.

(c) Accounting estimates and judgements:

The preparation of the financial statements in accordance 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. 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.

Key sources of estimation uncertainty:

- Employee benefits [see notes 9 and 23(o)]:

  The amounts recognised in the statement of financial position and statement of profit or loss and other 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 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 would impact the amounts recorded in the financial statements for these obligations.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

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

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

- Allowance for losses [see notes 12 and 23(p)]:

  In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from resale agreements and receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows of impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

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. **Operating revenue**

Operating revenue for the group and the company represents the invoiced value of products and services sold and includes special consumption tax aggregating $5,122,042,000 (2015: $4,813,790,000).

4. **Cost of operating revenue**

	The Group and the Company	
	2016	2015
	$'000	$'000
Special consumption tax	5,122,042	4,813,790
Material and related costs	1,121,848	1,053,413
	6,243,890	5,867,203

5. **Other operating income**

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Interest income:				
Cash and cash equivalents	176,612	146,141	165,484	132,466
Exchange gains	30,692	45,591	-	21,938
(Loss)/gain on disposal of property, plant and equipment	(2,943)	357,648	(2,943)	357,648
Intra-group capital distribution, net	-	-	932,534	1,436,640
Unclaimed dividends written back (note 16)	23,615	34,696	23,615	34,696
Miscellaneous income	19,659	20,478	19,653	20,132
	247,635	604,554	1,138,343	2,003,520

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

6. **Expense by Nature:**

(a) Administrative Expenses:

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Staff costs	211,365	204,408	211,365	204,408
Directors' fees	6,419	5,474	6,419	5,474
Depreciation	22,374	24,617	22,374	24,617
Auditors' remuneration	8,504	7,279	7,875	6,650
Occupancy costs	43,977	43,275	43,977	43,275
Transportation and travel	67,614	68,256	67,614	68,256
Security	27,156	33,552	27,156	33,552
Insurance	27,041	24,929	27,041	24,929
Legal, professional and consultancy fees	60,086	77,479	60,086	76,850
Technical and advisory fees	100,159	118,430	100,159	118,430
Business support services	386,010	386,674	386,010	386,674
Shared Service Centre	69,928	50,596	69,928	50,596
Information technology	88,743	105,255	88,743	105,255
Bank charges	18,487	18,788	18,487	18,779
Public relations	37,617	52,956	37,617	52,956
Other expenses	35,133	36,458	36,949	33,906
	1,210,613	1,258,426	1,211,800	1,254,607

(b) Distribution expenses:

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Staff costs	316,355	293,632	316,355	293,632
Depreciation	40,132	41,270	40,132	41,270
Occupancy costs	56,492	39,222	56,492	39,222
Transportation and travel	89,147	97,033	89,147	97,033
Repairs and maintenance	3,154	514	3,154	514
Security	73,966	69,146	73,966	69,146
Insurance	5,145	4,568	5,145	4,568
Legal, professional and consultancy fees	13,020	8,212	13,020	8,212
Information technology	18,493	13,834	18,493	13,834
Restructuring costs	80,937	-	80,937	-
Other expenses	26,440	11,174	26,440	11,174
	723,281	578,605	723,281	578,605

(c) Marketing expenses:

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Sponsorship	98,978	125,273	98,978	125,273
Promotions	38,349	33,154	38,349	33,154
	137,327	158,427	137,327	158,427

Total administrative, distribution and marketing expenses	2,071,221	1,995,458	2,072,408	1,991,639

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

7. Income tax

The Group:

(a) Income tax is computed at 25% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2016 $'000	2015 $'000
Current:		
Provision for charge on current year's profit	1,191,341	1,014,504
Prior years' (over)/under provision	(80,822)	2,632
	1,110,519	1,017,136
Deferred:		
Origination and reversal of temporary differences [note 15(b)]	(218,290)	(21,734)
Income tax expense for the year	892,229	995,402

(b) Reconciliation of effective tax rate and charge:

	2016 $'000	2015 $'000
Profit before taxation	3,903,562	3,938,362
Computed "expected" tax charge at 25%	975,891	984,591
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	(3,129)	11,075
Foreign exchange gains	9,245	2,675
Adjustment in respect of prior years' provision	(80,822)	2,632
Capital (income)/expense	(32)	(6,614)
Other adjustments	(8,924)	1,043
Actual tax rate and charge	892,229	995,402
Effective tax rate	22.86%	25.27%

(c) At March 31, 2016, taxation losses in subsidiaries, subject to agreement by Tax Administration Jamaica, amounted to approximately $777,545,237 (2015: $777,570,000). These losses may be carried forward indefinitely. The amount that can be utilised in any one assessment year is restricted to 50% of chargeable income (before utilising any prior year losses) of that assessment year.

The Company:

(d) Income tax is computed at 25% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2016 $'000	2015 $'000
Current:		
Provision for charge on current year's profit	958,854	1,001,020
Prior years' (over)/under provision	(39,295)	2,632
	919,559	1,003,652
Deferred:		
Origination and reversal of temporary differences [note 15(b)]	(2,166)	(16,007)
	917,393	987,645

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

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

(e) Reconciliation of effective tax rate and charge:

	2016 $'000	2015 $'000
Profit before taxation	4,793,083	5,341,147
Computed "expected" tax charge at 25%	1,198,271	1,335,287
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	(3,129)	11,075
Foreign exchange gains	611	-
Adjustment in respect of prior years' provision	(39,295)	2,632
Capital (income)/expense	(233,165)	(365,774)
Other adjustments	(5,900)	4,425
Actual tax charge	917,393	987,645
Effective tax rate	19.14%	18.49%

8. **Earnings per ordinary stock unit**

Earnings per ordinary stock unit is calculated as follows:

	2016	2015
Profit for the year attributable to stockholders	$3,011,191,000	2,942,914,000
Ordinary Stock units in issue	485,440,000	485,440,000
Earnings per stock unit	620.30¢	606.24¢

9. **Employee benefits**

The Carreras Group Limited Superannuation Scheme ("the old scheme") was discontinued with effect from December 31, 2006 and is being wound up in accordance with the rules, applicable legislation and subject to the oversight of the Financial Services Commission ("FSC"). Benefit improvements have been agreed for the pensioners, deferred pensioners and active members of the old scheme.

A replacement fund, the Carreras Limited Superannuation Fund ("the new fund") was established with effect from January 1, 2007. The new fund is divided into two sections – a defined benefit (DB) section and a defined contribution (DC) section. The employees who were members of the old scheme are now participating in the DB section of the new fund whilst the individuals employed after December 31, 2006, are participating in the DC section of the new fund.

The liabilities in respect of current pensioners and deferred pensioners, who opted to transfer the value of their pension entitlement in the old scheme to the DB section of the new fund to provide for all future pension payments, have been transferred to the DB section. The liabilities in respect of the active members who became members of the new fund and opted to transfer the total or a part of their past service to the new fund have also been transferred.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

9. **Employee benefits (cont'd)**

The amounts recognised are computed as follows:

	The Group and the Company	
	2016	2015
	$'000	$'000
Pension benefits	(168,200)	(260,600)
Post employment health and group life insurance benefit	218,700	227,500

The amounts recognised are computed as follows:

(i) Pension benefits:

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

	The Group and the Company	
	2016	2015
	$'000	$'000
Present value of funded obligations	3,193,100	3,156,000
Fair value of plan assets	(4,338,400)	(3,888,000)
Present value of net obligations	(1,145,300)	(732,000)
Unrecognised amount due to limitation	977,100	471,400
Asset recognised in statement of financial position	(168,200)	(260,600)

(b) Movements in the net asset recognised in the statement of financial position:

	The Group and the Company	
	2016	2015
	$'000	$'000
Net asset at beginning of the year	(260,600)	(349,300)
Contributions paid	(4,600)	(5,400)
Refund from old scheme	-	75,400
Expense recognised in the statement of profit or loss and other comprehensive income	97,000	18,700
Net asset at end of the year	(168,200)	(260,600)

(c) Movements in plan assets:

	The Group and the Company	
	2016	2015
	$'000	$'000
Fair value of plan assets at beginning of the year	3,888,000	3,806,600
Interest income on plan assets	361,800	350,100
Contributions paid	10,900	12,600
Benefits paid	(169,300)	(205,500)
Distribution of surplus	-	(75,400)
Remeasurement gain/(loss) on assets	247,000	(400)
Fair value of plan assets at end of the year	4,338,400	3,888,000

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

9. **Employee benefits (cont'd)**

The amounts recognised are computed as follows (cont'd):

(i) Pension benefits (cont'd):

(c) Movements in plan assets (cont'd):

	The Group and the Company	
	2016	2015
	$'000	$'000
Plan assets consist of the following:		
Equities	832,661	549,600
Pooled pension investments	2,693,132	-
Real property	603,573	635,500
Resale agreements	19,476	2,268,800
Corporate bonds	127,175	330,600
Leased assets	-	600
Net current assets	62,383	102,900
	4,338,400	3,888,000

(d) Income recognised in profit for the year:

	The Group and the Company	
	2016	2015
	$'000	$'000
Current service costs	26,700	24,800
Interest cost on obligation	294,600	247,200
Interest income on assets	(361,800)	(350,100)
Interest on effect of asset ceiling	44,800	73,800
Gain on curtailment and settlements	(11,600)	(8,500)
	(7,300)	(12,800)

(e) Remeasurements recognised in other comprehensive income:

	2016	2015
	$'000	$'000
Change in effect of asset ceiling	460,900	(379,000)
Remeasurement (gain)/loss on plan assets	(247,000)	400
Remeasurement (gain)/loss on obligation	(109,600)	410,100
	104,300	31,500

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

	2016	2015
	%	%
Discount rate	9.00	9.5
Future salary increases	6.50	7.0
Future pension increases	5.50	6.0

Assumptions regarding future mortality are based on GAM 94 Tables with ages reduced by five years (2015: five years).

At March 31, 2016, the weighted average duration of the defined benefit obligation was 14 years (2015: 15 years).

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

9. **Employee benefits (cont'd)**

The amounts recognised are computed as follows (cont'd):

(i) Pension benefits (cont'd):

(g) Sensitivity analysis of principal actuarial assumptions:

	The Group and the Company One percentage point increase		The Group and the Company One percentage point decrease	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Discount rate	(390,100)	(395,800)	493,400	502,900
Salary increases	24,300	36,700	(22,200)	(31,900)
Pension increases	465,500	461,400	(371,600)	(368,600)

(h) Plan assets include ordinary stock units issued by the company with a fair value of $203,161,000 (2015: $125,613,000).

(ii) Post employment health and group life insurance benefits:

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

	The Group and the Company	
	2016 $'000	2015 $'000
Present value of future obligations, being liability recognised in statement of financial position	218,700	227,500

(b) Movements in the net liability recognised in the statement of financial position:

	The Group and the Company	
	2016 $'000	2015 $'000
Net liability at the beginning of the year	227,500	194,100
Contributions paid	(7,500)	(10,000)
Income/expense recognised in the statement of profit or loss and other comprehensive income	(1,300)	43,400
Net liability at the end of the year	218,700	227,500

(c) Expense recognised in profit for the year:

	The Group and the Company	
	2016 $'000	2015 $'000
Current service costs	7,100	6,600
Interest on obligation	21,700	18,600
Gain on curtailment and settlements	(12,400)	(500)
	16,400	24,700

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

9. **Employee benefits (cont'd)**

The amounts recognised are computed as follows (cont'd):

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

(d) Remeasurements recognised in other comprehensive income:

	The Group and the Company	
	2016	2015
	$'000	$'000
Remeasurement (gain)/loss on obligation	(17,700)	18,700

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

	2016	2015
	%	%
Discount rate	9.0	9.5
Annual increase in health-care costs	7.5	8.0

Actuarial assumptions regarding mortality, inflation, etc., follows the same basis on those outlined in note 9(i)(f).

(f) Sensitivity analysis of principal actuarial assumptions:

	The Group and the Company One percentage point increase		The Group and the Company One percentage point decrease	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Discount rate	(27,300)	(29,800)	34,300	38,000
Health-care cost increases	33,600	37,300	(26,700)	(29,200)
Salary increases	400	400	(300)	(300)

Impact on post-employment obligation of a one year increase/decrease in life expectancy:

The post-employment obligation would increase/decrease by about $6,800,000 (2015: $7,200,000).

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

10. **Property, plant and equipment**

The Group:

	Freehold land, buildings and leaseholds	Work-in-progress	Machinery, furniture, equipment and vehicles	Total
	$'000	$'000	$'000	$'000
Cost:				
March 31, 2014	104,733	16,314	439,182	560,229
Additions	17,609	135,241	5,350	158,200
Transfers	84,877	(135,165)	50,288	-
Disposals and write-offs	(77,020)	(115)	(84,169)	(161,304)
March 31, 2015	130,199	16,275	410,651	557,125
Additions	3,056	47,335	6,372	56,763
Transfers	24,299	(62,855)	38,556	-
Disposals and write-offs	-	-	(43,692)	(43,692)
March 31, 2016	157,554	755	411,887	570,196
Depreciation:				
March 31, 2014	62,513	-	293,084	355,597
Charge for the year	7,833	-	58,054	65,887
Eliminated on disposals	(49,076)	-	(63,539)	(112,615)
March 31, 2015	21,270	-	287,599	308,869
Charge for the year	14,293	-	48,213	62,506
Eliminated on disposals	-	-	(37,664)	(37,664)
March 31, 2016	35,563	-	298,148	333,711
Net book values:				
March 31, 2016	121,991	755	113,739	236,485
March 31, 2015	108,929	16,275	123,052	248,256

Freehold land, buildings and leaseholds for the Group and the Company include freehold land in the amount of $42,000 (2015: $42,000).

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

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

The Company:

	Freehold land, buildings and leaseholds	Work-in-progress	Machinery, furniture, equipment and vehicles	Total
	$'000	$'000	$'000	$'000
Cost:				
March 31, 2014	104,733	16,314	381,950	502,997
Additions	17,609	135,241	5,350	158,200
Transfers	84,877	(135,165)	50,288	-
Disposals	(77,020)	(115)	(84,169)	(161,304)
March 31, 2015	130,199	16,275	353,419	499,893
Additions	3,056	47,335	6,372	56,763
Transfers	24,299	(62,855)	38,556	-
Disposals	-	-	(43,692)	(43,692)
March 31, 2016	157,554	755	354,655	512,964
Depreciation:				
March 31, 2014	55,670	-	235,658	291,328
Charge for the year	7,833	-	58,054	65,887
Eliminated on disposals	(49,076)	-	(63,539)	(112,615)
March 31, 2015	14,427	-	230,173	244,600
Charge for the year	14,293	-	48,213	62,506
Eliminated on disposals	-	-	(37,664)	(37,664)
March 31, 2016	28,720	-	240,722	269,442
Net book values:				
March 31, 2016	128,834	755	113,933	243,522
March 31, 2015	115,772	16,275	123,246	255,293

11. Cash and cash equivalents

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Demand and call deposits	1,500,437	1,993,766	920,189	1,376,936
Short-term fixed deposits	1,121,710	1,730,983	1,091,659	1,723,941
	2,622,147	3,724,749	2,011,848	3,100,877

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

12. Accounts receivable

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade accounts receivable	368,793	424,312	368,793	424,312
Interest and other investment income receivable	3,044	5,715	3,044	5,715
Interest receivable from CCJ settlement (note 22)	-	875,365	-	-
Prepayments	58,104	44,535	58,102	44,535
Other receivables and advances:				
Related parties	18,026	539	18,026	539
Other	8,565	3,196	8,565	3,051
	456,532	1,353,662	456,530	478,152
Less: Allowance for impairment losses	(8,527)	(8,309)	(8,527)	(8,309)
	448,005	1,345,353	448,003	469,843

During the year, net bad debts recognised in profit or loss aggregated $3,029,000 (2015: credit of $1,982,000) for 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 18.

13. Share capital

	2016	2015
	$'000	$'000
Authorised:		
485,440,000 (2015: 485,440,000) ordinary shares of no par value		
Stated:		
Issued and fully paid:		
485,440,000 (2015: 485,440,000) stock units of no par value	121,360	121,360

14. Other reserves

	The Group and the Company	
	2016	2015
	$'000	$'000
Capital	22,322	22,322

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

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

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

The Group:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax on reserves of subsidiary in liquidation	-	-	(19,893)	(56,247)	(19,893)	(56,247)
Accounts payable	2,543	1,785	-	-	2,543	1,785
Property, plant and equipment	8,716	101	-	-	8,716	101
Employee benefits	54,675	56,875	(42,050)	(65,150)	12,625	(8,275)
Accounts receivable	-	-	(5,359)	(220,569)	(5,359)	(220,569)
Unrealised foreign exchange gain	-	-	(10,688)	(5,145)	(10,688)	(5,145)
	65,934	58,761	(77,990)	(347,111)	(12,056)	(288,350)

The Company:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Accounts payable	2,543	1,785	-	-	2,543	1,785
Property, plant and equipment	8,716	101	-	-	8,716	101
Employee benefits	54,675	56,875	(42,050)	(65,150)	12,625	(8,275)
Accounts receivable	-	-	(761)	(1,429)	(761)	(1,429)
Unrealised foreign exchange gain	-	-	(7,866)	(741)	(7,866)	(741)
	65,934	58,761	(50,677)	(67,320)	15,257	(8,559)

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

The Group:

	2016			
	Opening balance	Recognised in equity	Recognised in income [note 7(a)]	Closing balance
	$'000	$'000	$'000	$'000
Deferred tax on reserves of subsidiary in liquidation	(56,247)	36,354	-	(19,893)
Accounts payable	1,785	-	758	2,543
Property, plant and equipment	101	-	8,615	8,716
Employee benefits	(8,275)	21,650	(750)	12,625
Interest receivable	(220,569)	-	215,210	(5,359)
Unrealised foreign exchange gain	(5,145)	-	(5,543)	(10,688)
	(288,350)	58,004	218,290	(12,056)

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

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

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

The Group (cont'd):

	2015			
	Opening balance $'000	Recognised in equity $'000	Recognised in income [note 7(a)] $'000	Closing balance $'000
Deferred tax on reserves of subsidiary in liquidation	(115,320)	59,073	-	(56,247)
Accounts payable	3,130	-	(1,345)	1,785
Property, plant and equipment	4,029	-	(3,928)	101
Employee benefits	(38,800)	12,550	17,975	(8,275)
Accounts receivable	(221,378)	-	809	(220,569)
Unrealised foreign exchange gain	(13,368)	-	8,223	(5,145)
	(381,707)	71,623	21,734	(288,350)

The Company:

	2016			
	Opening balance $'000	Recognised in equity $'000	Recognised in income [note 7(d)] $'000	Closing balance $'000
Accounts payable	1,785	-	758	2,543
Property, plant and equipment	101	-	8,615	8,716
Employee benefits	(8,275)	21,650	(750)	12,625
Accounts receivable	(1,429)	-	668	(761)
Unrealised foreign exchange gain	(741)	-	(7,125)	(7,866)
	(8,559)	21,650	2,166	15,257

	2015			
	Opening balance $'000	Recognised in equity $'000	Recognised in income [note 7(d)] $'000	Closing balance $'000
Accounts payable	3,130	-	(1,345)	1,785
Property, plant and equipment	4,029	-	(3,928)	101
Employee benefits	(38,800)	12,550	17,975	(8,275)
Accounts receivable	(2,501)	-	1,072	(1,429)
Unrealised foreign exchange gain	(2,974)	-	2,233	(741)
	(37,116)	12,550	16,007	(8,559)

(c) The group has not recognised a deferred tax asset arising in subsidiaries amounting to $194,385,000 (2015: $194,393,000) in respect of unutilised tax losses of subsidiaries because it is not probable that the subsidiaries will have sufficient taxable profits in the foreseeable future to realise this benefit [see note 7(c)].

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

16. **Accounts payable**

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade accounts payable	78,765	85,780	78,765	85,780
General consumption tax payable	45,875	74,739	45,875	74,739
Related parties	53,818	201,660	106,817	518,595
Employee related	36,013	20,219	36,013	20,219
Unclaimed dividends*	623,403	661,854	618,617	658,218
Other	297,189	236,317	287,191	223,888
	1,135,063	1,280,569	1,173,278	1,581,439

*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 (see also note 5).

17. **Related party transactions and statutory disclosures**

The financial statements include the following transactions with related parties in the ordinary course of business:

	The Group and the Company	
	2016	2015
	$'000	$'000
Royalties	5,442	5,337
Purchases from related companies - cigarettes	573,671	531,543
Technical fees paid to ultimate parent company	100,159	118,430
Technical fees and business support services paid to other related company	455,938	437,270
IT support fees paid to other related company	79,442	98,482
Pension schemes:		
Lease of motor vehicles	616	1,513
Dividends paid	54,299	24,846
Directors' remuneration:		
Fees	6,419	5,474
Management remuneration	49,022	45,136
Key management personnel:		
Short-term employee benefits	95,000	75,737
Post-employment benefits	4,409	3,327

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

18. **Financial instruments and 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 and the company'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 delegates of the Board of Directors on its activities, on a monthly basis.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

18. **Financial instruments and risk management (cont'd)**

The risk management policies are established to identify and analyse the risks faced by the group, 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 activities.

(i) Credit risk:

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations, and arises principally from the group's receivables from customers, cash and investment securities.

The maximum exposure to credit risk at the reporting date is represented by the carrying value of its financial assets.

The group'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 benchmark creditworthiness may transact business with the group 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 financial history.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

The group's average credit period on the sale of goods is 28 days for certain established large (wholesale) customers and 7 days for other (retail) customers. Trade receivables over 90 days are reviewed and an allowance recognised for impairment based on an estimate of amounts that would not be recoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

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

	The Group and the Company	
	2016	2015
	$'000	$'000
Wholesale customers	225,843	279,094
Retail customers	142,950	145,218
	368,793	424,312

The age of trade receivables at the reporting date was:

	The Group and the Company			
	Gross	Impairment	Gross	Impairment
	2016	2016	2015	2015
	$'000	$'000	$'000	$'000
Not past due	338,062	-	383,995	-
Past due 7-30 days	21,749	-	26,769	-
Past due 31-120 days	8,931	(8,476)	10,949	(5,710)
More than one year	51	(51)	2,599	(2,599)
	368,793	(8,527)	424,312	(8,309)

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

18. **Financial instruments and 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:

	The Group and the Company	
	2016	2015
	$'000	$'000
Balance at 1 April	8,309	10,291
Impairment loss recognised	2,236	6,795
Bad debts recovered	(2,018)	(8,777)
Balance at 31 March	8,527	8,309

Cash and investments

Management has an investment policy in place and the group's and the 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. As regards securities purchased under resale agreements, management has a policy of obtaining collateral in the form of Government of Jamaica instruments.

(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.

(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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Fixed rate instruments:				
Cash and cash equivalents	2,622,147	3,724,749	2,011,848	3,100,877

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

18. **Financial instruments and risk management (cont'd)**

(ii) Market risk (cont'd):

(b) Foreign currency risk:

The group incurs 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, represented by balances in the respective currencies, are as follows:

The Group:

	2016		2015	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	6,693	178	9,001	184
Related party receivables	140	-	5	-
Related party payables	(422)	(2)	(713)	(106)
Other payables	(6,689)	(516)	(45)	-
Exposure, net	(278)	(340)	8,248	78

The Company:

	2016		2015	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	2,321	178	4,257	36
Related party receivables	140	-	5	-
Related party payables	(422)	(2)	(713)	(106)
Other payables	(104)	-	(45)	-
Exposure, net	1,935	176	3,504	(70)

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:

	2016 Increase/(decrease) in profit		2015 Increase/(decrease) in profit	
	6% Strengthening $'000	1% Weakening $'000	10% Strengthening $'000	1% Weakening $'000
US ($)	(2,036)	339	94,888	(9,489)
GBP (£)	(3,539)	590	1,326	(133)

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

18. **Financial instruments and risk management (cont'd)**

(ii) Market risk (cont'd):

(b) Foreign currency risk (cont'd):

The Company:

	2016		2015	
	Increase/(decrease) in profit		Increase/(decrease) in profit	
	6% Strengthening $'000	1% Weakening $'000	10% Strengthening $'000	1% Weakening $'000
US ($)	14,169	(2,362)	40,311	(4,031)
GBP (£)	1,832	(305)	(1,190)	119

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

	US$	£
At March 31, 2015:	115.0435	169.9738
At March 31, 2016:	122.0421	173.4625
At May 25, 2016:	125.4185	181.0144

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group 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 highly liquid assets.

The contractual outflows as at March 31, 2016 and 2015 for trade accounts payable, General Consumption Tax payable, due to related parties, employee related payables, unclaimed dividends and other payables are represented by their carrying amounts and may require settlement within 12 months of the reporting date.

(iv) Capital management:

The group'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 defines 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 approach to capital management during the year. Also, the group is not exposed to any externally imposed capital requirements.

(v) Fair value disclosure:

Due to their short term nature, the amounts reflected in the financial statements for cash and cash equivalents, 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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

19. Dividends and distributions

	2016 $'000	2015 $'000
Declared and paid:		
First quarter ended June 30, 2015		
Ordinary - 200¢ (2014: 175¢)	970,880	849,520
Second quarter ended September 30, 2015:		
Ordinary - 120¢ (2014: 120¢)	582,528	582,528
Special interim distribution 60¢ (2014: 134¢)	291,264	650,490
Third quarter ended December 31, 2015:		
Ordinary - 140¢ (2014: 120¢)	679,616	582,528
Special interim distribution 194¢ (2014: 100¢)	941,753	485,440
Fourth quarter ended March 31, 2016:		
Ordinary - 180¢ (2014: 160¢)	873,792	776,704
Total dividends to stockholders	4,339,833	3,927,210
Distribution to non-controlling interests, net	2,271	3,499
	4,342,104	3,930,709

20. Subsidiary companies

The subsidiary companies, all of which are incorporated in Jamaica, are as follows:

Name of company	Principal activity	Percentage of ordinary shares held by Company 2016 %	Company 2015 %	Subsidiary 2016 %	Subsidiary 2015 %
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

21. Contractual commitments

Lease commitments under operating leases at March 31, are payable as follows:

	The Group and the Company 2016 $'000	2015 $'000
Within one year	38,125	37,553
Between one year and five years	94,796	135,217
	132,921	172,770

Payments made during the year ended March 31, 2016 aggregated:

	2016 $'000	2015 $'000
The Group and Company	41,824	27,718

22. Tax assessment

In 2004, the company's subsidiary, Cigarette Company of Jamaica Limited (in voluntary liquidation) ("CCJ") received assessments for income tax claimed by the Commissioner of Taxpayer Audit and Assessment, subsequently renamed Tax Administration Jamaica (TAJ), for the years 1997 to 2002 amounting to $5.68 billion. CCJ appealed the assessment. Whilst the appeal was in progress, CCJ paid an amount of $1.73 billion to TAJ.

On March 13, 2012, after a series of judgements and appeals in lower courts, the Judicial Committee of the Privy Council handed down its decision dismissing the appeal of the TAJ with costs to CCJ. These costs have been taxed and recovered.

On December 30, 2013, the company reached an agreement with the TAJ and the Ministry of Finance & Planning ("the settlement agreement"), to recover the $1.73 billion plus interest of $1.78 billion on the outstanding sum. During the year, an offset of $0.87 billion (2015: $2.64 billion) was issued by the TAJ to the company to fully extinguish TAJ's liability to CCJ under the settlement agreement by June 2015.

23. Significant accounting policies

Certain new IFRS, interpretations of, and amendments to, existing standards which were in issue, came into effect for the current financial year. That which management considered relevant to the company are outlined below:

New or amended standards	Summary of the requirements
Improvements to IFRS *2010-2012 and 2011-2013*	- IFRS 13, *Fair Value Measurement* is amended to clarify that the issuing of the standard and consequential amendments to IAS 39 and IFRS 9 was not intended to prevent entities from measuring short-term receivables and payables that have no stated interest rateat their invoiced amounts without discounting, if the effect of not discounting is immaterial. - IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets.* The standards have been amended to clarify that, at the date of revaluation: (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortisation) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or; (ii) the accumulated depreciation (amortisation) is eliminated against the gross carrying amount of the asset.

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

New or amended standards	Summary of the requirements
Improvements to IFRS *2010-2012 and 2011-2013*	- IAS 24*, Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognised as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.
	- Amendments to IAS 19, *Defined Benefit Plans*: *Employee Contributions,* clarify the requirements that relate to how contributions from employees or third parties that are linked to services should be attributed to periods of services. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of services.

The adoption of these amendments did not result in any significant change to the presentation and disclosures in the financial statements.

The group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Set out below is an index of the significant accounting polices, the details of which are available on the pages that follows:

(a)	Basis of consolidation	33
(b)	Non-controlling interests (NCI)	33
(c)	Cash and cash equivalent	33
(d)	Accounts receivable	33
(e)	Accounts payable	33
(f)	Inventories	33
(g)	Investment in subsidiaries	33
(h)	Related parties	33-34
(i)	Property, plant and equipment	34-35
(j)	Income tax	35
(k)	Foreign currencies	35
(l)	Revenue recognition	36
(m)	Other operating income	36
(n)	Leases	36
(o)	Employee benefits	36-37
(p)	Impairment	37-38
(q)	Determination of profit or loss	38
(r)	Segment accounting	38
(s)	Financial instruments	38
(t)	Fair value	39
(u)	Dividend and distribution	39

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

(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 economic 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, 2016 and their results of operations and cash flows for the year then ended, after eliminating significant intra-group amounts. The company and its subsidiaries are collectively referred to in the financial statements as "the Group".

(b) Non-controlling interests (NCI):

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

NCI relates to a 0.01% interest in Cigarette Company of Jamaica Limited, which is in voluntary liquidation, and non-controlling interests are insignificant to the consolidated financial statements.

(c) 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.

(d) Accounts receivable:

Trade and other receivables are measured at amortised cost, less impairment losses [see note 23(p)].

(e) Accounts payable:

Accounts payable are measured 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 and the amount can be estimated reliably. 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.

(f) Inventories:

Inventories comprising finished products are measured 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.

(g) Investment in subsidiaries:

The company's investment in subsidiaries is measured at cost.

(h) Related parties:

A related party is a person or company that is related to the entity which is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

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

(h) Related parties (cont'd):

(i) A person or a close member of that person's family is related to a reporting entity if that person:

(a) has control or joint control over the reporting entity;

(b) has significant influence over the reporting entity; or

(c) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

(ii) An entity is related to a reporting entity if any of the following conditions applies:

(a) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(f) The entity is controlled, or jointly controlled, by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity or any member of a group of which it is a part, provides key management services to the entity.

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

The company has related party relationships with its ultimate parent company, British American Tobacco plc (BAT) and other subsidiaries and affiliates of the BAT Group, its subsidiaries, directors and key management personnel and companies with common directors, and its pension schemes. "Key management personnel" comprises the group's leadership team which includes executive directors and specified senior officers.

(i) Property, plant and equipment:

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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 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.

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

(i) Property, plant and equipment (cont'd):

With the exception of freehold land and work-in-progress, 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 each reporting date.

(j) 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 other comprehensive income.

(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 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.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. The group'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.

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

(l) 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, volume rebates and sales taxes.

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.

(m) Other operating income:

Other operating income is mainly comprised of interest income, gains on disposal of property, plant and equipment and refund of pension surplus. Interest income is recognised as it accrues, using the effective interest method.

(n) Leases:

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

(o) Employee benefits:

Employee benefits comprising pensions and other post-employment assets and obligations included in these financial statements have been 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 benefits assets and obligations as computed by the actuary. In carrying out their audit, the auditors make use of the work of the actuary and the actuary's report.

(i) Pension assets:

The company and its subsidiaries are participating employers in a pension scheme, the assets of which are held separately from those of the group, and remain under the full control of the appointed trustees.

The group's net obligation in respect of its defined benefit pension scheme is calculated by estimating the amount of future benefit 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 scheme assets is deducted. To the extent that the obligation is less than the fair value of scheme assets, the asset recognised is restricted to the discounted value of unconditional future benefits available to the group in the form of any future refunds from the scheme or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. 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.

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

(o) Employee benefits (cont'd):

(i) Pension assets (cont'd):

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in profit or loss as incurred.

(ii) Other post-retirement health and group life insurance benefits:

The group provides post-retirement 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 statement of financial position.

Actuarial gains and losses are recognised in a manner similar to the defined benefit pension plan.

(iii) Other employee benefits:

Employee leave entitlements are recognised as they accrue to employees. A provision is made for the estimated liability for vacation and sick leave, as a result of services rendered by employees up to the reporting date.

(p) Impairment:

The carrying amounts of the group'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 profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of 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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

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

(p) Impairment (cont'd):

(i) Calculation of recoverable amount (cont'd):

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversal of impairment losses is recognised in profit or loss, except for available-for-sale equity securities, which is recognised in other comprehensive income.

(q) Determination of profit or loss:

Profit is determined as the difference between the revenues from the goods and services rendered and the costs and other charges incurred during the year. Profits on transactions are taken in the year in which they are realised. A transaction is realised at the moment of delivery. Losses are taken in the year in which they are realised or determinable.

(r) Segment reporting:

A segment is a distinguishable component of the group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The group's activities are limited to the distribution of cigarettes to Jamaican consumers, operating in a single segment As such no additional segment information is provided.

(s) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents and accounts receivable. Similarly, financial liabilities mainly comprise accounts payable.

(t) Fair value:

Definition of fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

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

(t) Fair value (cont'd):

Determination of fair value:

The company's financial instruments lack an available trading market. 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.

(u) Dividends and distributions:

Dividends and distributions are recognised in the period in which they are declared.

24. **Standards issued but not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016 and early application is permitted; however, the Group has not early applied the following new amended standards in preparing these consolidated financial statements.

New or amended standards	**Summary of the requirements**
IFRS 9*, Financial Instruments*	Effective for annual reporting periods beginning on or after January 1, 2018, this standard replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.
IFRS 15, *Revenue from Contracts with Customers*	Effective for accounting periods beginning on or after January 1, 2018, this standard replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* IFRS 15 does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance. There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

24. Standards issued but not yet effective (cont'd)

New or amended standards	Summary of the requirements
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	These amendments are effective for accounting periods beginning on or after January 1, 2016. – The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets. – The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is in-appropriate for intangible assets.
Amendments to IAS 27 *Equity Method in Separate Financial Statements*	These amendments are effective for accounting periods beginning on or after January 1, 2016, and allow the use of the equity method in separate financial statements in respect of the accounting for subsidiaries, associates, and joint ventures.
Amendments to IFRS 10 *Consolidated Financial Statements,* and IAS 28 *Investments in Associates and Joint Ventures*	These amendments are in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint venture, and are effective for annual reporting periods beginning on or after January 1, 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognized when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations*.
IAS *1 Presentation of Financial Statements*	IAS *1*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following: – specific single disclosures that are not material do not have to be presented even if they are a minimum requirement of a standard. – the order of notes to the financial statements is not prescribed. – line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material. – specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement requirements for the statement of profit or loss and OCI. – the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

24. **Standards issued but not yet effective (cont'd)**

New or amended standards	**Summary of the requirements**
Improvements to IFRS *2012-2014* cycle	These contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the group are as follows: – IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e., reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting. - IAS 19, *Employee Benefits,* has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level. - IAS 34, *Interim Financial Reporting,* has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report". The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.
IAS 12, *Income Taxes*	These amendments are effective for accounting periods beginning on or after January 1, 2017, and clarify the following: • the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. • a deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met. • Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2016

24. **Standards issued but not yet effective (cont'd)**

New or amended standards	Summary of the requirements
IAS 12, *Income Taxes (cont'd)*	These amendments are effective for accounting periods beginning on or after January 1, 2017, and clarify the following (cont'd): • An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. • Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.
IAS 7, *Statement of Cash Flows*	These amendments are effective for accounting periods beginning on or after January 1, 2017, and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The Company is assessing the impact that these new standards or amendments will have on its 2017, 2018 and 2019 financial statements.