CARRERAS LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Members of
CARRERAS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Carreras Limited ("the company") comprising the separate financial statements of the company and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 7 to 48, which comprise the group's and company's statement of financial position as at March 31, 2022, the group's and 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 significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as at March 31, 2022, and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARRERAS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of defined benefit pension asset and other retirement benefit obligations

Key audit matter	**How the matter was addressed in our audit**
The group operates a defined benefit pension plan that provides retirement benefits to the members. The group also provides medical and life benefits for its pensioners. The valuation of these benefits depends on a number of factors and assumptions. The key assumptions include life expectancy, discount rates, inflation, and future increases in salaries, pensions and medical benefits premium. Due to the complexity of the calculations, management appointed an external actuarial expert to measuring the employee benefit asset and obligations at the reporting date. The use of significant assumptions increases the risk that management's estimate can be materially misstated. [See notes 2(c), 9 and 21(n)]	Our audit procedures in response to this matter, included: • Evaluating the independence and objectivity of the appointed actuarial expert. • Using our own actuarial specialists to assist in determining that the actuarial valuation was performed in accordance with the requirements of IAS 19 Employee Benefits. • Testing employee data and assets information provided by management to the actuarial expert. • Assessing key assumptions used by the actuary, including inflation and discount rates, by comparing them to information from independent sources. • Assessing whether disclosures in the financial statements are appropriate in respect of the group's employee benefit arrangements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARRERAS LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARRERAS LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 5 to 6, forms part of our auditors' report.

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.

The engagement partner on the audit resulting in this independent auditors' report is Nyssa Johnson.

KPMG

CHARTERED ACCOUNTANTS
Kingston, Jamaica

May 30, 2022

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARRERAS LIMITED

Appendix to the Independent Auditors' report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARRERAS LIMITED

Appendix to the Independent Auditors' report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CARRERAS LIMITED

Group Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2022

	Notes	2022 $'000	2021 $'000
Operating revenue	3	15,754,978	13,971,292
Cost of operating revenue	4	(8,179,374)	(7,158,983)
Gross operating profit		7,575,604	6,812,309
Other operating income	5	183,908	219,389
		7,759,512	7,031,698
Administrative, distribution and marketing expenses	6	(2,244,402)	(1,991,389)
Lease interest expense	11	(18,370)	(20,584)
Impairment loss reversed/ (recognised) on trade receivables	18	3,181	(2,927)
Employee benefits expense	9(i)(e),9(ii)(c)	(71,300)	(56,900)
		(2,330,891)	(2,071,800)
Profit before income tax		5,428,621	4,959,898
Income tax	7(a)	(1,355,342)	(1,221,622)
Profit for the year		4,073,279	3,738,276
Other comprehensive income/ (loss)			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	9(i)(f)	235,300	59,100
Remeasurement (loss)/ gain on plan assets	9(i)(f)	(279,500)	348,900
Remeasurement gain/ (loss) on obligation	9(i)(f),9(ii)(d)	96,100	(424,200)
Income tax on other comprehensive income/ (loss)	15(b)	(12,975)	4,050
Other comprehensive income/ (loss), net of tax		38,925	(12,150)
Total comprehensive income for the year		4,112,204	3,726,126
Profit attributable to:			
Stockholders' interests in parent	8	4,073,279	3,738,276
Total comprehensive income attributable to:			
Stockholders' interests in parent		4,112,204	3,726,126
Earnings per ordinary stock unit	8	83.91¢	77.01¢

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

CARRERAS LIMITED

Group Statement of Financial Position
March 31, 2022

	Notes	2022 $'000	2021 $'000
Assets			
Deferred tax asset	15	89,923	91,617
Employee benefits asset	9(i)(a)	83,600	92,500
Property, plant and equipment	10	533,443	443,021
Right-of-use assets	11	227,870	266,051
Non-current assets		934,836	893,189
Cash and cash equivalents	12	1,698,031	2,228,153
Accounts receivable	13	1,460,978	1,357,768
Income tax recoverable		2,535	2,479
Inventories	21(e)	1,131,647	590,841
Current assets		4,293,191	4,179,241
Total assets		5,228,027	5,072,430
Equity			
Share capital	14	121,360	121,360
Unappropriated profits		1,965,146	1,979,182
Total equity		2,086,506	2,100,542
Liabilities			
Lease liabilities	11	225,348	261,604
Employee benefits obligation	9(ii)(a)	325,600	326,100
Non-current liabilities		550,948	587,704
Accounts payable	16	1,518,708	1,466,104
Current portion of lease liabilities	11	33,000	27,955
Income tax payable		1,038,865	890,125
Current liabilities		2,590,573	2,384,184
Total liabilities		3,141,521	2,971,888
Total equity and liabilities		5,228,027	5,072,430

The financial statements on pages 7 to 48, were approved for issue by the Board of Directors on May 30, 2022, and signed on its behalf by:

_____ Director
Paul Hanworth

_____ Director
Raoul J. Glynn

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

CARRERAS LIMITED

Group Statement of Changes in Equity
Year ended March 31, 2022

	Share capital (note 14) $'000	Unappropriated profits $'000	Total $'000
Balances at March 31, 2020	121,360	1,651,136	1,772,496
Profit for the year	-	3,738,276	3,738,276
Other comprehensive loss:			
Remeasurement of employee benefit assets and obligation, net of taxes	-	(12,150)	(12,150)
Total comprehensive income for the year	-	3,726,126	3,726,126
Transactions with owners			
Dividends and distributions (note 19)	-	(3,398,080)	(3,398,080)
Balances at March 31, 2021	121,360	1,979,182	2,100,542
Profit for the year	-	4,073,279	4,073,279
Other comprehensive loss:			
Remeasurement of employee benefit assets and obligation, net of taxes	-	38,925	38,925
Total comprehensive income for the year	-	4,112,204	4,112,204
Transactions with owners			
Dividends and distributions (note 19)	-	(4,126,240)	(4,126,240)
Balances at March 31, 2022	121,360	1,965,146	2,086,506

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

CARRERAS LIMITED

Group Statement of Cash Flows
Year ended March 31, 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Profit for the year		4,073,279	3,738,276
Adjustments for:			
Depreciation	10,11	144,000	170,865
Employee benefits		60,300	46,500
Income tax expense	7(a)	1,355,342	1,221,622
Foreign exchange gain	5	(17,831)	(20,709)
Gain on disposal of property, plant and equipment	5	(8,805)	(1,351)
Interest expense	11	18,370	20,584
Investment income earned	5	(17,237)	(40,288)
		5,607,418	5,135,499
Changes in:			
Accounts receivable		(116,382)	(356,174)
Inventories		(540,806)	(126,385)
Accounts payable		52,604	331,000
Cash generated from operations		5,002,834	4,983,940
Income tax paid		(1,217,939)	(1,192,783)
Net cash provided by operating activities		3,784,895	3,791,157
Cash flows from investing activities			
Investment income received		30,409	34,000
Additions to property, plant and equipment	10	(200,462)	(174,844)
Proceeds of disposal of property, plant and equipment		13,026	6,119
Net cash used by investing activities		(157,027)	(134,725)
Cash flows from financing activities			
Payment of lease liabilities, net	11(d)	(49,581)	(75,376)
Dividends and distributions	19	(4,126,240)	(3,398,080)
Net cash used by financing activities		(4,175,821)	(3,473,456)
Net (decrease)/ increase in cash and cash equivalents before effect of foreign exchange rate changes		(547,953)	182,976
Effect of exchange rate changes on cash and cash equivalents		17,831	20,709
Cash and cash equivalents at beginning of year		2,228,153	2,024,468
Cash and cash equivalents at end of year	12	1,698,031	2,228,153

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, 2022

	Notes	2022 $'000	2021 $'000
Operating revenue	3	15,754,978	13,971,292
Cost of operating revenue	4	(8,179,374)	(7,158,983)
Gross operating profit		7,575,604	6,812,309
Other operating income	5	179,666	210,045
		7,755,270	7,022,354
Administrative, distribution and marketing expenses	6	(2,244,374)	(1,991,353)
Lease interest expense	11	(18,370)	(20,584)
Impairment loss reversed/ (recognised) on trade receivables	18	3,181	(2,927)
Employee benefits expense	9(i)(e),9(ii)(c)	(71,300)	(56,900)
Profit before income tax		5,424,407	4,950,590
Income tax	7(d)	(1,355,342)	(1,221,622)
Profit for the year		4,069,065	3,728,968
Other comprehensive income/ (loss)			
Items that will never be reclassified to profit or loss:			
Change in effect of asset ceiling	9(i)(f)	235,300	59,100
Remeasurement (loss)/ gain on plan assets	9(i)(f)	(279,500)	348,900
Remeasurement gain/ (loss) on obligation	9(i)(f),9(ii)(d)	96,100	(424,200)
Income tax on other comprehensive gain/ (loss)	15(b)	(12,975)	4,050
Other comprehensive income/ (loss), net of tax		38,925	(12,150)
Total comprehensive income for the year		4,107,990	3,716,818

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

CARRERAS LIMITED

Company Statement of Financial Position
March 31, 2022

	Notes	2022 $'000	2021 $'000
Assets			
Deferred tax asset	15	89,923	91,617
Employee benefits asset	9(i)(a)	83,600	92,500
Property, plant and equipment	10	533,443	443,021
Right-of-use assets	11	227,870	266,051
Investment in subsidiaries	20	15,549	15,549
Non-current assets		950,385	908,738
Cash and cash equivalents	12	1,596,071	2,130,346
Accounts receivable	13	1,461,121	1,357,911
Inventories	21(e)	1,131,647	590,841
Current assets		4,188,839	4,079,098
Total assets		5,139,224	4,987,836
Equity			
Share capital	14	121,360	121,360
Unappropriated profits		1,876,363	1,894,613
Total equity		1,997,723	2,015,973
Liabilities			
Lease liabilities	11	225,348	261,604
Employee benefits obligation	9(ii)(a)	325,600	326,100
Non-current liabilities		550,948	587,704
Accounts payable	16	1,518,708	1,466,104
Current portion of lease liabilities	11	33,000	27,955
Income tax payable		1,038,845	890,100
Current liabilities		2,590,553	2,384,159
Total liabilities		3,141,501	2,971,863
Total equity and liabilities		5,139,224	4,987,836

The financial statements on pages 7 to 48, were approved for issue by the Board of Directors on May 30, 2022, and signed on its behalf by:

_____ Director
Paul Hanworth

_____ Director
Raoul J. Glynn

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

CARRERAS LIMITED

Company Statement of Changes in Equity
Year ended March 31, 2022

	Share capital (note 14) $'000	Unappropriated profits $'000	Total $'000
Balances at March 31, 2020	121,360	1,575,875	1,697,235
Profit for the year	-	3,728,968	3,728,968
Other comprehensive loss:			
Remeasurement of employee benefit asset and obligation, net of taxes	-	(12,150)	(12,150)
Total comprehensive income for the year	-	3,716,818	3,716,818
Transactions with owners			
Dividends paid (note 19)	-	(3,398,080)	(3,398,080)
Balances at March 31, 2021	121,360	1,894,613	2,015,973
Profit for the year	-	4,069,065	4,069,065
Other comprehensive loss:			
Remeasurement of employee benefit asset and obligation, net of taxes	-	38,925	38,925
Total comprehensive income for the year	-	4,107,990	4,107,990
Transactions with owners			
Dividends paid (note 19)	-	(4,126,240)	(4,126,240)
Balances at March 31, 2022	121,360	1,876,363	1,997,723

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

CARRERAS LIMITED

Company Statement of Cash Flows
Year ended March 31, 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Profit for the year		4,069,065	3,728,968
Adjustments for:			
Depreciation	10,11	144,000	170,865
Employee benefits		60,300	46,500
Gain on disposal of property, plant and equipment	5	(8,805)	(1,351)
Foreign exchange gain	5	(13,614)	(11,353)
Income tax expense	7(d)	1,355,342	1,221,622
Interest expense	11	18,370	20,584
Investment income earned	5	(17,212)	(40,312)
		5,607,446	5,135,523
Changes in:			
Accounts receivable		(116,382)	(356,174)
Inventories		(540,806)	(126,385)
Accounts payable		52,604	331,000
Cash generated from operations		5,002,862	4,983,964
Income tax paid		(1,217,878)	(1,192,838)
Net cash provided by operating activities		3,784,984	3,791,126
Cash flows from investing activities			
Investment income received		30,384	34,024
Additions to property, plant and equipment	10	(200,462)	(174,844)
Proceeds from disposal of property, plant and equipment		13,026	6,119
Net cash used by investing activities		(157,052)	(134,701)
Cash flows from financing activities			
Payment of lease liabilities, net	11(d)	(49,581)	(75,376)
Dividends and distribution paid	19	(4,126,240)	(3,398,080)
Net cash used by financing activities		(4,175,821)	(3,473,456)
Net increase in cash and cash equivalents before effect of foreign exchange rate changes		(547,889)	182,969
Effect of exchange rate changes on cash and cash equivalents		13,614	11,353
Cash and cash equivalents at beginning of year		2,130,346	1,936,024
Cash and cash equivalents at end of year	12	1,596,071	2,130,346

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

CARRERAS LIMITED

Notes to the Financial Statements
March 31, 2022

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 21.

(b) Basis of measurement and functional currency:

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 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 21(n)]:

  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, 2022

2. **Statement of compliance and basis of preparation (continued)**

(c) Accounting estimates and judgements (continued):

- Allowance for impairment losses [see notes 13 and 21(o)]:

Allowances for doubtful accounts are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL").

Under the ECL model, the group analyses its accounts receivable in a matrix by days past due and determined for each age bracket an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable.

The average ECL rate increases in each segment of days past due until the rate is 100% for the applicable ageing bracket.

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 $6,901,245,000 (2021: $6,105,684,000).

4. **Cost of operating revenue**

	The Group and the Company	
	2022	2021
	$'000	$'000
Special consumption tax	6,901,245	6,105,684
Customs administration fee	428,143	393,728
Material and related costs	849,986	659,571
	8,179,374	7,158,983

Inventory write-off recognised in profit or loss is $858,000 (2021: $2,838,000).

5. **Other operating income**

	The Group		The Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Interest income	17,237	40,288	17,212	40,312
Exchange gain	17,831	20,709	13,614	11,353
Gain on disposal of property, plant and equipment	8,805	1,351	8,805	1,351
Unclaimed dividends written back (note 16)	36,267	91,036	36,267	91,036
Miscellaneous income	103,768	66,005	103,768	65,993
	183,908	219,389	179,666	210,045

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

6. **Expense by Nature:**

(a) Administrative Expenses:

	The Group		The Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Staff costs	381,517	333,138	381,517	333,138
Directors' fees	9,737	10,857	9,737	10,857
Depreciation	72,491	61,649	72,491	61,649
Auditors' remuneration	9,900	9,000	9,900	9,000
Occupancy costs	41,094	30,341	41,094	30,341
Transportation, travel and entertainment	21,433	27,071	21,433	27,071
Security	25,700	19,332	25,700	19,332
Insurance	1,327	19,603	1,327	19,603
Legal, professional and consultancy fees	70,102	85,754	70,102	85,754
Technical and advisory fees	199,192	174,931	199,192	174,931
Business support services	174,230	106,819	174,230	106,819
Repairs and maintenance	16,457	4,823	16,457	4,823
Shared service centre	42,671	46,583	42,671	46,583
Information technology	144,389	110,945	144,389	110,945
Bank charges	34,642	18,062	34,642	18,062
Other expenses	11,939	46,653	11,911	46,617
	1,256,821	1,105,561	1,256,793	1,105,525

(b) Distribution expenses:

	The Group		The Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Staff costs	495,690	431,200	495,690	431,200
Depreciation	71,509	109,216	71,509	109,216
Occupancy costs	34,324	26,554	34,324	26,554
Transportation and travel	119,619	75,575	119,619	75,575
Repairs and maintenance	1,711	1,689	1,711	1,689
Security	95,034	91,964	95,034	91,964
Insurance	13,270	4,250	13,270	4,250
Legal, professional and consultancy fees	24,966	24,165	24,966	24,165
Information technology	2,692	2,143	2,692	2,143
Other expenses	1,937	9,505	1,937	9,505
	860,752	776,261	860,752	776,261

(c) Marketing expenses:

	The Group		The Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Sponsorship	111,911	74,827	111,911	74,827
Promotions	9,892	31,531	9,892	31,531
Product development	5,026	3,209	5,026	3,209
	126,829	109,567	126,829	109,567
Total administrative, distribution and marketing expenses	2,244,402	1,991,389	2.244,374	1,991,353

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

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:

	2022 $'000	2021 $'000
Current:		
Provision for charge on current year's profit	1,366,623	1,250,180
Deferred:		
Origination and reversal of temporary differences [note 15(b)]	(11,281)	(28,558)
Income tax expense for the year	1,355,342	1,221,622

(b) Reconciliation of actual tax charge and effective tax rate:

	2022 $'000	2021 $'000
Profit before income tax	5,428,621	4,959,898
Computed "expected" tax charge at 25%	1,357,155	1,239,975
Taxation difference between profit for financial statements and tax reporting purposes on:		
Depreciation and capital allowances	14,142	18,970
Foreign exchange gains	135	2,339
IFRS 16, Leases	(9,534)	(12,321)
Items not allowed for tax purposes	(6,556)	(27,341)
Actual tax charge	1,355,342	1,221,622
Effective tax rate	24.97%	24.63%

(c) At March 31, 2022, taxation losses in subsidiaries, subject to agreement by Tax Administration Jamaica, amounted to approximately $777,748,000 (2021: $777,748,000). 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:

	2022 $'000	2021 $'000
Current:		
Provision for charge on current year's profit	1,366,623	1,250,180
Deferred:		
Origination and reversal of temporary differences [note 15(b)]	(11,281)	(28,558)
Income tax expense for the year	1,355,342	1,221,622

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

7. **Income tax (continued)**

The Company (continued):

(e) Reconciliation of actual tax charge and effective tax rate:

	2022 $'000	2021 $'000
Profit before income tax	5,424,407	4,950,590
Computed "expected" tax charge at 25%	1,356,101	1,237,648
Taxation difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	14,142	18,970
Foreign exchange gains	135	-
IFRS 16, Leases	(9,534)	(12,321)
Items not allowed for tax purposes	(5,502)	(22,675)
Actual tax charge	1,355,342	1,221,622
Effective tax rate	24.99%	24.67%

8. **Earnings per ordinary stock unit**

Earnings per ordinary stock unit is calculated as follows:

	2022	2021
Profit for the year attributable to stockholders	$4,073,279,000	3,738,276,000
Ordinary stock units in issue	4,854,400,000	4,854,400,000
Earnings per stock unit	83.91¢	77.01¢

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, 2022

9. **Employee benefits (continued)**

The amounts recognised are computed as follows:

	The Group and the Company	
	2022	2021
	$'000	$'000
Pension benefits	(83,600)	(92,500)
Post employment health and group life insurance benefit	325,600	326,100

The amounts recognised are computed as follows:

(i) Pension benefits:

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

	The Group and the Company	
	2022	2021
	$'000	$'000
Present value of funded obligations	3,666,000	3,632,200
Fair value of plan assets	(6,220,300)	(6,218,700)
Present value of net obligations	(2,554,300)	(2,586,500)
Unrecognised amount due to limitation	2,470,700	2,494,000
Asset recognised in statement of financial position	(83,600)	(92,500)

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

	The Group and the Company	
	2022	2021
	$'000	$'000
Net asset at beginning of the year	(92,500)	(86,800)
Contributions paid	(1,200)	(1,300)
(Income)/expense recognised in the statement of profit or loss and other comprehensive income	10,100	(4,400)
Net asset at end of the year	(83,600)	(92,500)

(c) Movements in present value of funded obligation:

	The Group and the Company	
	2022	2021
	$'000	$'000
Balance at start of year	3,632,200	3,254,400
Current service cost	9,900	8,200
Interest cost	300,300	205,200
Re-measurements -		
Loss from change in financial assumptions	(58,000)	376,700
Members' contributions	600	600
Benefits paid	(219,000)	(212,900)
Balance at end of year	3,666,000	3,632,200

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

9. **Employee benefits (continued)**

(i) Pension benefits (continued):

(d) Movements in plan assets:

	The Group and the Company	
	2022	2021
	$'000	$'000
Fair value of plan assets at beginning of the year	6,218,700	5,738,500
Interest income on plan assets	518,500	365,400
Contributions paid	3,000	3,200
Benefits paid	(219,000)	(212,900)
Administrative expenses	(21,400)	(24,400)
Remeasurement gain/(loss) on assets	(279,500)	348,900
Fair value of plan assets at end of the year	6,220,300	6,218,700
Plan assets consist of the following:		
Equities	2,546,600	2,612,700
Pooled pension investments	617,900	690,000
Real property	729,800	685,500
Resale agreements	84,000	36,800
Government and corporate bonds	2,133,500	2,076,600
Net current assets	108,500	117,100
	6,220,300	6,218,700

(e) Expense recognised in profit for the year:

	The Group and the Company	
	2022	2021
	$'000	$'000
Current service costs	8,700	6,900
Interest cost on obligation	300,300	205,200
Interest income on assets	(518,500)	(365,400)
Interest on effect of asset ceiling	212,000	155,800
Administrative expenses	21,400	24,400
	23,900	26,900

(f) Remeasurements recognised in other comprehensive income:

	2022	2021
	$'000	$'000
Change in effect of asset ceiling	(235,300)	(59,100)
Remeasurement loss/(gain) on plan assets	279,500	(348,900)
Remeasurement (gain)/loss on obligation	(58,000)	376,700
	(13,800)	(31,300)

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

9. **Employee benefits (continued)**

The amounts recognised are computed as follows (continued):

(i) Pension benefits (continued):

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

	2022	2021
	%	%
Discount rate	8.00	8.50
Future salary increases	6.00	6.50
Future pension increases	5.00	5.50

Assumptions regarding future mortality are based on GAM 94 Tables with ages reduced by five years (2021: five years).

At March 31, 2022, the weighted average duration of the defined benefit obligation (pension fund) was 14 years (2021: 14 years). In addition, the weighted average duration of the defined benefit obligation (medical and life) was 17 years (2021: 17 years).

(h) Sensitivity analysis of principal actuarial assumptions:

	The Group and the Company			
	One-half percentage point increase		One-half percentage point decrease	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Discount rate	(226,000)	(226,200)	252,600	253,200
Salary increases	5,500	5,700	(5,300)	(5,600)
Pension increases	246,700	246,900	(221,300)	(221,100)

(i) Plan assets include ordinary stock units issued by the company with a fair value of $307,301,000 (2021: $304,892,000).

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

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

	The Group and the Company	
	2022	2021
	$'000	$'000
Present value of future obligations, being liability recognised in statement of financial position	325,600	326,100

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

9. **Employee benefits (continued)**

The amounts recognised are computed as follows (continued):

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

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

	The Group and the Company	
	2022	2021
	$'000	$'000
Net liability at the beginning of the year	326,100	257,700
Contributions paid	(9,800)	(9,100)
Income recognised in the statement of profit or loss and other comprehensive income	9,300	77,500
Net liability at the end of the year	325,600	326,100

(c) Expense recognised in profit for the year:

	The Group and the Company	
	2022	2021
	$'000	$'000
Current service costs	18,500	12,700
Interest on obligation	28,900	17,300
	47,400	30,000

(d) Remeasurements recognised in other comprehensive income:

	The Group and the Company	
	2022	2021
	$'000	$'000
Remeasurement (gain)/loss on obligation	(38,100)	47,500

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

	2022	2021
	%	%
Discount rate	8.00	8.50
Annual increase in health-care cost	7.00	7.50

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

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

9. **Employee benefits (continued)**

The amounts recognised are computed as follows (continued):

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

(f) Sensitivity analysis of principal actuarial assumptions:

	The Group and the Company			
	One-half percentage point increase		One-half percentage point decrease	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Discount rate	(25,900)	(25,400)	29,800	28,800
Health-care cost increases	26,200	28,600	(29,100)	(25,200)
Salary increases	3,500	100	3,300	(100)

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

The post-employment obligation would increase by about $104,700,000 (2021: $102,600,000) or decrease by about $105,000,000 (2021: $102,800,000). In addition, the post-employment obligation (medical and life) would increase by about $10,900,000 (2021: $10,900,000) or decrease by about $10,800,000 (2021:$10,900,000).

10 **Property, plant and equipment**

The Group and The Company:

	Freehold land, buildings and leaseholds $'000	Work-in-progress $'000	Machinery, furniture, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2020	174,944	20,441	608,338	803,723
Additions	299	152,235	22,310	174,844
Transfers	89,066	(144,377)	55,311	-
Disposals	-	-	(11,626)	(11,626)
March 31, 2021	264,309	28,299	674,333	966,941
Additions	7,185	180,192	13,085	200,462
Transfers	34,755	(160,658)	125,903	-
Disposals	-	(2,511)	(27,583)	(30,094)
March 31, 2022	306,249	45,322	785,738	1,137,309
Depreciation:				
March 31, 2020	93,313	-	333,939	427,252
Charge for the year	17,238	-	86,288	103,526
Eliminated on disposals	-	-	(6,858)	(6,858)
March 31, 2021	110,551	-	413,369	523,920
Charge for the year	26,647	-	79,172	105,819
Eliminated on disposals	-	-	(25,873)	(25,873)
March 31, 2022	137,198	-	466,668	603,866
Net book values:				
March 31, 2022	169,051	45,322	319,070	533,443
March 31, 2021	153,758	28,299	260,964	443,021

Freehold land, buildings and leaseholds for the group and the company include freehold land in the amount of $700 (2021: $700).

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

11. **Leases**

The Group and The Company:

(i) As a lessee

The group and the company leases property and equipment. The leases typically run for 3 to 10 years, with options to renew. Some leases may have options for periodic rate adjustments to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under IAS 17. The group and the company has elected not to recognise right-of-use assets and lease liabilities for leases that are short-term and/or leases of low-value items.

Information about leases for which the group is a lessee is presented below.

(a) Right-of-use assets

	Leasehold land and buildings
	$'000
Balance at April 1, 2020	222,423
Additions to right-of-use assets	110,967
Depreciation charge for the year	(67,339)
Balance at March 31, 2021	266,051
Depreciation	(38,181)
Balances at March 31, 2022	227,870

(b) Lease liabilities

Maturity analysis – contractual undiscounted cash flows:

	2022	2021
	$'000	$'000
Less than one year	49,484	48,171
One to five years	211,129	220,349
More than five years	68,075	107,262
	338,688	375,782
Less: future interest	(70,340)	(86,223)
Total discounted lease liabilities at March 31	258,348	289,559
Less: current portion	(33,000)	(27,955)
Non-current	225,348	261,604

(c) Amounts recognised in profit or loss

	2022	2021
	$'000	$'000
Interest on lease liabilities	18,370	20,584
Expenses relating to short-term leases	9,764	3,137

(d) Amounts recognised in the statement of cash flows

	2022	2021
	$'000	$'000
Total cash outflow for leases	49,581	75,376

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

11. **Leases (continued)**

The Group and The Company:

(i) As a lessee (continued)

(e) Extension options

Some property leases contain extension options exercisable by the group up to one year before the end of the non-cancellable contract period. Where deemed appropriate, the group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the group and not by the lessors. The group and the company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The group and the company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The group and the company have estimated that potential future lease payments, should it exercise extension options in these leases, would result in an increase in lease liability of $33,140,000 (2021: $48,190,000).

12. **Cash and cash equivalents**

	The Group		The Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Demand and call deposits	1,698,031	2,228,153	1,596,071	2,130,346

The group and the company has given guarantees in the ordinary course of business under banking arrangements in favour of the Collector of Customs in the amount of $1,286,000,000 (2021: $1,674,000,000).

13. **Accounts receivable**

	The Group		The Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Trade accounts receivable	1,146,693	1,145,697	1,146,693	1,145,697
Interest and other investment income receivable	1,427	14,599	1,427	14,599
Prepayments	174,161	167,276	174,161	167,276
Related parties	24,640	19,611	24,783	19,754
General consumption tax recoverable	62,401	-	62,401	-
Other receivables and advances:				
Other	56,034	18,143	56,034	18,143
	1,465,356	1,365,326	1,465,499	1,365,469
Less: Allowance for impairment losses	(4,378)	(7,558)	(4,378)	(7,558)
	1,460,978	1,357,768	1,461,121	1,357,911

During the year, net bad debts recognised in profit or loss aggregated $3,472,000 (2021: $2,927,000) for the group and the company.

Allowances for doubtful accounts are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are recognised over their term.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

13. **Accounts receivable (continued)**

Under this ECL model, the group and the company uses accounts receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable. A weighted average ECL rate is used as at March 31, 2022 to apply against the accounts receivable balance (see note 18).

14. **Share capital**

	2022 $'000	2021 $'000
Authorised:		
4,854,400,000 (2021: 4,854,400,000) ordinary shares of no par value		
Stated:		
Issued and fully paid:		
4,854,400,000 (2021: 4,854,400,000) stock units of no par value	121,360	121,360

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

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

The Group and the Company :

	Assets		Liabilities		Net	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Accounts payable	3,812	3,861	-	-	3,812	3,861
Property, plant and equipment	19,230	21,631	-	-	19,230	21,631
Leases, net	7,608	5,877	-	-	7,608	5,877
Employee benefits	81,400	81,525	(20,900)	(23,125)	60,500	58,400
Accounts receivable	853	1,439	(356)	(3,650)	497	(2,211)
Unrealised foreign exchange gain/(loss)	-	4,059	(1,724)	-	(1,724)	4,059
Deferred tax asset/(liability)	112,903	118,392	(22,980)	(26,775)	89,923	91,617

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

The Group and the Company:

	2022			
	Opening balance $'000	Recognised in equity $'000	Recognised in profit or loss [note 7(d)] $'000	Closing balance $'000
Accounts payable	3,861	-	(49)	3,812
Property, plant and equipment	21,631	-	(2,401)	19,230
Employee benefits	58,400	(12,975)	15,075	60,500
Leases, net	5,877	-	1,731	7,608
Accounts receivable	(2,211)	-	2,708	497
Unrealised foreign exchange (loss)/gain	4,059	-	(5,783)	(1,724)
	91,617	(12,975)	11,281	89,923

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

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

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

The Group and the Company:

	2021			
	Opening balance $'000	Recognised in equity $'000	Recognised in profit or loss [note 8(a)] $'000	Closing balance $'000
Accounts payable	2,992	-	869	3,861
Property, plant and equipment	19,670	-	1,961	21,631
Employee benefits	42,725	4,050	11,625	58,400
Leases, net	2,740	-	3,137	5,877
Accounts receivable	(1,146)	-	(1,065	(2,211)
Unrealised foreign exchange gain	(7,972)	-	12,031	4,059
	59,009	4,050	25,588	91,617

(c) The group has not recognised a deferred tax asset arising in subsidiaries amounting to $194,370,000 (2021: $194,370,000) 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)].

16. **Accounts payable**

	The Group		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade accounts payable	52,313	97,009	52,313	97,009
General consumption tax payable	-	62,792	-	62,792
Related parties (see also note 17)	227,083	587,362	227,083	587,362
Employee related	60,017	55,914	60,017	55,914
Unclaimed dividends*	456,527	449,110	456,527	449,110
Other	722,768	213,917	722,768	213,917
	1,518,708	1,466,104	1,518,708	1,466,104

*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).

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

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	
	2022	2021
	$'000	$'000
Royalties	33,899	33,316
Purchases from related companies – cigarettes	833,928	707,244
Technical fees paid to ultimate parent company	199,192	174,931
Technical fees and business support services paid to other related company	174,230	104,421
IT support fees paid to other related company	187,060	155,330
Pension schemes:		
Dividends paid	29,250	24,088
Directors' remuneration:		
Fees	9,787	10,857
Management remuneration	67,547	55,397
Key management personnel:		
Short-term employee benefits	189,463	171,482
Post-employment benefits	400	-

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

Related party balances are shown in note 16 and are unsecured, interest free and repayable within 12 months of the reporting date.

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.

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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

18. **Financial instruments and risk management (continued)**

(i) Credit risk (continued):

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

Trade receivables

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.

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

	The Group and the Company	
	2022	2021
	$'000	$'000
Wholesale customers	879,809	856,616
Retail customers	266,884	289,081
	1,146,693	1,145,697

The group and company uses an allowance matrix to measure expected credit losses (ECLs) in respect of trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates.

The following table provides information about the exposure to credit risk and ECL for trade receivables as at March 31:

	The Group and the Company 2022			
Age categories	Weighted average loss rate	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
Current (not past due)	0.11%	1,009,130	1,092	No
1 - 30 days	1.14%	133,073	1,513	No
31-60 days	12.13%	3,957	480	No
61-90 days	0%	-	-	No
Over 90 days	72.61%	533	387	Yes
		1,146,693	3,472	

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

18. **Financial instruments and risk management (continued)**

(i) Credit risk (continued):

The following table provides information about the exposure to credit risk and ECL for trade receivables as at March 31 (continued):

	The Group and the Company 2021			
Age categories	Weighted average loss rate	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
Current (not past due)	0.02%	954,414	146	No
1 - 30 days	0.78%	165,918	1,315	No
31-60 days	15.41%	22,760	3,507	No
61-90 days	62.37%	42	27	No
Over 90 days	100.00%	2,563	2,563	Yes
		1,145,697	7,558	

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

	The Group and the Company	
	2022	2021
	$'000	$'000
Balance at 1 April	7,558	4,631
Impairment loss (reversed)/recognised	(3,181)	2,927
Bad debts recovered	(905)	-
Balance at 31 March	3,472	7,558

Cash and cash equivalents

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 cash equivalents are held with reputable financial institutions. Credit risk is considered to be low. The allowance for impairment is immaterial.

(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 optimising 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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

18. **Financial instruments and risk management (continued)**

(ii) Market risk (continued):

(a) Interest rate risk (continued):

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

	The Group		The Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Fixed rate instruments:				
Cash and cash equivalents	809,022	793,775	706,617	698,438

(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:

	2022		2021	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	3,374	-	4,433	20
Related party receivables	92	30	65	30
Related party payables	(1,448)	(3)	(471)	(25)
Other payables	(42)	-	(229)	-
Exposure, net	1,976	27	3,798	25

The Company:

	2022		2021	
	US$ '000	GBP (£) '000	US$ '000	GBP (£) '000
Cash and cash equivalents	2,708	-	3,767	20
Related party receivables	92	30	65	30
Related party payables	(1,448)	(3)	(471)	(25)
Other payables	(42)	-	(229)	-
Exposure, net	1,310	27	3,132	25

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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

18. **Financial instruments and risk management (continued)**

(ii) Market risk (continued):

(a) Foreign currency risk (continued):

The Group:

	2022		2021	
	Increase/(decrease) in profit		Increase/(decrease) in profit	
	8% Strengthening $'000	2% Weakening $'000	4% Strengthening $'000	2% Weakening $'000
US ($)	24,159	(6,039)	32,627	(10,876)
GBP (£)	428	(107)	287	(96)

The Company:

	2022		2021	
	Increase/(decrease) in profit		Increase/(decrease) in profit	
	8% Strengthening $'000	2% Weakening $'000	4% Strengthening $'000	2% Weakening $'000
US ($)	16,016	(4,004)	26,906	(8,969)
GBP (£)	428	(107)	287	(96)

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

	US$	£
At March 31, 2022:	152.8316	198.2163
At March 31, 2021:	143.1730	195.1613

(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, 2022 and 2021 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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

18. **Financial instruments and risk management (continued)**

(iv) Capital management (continued):

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.

19. **Dividends and distributions**

	2022 $'000	2021 $'000
Declared and paid:		
First quarter ended June 30, 2021:		
Ordinary – 25¢ (2020: 20¢)	1,213,600	970,880
Second quarter ended September 30, 2021:		
Ordinary – 16¢ (2020: 12¢)	776,704	582,528
Third quarter ended December 31, 2021 :		
Ordinary – 21¢ (2020: 17¢)	1,019,424	825,248
Fourth quarter ended March 31, 2022:		
Ordinary – 23¢ (2021: 21¢)	1,116,512	1,019,424
Total dividends to stockholders	4,126,240	3,398,080

20. **Investment in subsidiaries**

This represents costs of investment in subsidiaries as at the reporting period.

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		Subsidiary	
		2022 %	2021 %	2022 %	2021 %
Sans Souci Development Limited and its subsidiary,	Dormant	100.00	100.00	-	-
Sans Souci Limited	Dormant	-	-	100.00	100.00

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

21. **Significant accounting policies**

Certain new and amended standards and interpretations came into effect during the current financial year. The group has assessed them and has adopted those which are relevant to its financial statements. The adoption did not result in any changes to the amounts recognised or disclosed 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:

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, 2022 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) 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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

21. **Significant accounting policies (continued)**

(c) Accounts receivable:

Trade and other receivables are measured at amortised cost, less impairment losses [see note 21(o)].

(d) 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.

(e) 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.

(f) Investment in subsidiaries:

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

(g) 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").

(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.

CARRERAS LIMITED

Notes to the Financial State2ments (Continued)
March 31, 2022

21. **Significant accounting policies (continued)**

(g) Related parties (continued):

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

(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.

(h) 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.

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%
Right-of-use-assets	9% to 14% and 63%
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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

21. **Significant accounting policies (continued)**

(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 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.

(j) 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.

(k) Revenue recognition:

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer.

Nature and timing of satisfaction of performance obligations, including significant payment terms

Revenue is recognised at a point in time in the amount of the price before tax on sales expected to be received by the group for the supply of goods, as contractual performance obligations are fulfilled,when the goods are delivered and have been accepted by the customers.

Invoices are usually payable within 7 to 45 days.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

21. **Significant accounting policies (continued)**

(l) 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.

(m) Leases:

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the scheduled lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencementdate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain to terminate early.

21. **Significant accounting policies (continued)**

(m) Leases (continued):

i. As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(n) 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.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

21. **Significant accounting policies (continued)**

(n) Employee benefits (continued):

(i) Pension assets (continued):

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.

(o) Impairment:

Financial assets

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The company measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward looking information.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

21. **Significant accounting policies (continued)**

(o) Impairment (continued):

Financial assets (continued)

The company assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

The company recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to action such as realising security if any is held; or

- the financial asset is more than 90 days past due.

Life-time ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

CARRERAS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2022

21. **Significant accounting policies (continued)**

(o) Impairment (continued):

Financial assets (continued)

Write-off (continued)

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

Non- financial assets

The carrying amount of the group and company's non-financial assets (other than inventories and deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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.

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 assets' carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

(p) 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.

(q) 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.

(r) 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.

21. **Significant accounting policies (continued)**

(r) Financial instruments (continued):

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Amortised cost represents the net present value ("NPV") of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Trade and other receivables

Due to their short-term nature, the group initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

21. **Significant accounting policies (continued)**

(r) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets – Business Model assessment (continued)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

The group's objective is to hold financial assets to collect contractual cash flows. In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial liabilities

All financial liabilities are recognised initially at fair value and in the case of borrowings, plus directly attributable transaction costs. The group's financial liabilities, which mainly comprise accounts payables is recognised initially at fair value.

Financial assets and liabilities – Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in the individual policy statements associated with each item.

(iii) Derecognition

Financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of

The group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

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21. **Significant accounting policies (continued)**

(r) Financial instruments (continued):

(iii) Derecognition (continued)

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(s) 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.

Determination of fair value:

The group'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.

(t) Dividends and distributions:

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

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22. New and amended standards issued but not yet effective

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the group has not early-adopted. The group has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IAS 37 *Provision*, C*ontingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

  The group is assessing the impact that this amendment will have on its 2023 financial statements.

- Amendments to IAS 1 Presentation of Financial Statements are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments are consistent with the refined definition of material:

  "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

  The group is assessing the impact that this amendment will have on its 2024 financial statements.

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Notes to the Financial Statements (Continued)
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22. New and amended standards issued but not yet effective (continued):

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy

  Developing an accounting estimate includes both:

  - selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
  - choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

  The group is assessing the impact that this amendment will have on its 2024 financial statements.

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

  The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

  The group is assessing the impact that this amendment will have on its 2024 financial statements