

CARRERAS LIMITED
FINANCIAL STATEMENTS
MARCH 31, 2012



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

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
CARRERAS LIMITED

Report on the Financial Statements

We have audited the financial statements of Carreras Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 3 to 40, which comprise the group's and company's statements of financial position as at March 31, 2012, the group's and company's statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company as at March 31, 2012, and of the group's and company's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.



To the Members of
CARRERAS LIMITED

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

A handwritten signature in blue ink that reads 'KPMG' with a stylized flourish at the end.

Chartered Accountants
Kingston, Jamaica

May 17, 2012

CARRERAS LIMITED**Group Statement of Comprehensive Income**
Year ended March 31, 2012

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		\$'000	\$'000
Operating revenue	4	11,022,746	12,935,692
Cost of operating revenue		(5,847,357)	(6,950,221)
Gross operating profit		5,175,389	5,985,471
Employee benefit income	13(i)(d),13(ii)(c)	363,400	550,400
Other operating income	5	<u>156,451</u>	<u>126,877</u>
		<u>5,695,240</u>	<u>6,662,748</u>
Distribution and marketing expenses		(812,198)	(827,797)
Administrative expenses		(956,812)	(854,457)
		(1,769,010)	(1,682,254)
Profit before income tax	6	3,926,230	4,980,494
Income tax	7	(1,329,010)	(1,666,418)
Profit for the year		<u>2,597,220</u>	<u>3,314,076</u>
Other comprehensive loss			
Defined benefit plan actuarial losses	13(i)(e),13(ii)(d)	(163,200)	(463,400)
Change in unrecognised employee benefit asset	13(i)(e)	(243,500)	(118,300)
Income tax on other comprehensive income		135,567	193,900
Deferred tax on subsidiaries		<u>146</u>	<u>41,519</u>
Other comprehensive losses, net of tax		(270,987)	(346,281)
Total comprehensive income for the year		<u>2,326,233</u>	<u>2,967,795</u>
Profit attributable to:			
Non-controlling interests		(9)	(21)
Stockholders' interests		<u>2,597,229</u>	<u>3,314,097</u>
		<u>2,597,220</u>	<u>3,314,076</u>
Total comprehensive income attributed to:			
Non-controlling interests		(9)	(21)
Stockholders in parent		<u>2,326,242</u>	<u>2,967,816</u>
		<u>2,326,233</u>	<u>2,967,795</u>
Earnings per ordinary stock unit	8	<u>535.03¢</u>	<u>682.70¢</u>

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

CARRERAS LIMITED**Company Statement of Comprehensive Income**
Year ended March 31, 2012


	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
Operating revenue	4	11,022,746	12,935,692
Cost of operating revenue		(5,847,357)	(6,950,221)
Gross operating profit		5,175,389	5,985,471
Employee benefit income	13(i)(d),13(ii)(c)	363,400	550,400
Other operating income	5	<u>136,591</u>	<u>129,370</u>
		<u>5,675,380</u>	<u>6,665,241</u>
Expenses:			
Administrative, distribution and marketing		(1,745,433)	(1,663,442)
Profit before income tax	6	3,929,947	5,001,799
Income tax	7	(1,329,147)	(1,664,068)
Profit for the year		<u>2,600,800</u>	<u>3,337,731</u>
Other comprehensive loss			
Defined benefit plan actuarial losses	13(i)(e),13(ii)(d)	(163,200)	(463,400)
Change in unrecognised employee benefit asset	13(i)(e)	(243,500)	(118,300)
Income tax on other comprehensive income		<u>135,567</u>	<u>193,900</u>
Other comprehensive loss net of tax		(271,133)	(387,800)
Total comprehensive income for the year		<u>2,329,667</u>	<u>2,949,931</u>

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

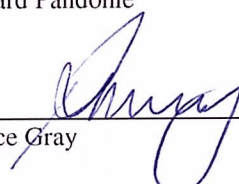
CARRERAS LIMITED**Group Statement of Financial Position**
March 31, 2012

	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
Current assets			
Cash and cash equivalents	9	1,454,575	1,769,750
Resale agreements	10	832,609	997,318
Accounts receivable	11	334,013	422,961
Income tax recoverable		112,523	111,174
Inventories	3(e)	<u>227,846</u>	<u>359,527</u>
		<u>2,961,566</u>	<u>3,660,730</u>
Current liabilities			
Accounts payable	12	978,401	932,822
Income tax payable		<u>904,318</u>	<u>1,268,710</u>
		<u>1,882,719</u>	<u>2,201,532</u>
Net current assets		<u>1,078,847</u>	<u>1,459,198</u>
Non-current assets:			
Retirement benefit asset	13	268,200	278,100
Income tax recoverable	23	1,733,137	1,733,137
Property, plant and equipment	14	<u>145,150</u>	<u>140,190</u>
		<u>2,146,487</u>	<u>2,151,427</u>
		<u>3,225,334</u>	<u>3,610,625</u>
Equity:			
Share capital	15	<u>121,360</u>	<u>121,360</u>
Reserves:			
Unappropriated profits		925,111	1,317,333
Capital		22,322	22,322
Other		<u>1,870,762</u>	<u>1,870,762</u>
		<u>2,818,195</u>	<u>3,210,417</u>
Total attributable to stockholders of the parent		2,939,555	3,331,777
Non-controlling interest		<u>4,776</u>	<u>4,785</u>
Total equity		<u>2,944,331</u>	<u>3,336,562</u>
Non-current liabilities:			
Deferred tax liability	16	108,303	118,063
Retirement benefit obligation	13	<u>172,700</u>	<u>156,000</u>
		<u>281,003</u>	<u>274,063</u>
		<u>3,225,334</u>	<u>3,610,625</u>

The financial statements on pages 3 to 40 were approved for issue by the Board of Directors on May 17, 2012 and signed on its behalf by:



Richard Pandohie Director




Patrice Gray Director

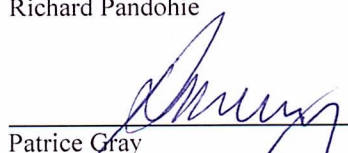
The accompanying notes form an integral part of the financial statements.

CARRERAS LIMITED**Company Statement of Financial Position**
March 31, 2012

	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
Current assets			
Cash and cash equivalents	9	1,005,558	1,316,078
Resale agreements	10	797,881	946,785
Accounts receivable	11	332,681	420,463
Income tax recoverable		30,815	28,848
Inventories	3(e)	<u>227,846</u>	<u>359,527</u>
		<u>2,394,781</u>	<u>3,071,701</u>
Current liabilities			
Accounts payable	12	955,992	895,927
Income tax payable		<u>815,999</u>	<u>1,176,905</u>
		<u>1,771,991</u>	<u>2,072,832</u>
Net current assets		<u>622,790</u>	<u>998,869</u>
Non-current assets:			
Investment in subsidiary companies	21	206,294	206,294
Retirement benefit asset	13	268,200	278,100
Property, plant and equipment	14	<u>153,133</u>	<u>148,559</u>
		<u>627,627</u>	<u>632,953</u>
		<u>1,250,417</u>	<u>1,631,822</u>
Equity:			
Share capital	15	<u>121,360</u>	<u>121,360</u>
Reserves:			
Unappropriated profits		907,688	1,296,485
Capital		<u>22,322</u>	<u>22,322</u>
		<u>930,010</u>	<u>1,318,807</u>
Total equity		<u>1,051,370</u>	<u>1,440,167</u>
Non-current liabilities:			
Deferred tax liability	16	26,347	35,655
Retirement benefit obligation	13	<u>172,700</u>	<u>156,000</u>
		<u>199,047</u>	<u>191,655</u>
		<u>1,250,417</u>	<u>1,631,822</u>

The financial statements on page 3 to 40 were approved for issue by the Board of Directors on May 17, 2012 and signed on its behalf by:

 Director
Richard Pandohie

 Director
Patrice Gray

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

CARRERAS LIMITED

Group Statement of Changes in Equity Year ended March 31, 2012

	Share capital (note 15) \$'000	Unappropriated profits \$'000	Capital reserves \$'000	Other reserve \$'000	Total attributable to stockholders \$'000	Non-controlling interests \$'000	Total \$'000
Balances at March 31, 2010	<u>121,360</u>	<u>776,717</u>	<u>22,322</u>	<u>1,870,762</u>	<u>2,791,161</u>	<u>4,806</u>	<u>2,795,967</u>
Profit for the year	-	3,314,097	-	-	3,314,097	(21)	3,314,076
Defined benefit plan actuarial gains/(losses), net of tax	-	(308,933)	-	-	(308,933)	-	(308,933)
Change in unrecognised employee benefit asset, net of tax	-	(78,867)	-	-	(78,867)	-	(78,867)
Deferred tax on reserves of subsidiaries in liquidation	<u>-</u>	<u>41,519</u>	<u>-</u>	<u>-</u>	<u>41,519</u>	<u>-</u>	<u>41,519</u>
Total comprehensive income for the year	<u>-</u>	<u>2,967,816</u>	<u>-</u>	<u>-</u>	<u>2,967,816</u>	<u>(21)</u>	<u>2,967,795</u>
Dividends paid (note 20), being total transactions with owners	<u>-</u>	<u>(2,427,200)</u>	<u>-</u>	<u>-</u>	<u>(2,427,200)</u>	<u>-</u>	<u>(2,427,200)</u>
Balances at March 31, 2011	<u>121,360</u>	<u>1,317,333</u>	<u>22,322</u>	<u>1,870,762</u>	<u>3,331,777</u>	<u>4,785</u>	<u>3,336,562</u>
Profit for the year	-	2,597,229	-	-	2,597,229	(9)	2,597,220
Defined benefit plan actuarial gains/(losses), net of tax	-	(108,800)	-	-	(108,800)	-	(108,800)
Change in unrecognised employee benefit asset, net of tax	-	(162,333)	-	-	(162,333)	-	(162,333)
Deferred tax on reserves of subsidiaries in liquidation	<u>-</u>	<u>146</u>	<u>-</u>	<u>-</u>	<u>146</u>	<u>-</u>	<u>146</u>
Total comprehensive income for the year	<u>-</u>	<u>2,326,242</u>	<u>-</u>	<u>-</u>	<u>2,326,242</u>	<u>(9)</u>	<u>2,326,233</u>
Dividends paid (note 20), being total transactions with owners	<u>-</u>	<u>(2,718,464)</u>	<u>-</u>	<u>-</u>	<u>(2,718,464)</u>	<u>-</u>	<u>(2,718,464)</u>
Balances at March 31, 2012	<u>121,360</u>	<u>925,111</u>	<u>22,322</u>	<u>1,870,762</u>	<u>2,939,555</u>	<u>4,776</u>	<u>2,944,331</u>

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

CARRERAS LIMITED**Company Statement of Changes in Equity**
Year ended March 31, 2012

	Share capital (note 15) \$'000	Unappropriated profits \$'000	Capital reserves \$'000	Total \$'000
Balances at March 31, 2010	<u>121,360</u>	<u>773,754</u>	<u>22,322</u>	<u>917,436</u>
Profit for the year	-	3,337,731	-	3,337,731
Defined benefit plan actuarial gains/(losses), net of tax	-	(308,933)	-	(308,933)
Change in unrecognised employee benefit asset, net of tax	<u>-</u>	<u>(78,867)</u>	<u>-</u>	<u>(78,867)</u>
Total comprehensive income for the year	<u>-</u>	<u>2,949,931</u>	<u>-</u>	<u>2,949,931</u>
Dividends paid (note 20), being total transactions with owners	<u>-</u>	<u>(2,427,200)</u>	<u>-</u>	<u>(2,427,200)</u>
Balances at March 31, 2011	<u>121,360</u>	<u>1,296,485</u>	<u>22,322</u>	<u>1,440,167</u>
Profit for the year	-	2,600,800	-	2,600,800
Defined benefit plan actuarial gains/(losses), net of tax	-	(108,800)	-	(108,800)
Change in employee benefit asset net of tax	<u>-</u>	<u>(162,333)</u>	<u>-</u>	<u>(162,333)</u>
Total comprehensive income for the year	<u>-</u>	<u>2,329,667</u>	<u>-</u>	<u>2,329,667</u>
Dividends paid (note 20), being total transactions with owners	<u>-</u>	<u>(2,718,464)</u>	<u>-</u>	<u>(2,718,464)</u>
Balances at March 31, 2012	<u>121,360</u>	<u>907,688</u>	<u>22,322</u>	<u>1,051,370</u>

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

CARRERAS LIMITED**Group Statement of Cash Flows**
Year ended March 31, 2012

	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
Cash flows from operating activities			
Profit for the year		2,597,220	3,314,076
Adjustments for:			
Depreciation	14	55,349	48,884
Employee benefits		(380,100)	(568,900)
Income tax expense	7	1,329,010	1,666,418
Foreign exchange (gain)/loss		(19,369)	48,911
Gain on disposal of property, plant and equipment		(6,184)	(3,533)
Investment income earned		(125,672)	(138,890)
Operating profit before changes in working capital and provisions		3,450,254	4,366,966
Changes in:			
Accounts receivable		81,605	(101,182)
Inventories		131,681	(148,429)
Accounts payable		<u>45,579</u>	<u>(32,646)</u>
Cash generated from operations		3,709,119	4,084,709
Income tax paid		<u>(1,568,798)</u>	<u>(1,105,457)</u>
Net cash provided by operating activities		<u>2,140,321</u>	<u>2,979,252</u>
Cash flows from investing activities			
Resale agreements, net		164,709	(256,289)
Investment income received		133,015	129,370
Additions to property, plant and equipment	14	(60,505)	(75,262)
Proceeds of disposal of property, plant and equipment		<u>6,380</u>	<u>4,445</u>
Net cash provided/(used) by investing activities		<u>243,599</u>	<u>(197,736)</u>
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities	20	<u>(2,718,464)</u>	<u>(2,427,200)</u>
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes		(334,544)	354,316
Effect of exchange rate changes on cash and cash equivalents		19,369	(48,911)
Cash and cash equivalents at beginning of year		<u>1,769,750</u>	<u>1,464,345</u>
Cash and cash equivalents at end of year	9	<u>1,454,575</u>	<u>1,769,750</u>

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

CARRERAS LIMITED**Company Statement of Cash Flows**
Year ended March 31, 2012

	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
Cash flows from operating activities			
Profit for the year		2,600,800	3,337,731
Adjustments for:			
Depreciation	14	55,735	48,675
Employee benefits		(380,100)	(568,900)
Gain on disposal of property, plant and equipment		(6,184)	(3,533)
Foreign exchange (gain)/loss		(11,454)	30,081
Income tax expense	7	1,329,147	1,664,068
Investment income earned		(113,727)	(122,553)
Operating profit before changes in working capital and provisions		3,474,217	4,385,569
Changes in:			
Accounts receivable		80,131	(101,183)
Inventories		131,680	(148,428)
Accounts payable		<u>60,065</u>	<u>(41,926)</u>
Cash generated from operations		3,746,093	4,094,032
Income tax paid		<u>(1,565,761)</u>	<u>(1,101,643)</u>
Net cash provided by operating activities		<u>2,180,332</u>	<u>2,992,389</u>
Cash flows from investing activities			
Investments, net		148,904	(253,438)
Investment income received		121,379	113,891
Additions to property, plant and equipment	14	(60,505)	(75,262)
Proceeds of disposal of property, plant and equipment		<u>6,380</u>	<u>4,445</u>
Net cash provided/(used) by investing activities		<u>216,158</u>	<u>(210,364)</u>
Cash flows from financing activities			
Dividends paid, being net cash used by financing activities	20	<u>(2,718,464)</u>	<u>(2,427,200)</u>
Net (decrease)/increase in cash and cash equivalents before effect of foreign exchange rate changes		(321,974)	354,825
Effect of foreign exchange rate changes		11,454	(30,081)
Cash and cash equivalents at beginning of year		<u>1,316,078</u>	<u>991,334</u>
Cash and cash equivalents at end of year	9	<u>1,005,558</u>	<u>1,316,078</u>

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

CARRERAS LIMITED**Notes to the Financial Statements**
March 31, 2012**1. Identification and principal activity**

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

The address of the principal place of business and the registered office of the company is Twickenham Park, St. Catherine, Jamaica.

2. Statement of compliance and basis of preparation**(a) Statement of compliance:***New and revised standards and interpretations that became effective during the year*

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

- Revised IAS 24 *Related Party Disclosures* (effective for annual reporting periods beginning on or after January 1, 2011). This revision introduced changes to related party disclosure requirements for government-related entities and amends the definition of a related party. Aside from the change to the change to the definition of a related party in note 2(g), this revision did not have any other impact on these financial statements.

New and revised standards and interpretations that are not yet effective

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

- *IAS 1, Presentation of Financial Statements*, has been amended (effective July 1, 2012) to require a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from ‘Statement of Comprehensive Income’ to ‘Statement of Profit or Loss and Other Comprehensive Income’. However, an entity is still allowed to use other titles.
- *IAS 19 Employee Benefits* (effective January 1, 2013) has been amended to require all actuarial gains and losses to be recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss. It also requires the expected return on plan assets recognized in profit or loss to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard.

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**2. Statement of compliance and basis of preparation (cont'd)****(a) Statement of compliance (cont'd):**

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

- *Disclosures—Transfer of Financial Assets (Amendments to IFRS 7)* (effective July 1, 2011). The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets.
- *IFRS 9, Financial Instruments (2010)*, (effective January 1, 2015), retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, *Financial Instruments: Recognition and Measurement*, on the recognition and de-recognition of financial assets and financial liabilities.
- *IFRS 10 Consolidated Financial Statements* (effective January 1, 2013) supersedes IAS 27 *Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008).
- *IFRS 13 Fair Value Measurement* (effective January 1, 2013) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The company is assessing the impact, if any, that the amendments and new standards will have on its 2013-15 financial statements.

(b) Basis of preparation:

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

(c) Accounting estimates and judgements:

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances. Actual amounts could differ from these estimates.

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**2. Statement of compliance and basis of preparation (cont'd)****(c) Accounting estimates and judgements (cont'd):**

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:

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

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

- Allowance for losses:

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

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

3. Significant accounting policies**(a) Basis of consolidation:**

Subsidiaries are entities controlled by the company. Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain 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, 2012 and their results of operations and cash flows for the year then ended, after eliminating all significant intra-group amounts. The company and its subsidiaries are collectively referred to in the financial statements as "the Group".

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**3. Significant accounting policies (cont'd)****(b) Cash and cash equivalents:**

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. The amounts included are short-term fixed deposits.

(c) Resale agreements:

Securities purchased under resale agreements ('resale agreements') are short-term transactions in which the group and the company make funds available to other parties and in turn receive securities which they agree to resell on a specified date at a specified price. Resale agreements are accounted for as short-term collateralised lending, and carried at amortised cost.

The difference between the purchase and resale consideration is recognised on the accrual basis over the period of the contract using the effective interest method and is included in interest income.

(d) Accounts receivable:

Trade and other receivables are stated at amortised cost, less impairment losses.

(e) Inventories:

Inventories comprising finished products are valued at the lower of cost, determined principally on the weighted average cost basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(f) Accounts payable:

Accounts payable are stated at amortised cost.

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

(g) Related parties:

A related party is a person or entity that is related to the entity that 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;

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**3. Significant accounting policies (cont'd)****(g) Related parties (cont'd):**

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

- (a) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (f) 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.
- (g) The entity is controlled, or jointly controlled, by a person identified in (i).
- (h) 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).

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 a related party relationship 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. "Key management personnel" represents certain senior officers of the company.

(h) Property, plant and equipment:

Items of property, plant and equipment are stated 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 the company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

With the exception of freehold land, on which no depreciation is provided, property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of such assets, at the following annual rates:

Buildings	1.4% to 2.5%
Leasehold improvements	8% to 11%
Machinery, furniture and equipment	3.3% to 33.3%
Motor vehicles	20% to 33.3%

The depreciation methods, useful lives and residual values are reassessed annually at each reporting date.

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**3. Significant accounting policies (cont'd)****(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 using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. The group's and the company's monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling at that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(k) Revenue recognition:

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, receipt of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods.

(l) Other operating income:

Other operating income comprises interest income, dividend income, gains on disposal of property, plant and equipment, investment property and investments. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the group's and the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(m) Leases:

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

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**3. Significant accounting policies (cont'd)****(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 the company, and remain under the full control of the appointed trustees.

The group's and the company's net obligation in respect of their 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. 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 and the company's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit and loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in profit or loss.

All actuarial gains or losses are recognised immediately in other comprehensive income net of deferred tax.

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 and the company provide 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.

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**3. Significant accounting policies (cont'd)****(n) Employee benefits (cont'd):****(iii) Other employee benefits:**

Employee leave entitlements are recognised when 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:

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the group's and the company's profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the group's and the company's investments in loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. An impairment loss in respect of an available-for-sale investment is calculated by reference to its current fair value. Receivables with a short duration are not discounted.

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

(ii) Reversals of impairment:

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

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

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

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

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**3. Significant accounting policies (cont'd)****(p) Fair value:**

Definition of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price. If no quoted market price exists, the fair value is determined using other appropriate valuation methodologies.

Fair values shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

Determination of fair value:

The fair value of all financial instruments included in current assets and current liabilities are considered to approximate their carrying values, due to their short-term nature. The fair values of amounts due from and due to subsidiary companies are assumed to approximate carrying values. The fair value of the underlying securities of resale agreements is based on the bid price of the securities at the end of the reporting period.

(q) Dividends and distributions:

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

4. Operating revenue

Operating revenue for the group and the company represents the invoiced value of products and services sold, inclusive of special consumption and excise taxes, and exclude intra-group trading.

5. Other operating income

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Interest income:				
Cash and cash equivalents	66,281	72,565	57,555	60,217
Resale agreements	59,391	66,325	56,172	62,336
Exchange gains/(losses)	19,369	(48,911)	11,454	(30,081)
Gain on disposal of property, plant and equipment	6,184	3,533	6,184	3,533
Miscellaneous income	<u>5,226</u>	<u>33,365</u>	<u>5,226</u>	<u>33,365</u>
	<u>156,451</u>	<u>126,877</u>	<u>136,591</u>	<u>129,370</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**6. Profit before income tax**

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Depreciation	55,349	48,884	55,735	48,675
Auditors' remuneration	5,756	5,470	5,184	4,840
Directors' emoluments:				
Fees	5,192	5,150	5,192	5,150
Management services	<u>48,577</u>	<u>206,335</u>	<u>48,577</u>	<u>206,335</u>

7. Income tax

The Group:

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

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Current:		
Provision for charge on current year's profit	1,188,720	1,482,817
Adjustment in respect of prior year's provision	<u>14,337</u>	<u>92</u>
	1,203,057	1,482,909
Deferred:		
Origination and reversal of temporary differences (note 16)	<u>125,953</u>	<u>183,509</u>
	<u>1,329,010</u>	<u>1,666,418</u>

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

	<u>2012</u>		<u>2011</u>	
	%	\$'000	%	\$'000
Profit before taxation		<u>3,926,230</u>		<u>4,980,494</u>
Computed "expected" tax charge	33.33	1,308,743	33.33	1,660,165
Taxation difference between profit for financial statements and tax reporting purposes on –				
Effect of tax losses	(0.05)	(21)	0.06	2,937
Depreciation and capital allowances	2.64	10,349	(0.14)	(7,131)
Gain on sale of investments and fixed assets	(0.53)	(2,061)	(0.03)	(1,482)
Unrealised foreign exchange (loss)/gains	(0.64)	(2,502)	0.24	12,029
Prior year under provision	3.65	14,337	-	92
Other adjustments	<u>0.07</u>	<u>165</u>	<u>-</u>	<u>(192)</u>
Actual tax rate and charge	<u>38.47</u>	<u>1,329,010</u>	<u>33.46</u>	<u>1,666,418</u>

- (c) At March 31, 2012 taxation losses in subsidiaries, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, amounted to approximately \$809,654,000 (2011: \$803,299,000).

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**7. Income tax (cont'd)**

The Company:

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

	<u>2012</u> \$'000	<u>2011</u> \$'000
Current:		
Provision for charge on current year's profit	1,188,551	1,480,821
Adjustment in respect of prior year's provision	<u>14,337</u>	<u>-</u>
	1,202,888	1,480,821
Deferred:		
Origination and reversal of temporary differences (note 16)	<u>126,259</u>	<u>183,247</u>
	<u>1,329,147</u>	<u>1,664,068</u>

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

	<u>2012</u>		<u>2011</u>	
	%	\$'000	%	\$'000
Profit before taxation		<u>3,929,947</u>		<u>5,001,799</u>
Computed "expected" tax charge	33.33	1,309,982	33.33	1,667,266
Taxation difference between profit for financial statements and tax reporting purposes on –				
Depreciation and capital allowances	2.63	10,349	(1.43)	(7,131)
Gain on sale of investments and fixed assets	(0.52)	(2,061)	(0.30)	(1,482)
Unrealised foreign exchange gains	(0.88)	(3,460)	0.11	5,654
Prior year under provision	3.65	14,337	-	-
Other adjustments	<u>-</u>	<u>-</u>	<u>(0.05)</u>	<u>(239)</u>
Actual tax rate and charge	<u>38.21</u>	<u>1,329,147</u>	<u>31.66</u>	<u>1,664,068</u>

8. Earnings per ordinary stock unit

Earnings per ordinary stock unit is calculated by dividing the profit attributable to stockholders of \$2,597,229,000 (2011: \$3,314,097,000) by the 485,440,000 stock units in issue in both 2012 and 2011.

9. Cash and cash equivalents

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u> \$'000	<u>2011</u> \$'000	<u>2012</u> \$'000	<u>2011</u> \$'000
Demand and call deposits	1,065,937	981,825	666,946	587,567
Short-term fixed deposits	<u>388,638</u>	<u>787,925</u>	<u>338,612</u>	<u>728,511</u>
	<u>1,454,575</u>	<u>1,769,750</u>	<u>1,005,558</u>	<u>1,316,078</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**10. Resale agreements**

The market value of the underlying securities, all of which are Government of Jamaica securities, as at March 31, 2012, was \$850,845,708 and \$814,506,163 (2011: \$1,106,957,573 and \$1,051,890,476) for the group and the company, respectively.

11. Accounts receivable

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Trade accounts receivable	157,286	156,055	157,286	156,055
Interest and other investment income receivable	6,708	14,051	4,954	12,606
Prepayments	15,783	16,108	15,783	16,108
Other receivables and				
advances - pension scheme	5,792	5,792	5,792	5,792
- other related parties	97,370	99,256	97,370	99,256
- other	<u>56,705</u>	<u>136,817</u>	<u>57,127</u>	<u>135,764</u>
	339,644	428,079	338,312	425,581
Less: Allowance for impairment losses	(<u>5,631</u>)	(<u>5,118</u>)	(<u>5,631</u>)	(<u>5,118</u>)
	<u>334,013</u>	<u>422,961</u>	<u>332,681</u>	<u>420,463</u>

During the year, net bad debts recognised aggregated \$2,888,000 (2011: \$3,614,000) in the group and the company.

The group and the company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 19.

12. Accounts payable

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Trade accounts payable	14,494	22,705	14,494	22,705
General consumption tax payable	46,741	27,067	46,741	27,067
Related parties	200,550	80,875	200,550	80,875
Employee related	49,542	169,677	49,542	169,677
Unclaimed dividends	581,372	552,288	580,107	551,023
Other	<u>85,702</u>	<u>80,210</u>	<u>64,558</u>	<u>44,580</u>
	<u>978,401</u>	<u>932,822</u>	<u>955,992</u>	<u>895,927</u>

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.

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**13. Retirement benefit (asset)/obligation**

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 actuarial valuation has been prepared allowing for the improvement in benefits in the new fund both in respect of service before and after December 31, 2006. 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, will be 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 will also be transferred. The scheme of distribution of surplus in the old scheme has been approved by the FSC and the trustees have been actively engaged in the process of winding-up.

The amounts recognised in the statements of financial position in respect of retirement benefits are as follows:

	<u>The Group and The Company</u>	
	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Pension benefits	(268,200)	(278,100)
Post employment health and group life insurance benefits	<u>172,700</u>	<u>156,000</u>

The amounts recognised are computed as follows:

(i) Pension benefits:**(a) Asset recognised in the statement of financial position:**

	<u>The Group and The Company</u>	
	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Present value of funded obligations	2,315,900	2,440,200
Fair value of plan assets	(8,938,000)	(8,828,700)
Present value of net obligations	(6,622,100)	(6,388,500)
Unrecognised amount due to limitation	<u>6,353,900</u>	<u>6,110,400</u>
Asset recognised in statement of financial position	(<u>268,200</u>)	(<u>278,100</u>)

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**13. Retirement benefit (asset)/obligation (cont'd)****(i) Pension benefits (cont'd)****(b) Movements in the net asset recognised in the statements of financial position:**

	<u>The Group and The Company</u>	
	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Net asset at beginning of year	(278,100)	(259,200)
Contributions paid	(8,200)	(9,300)
Expenses recognised in the statement of comprehensive income	<u>18,100</u>	<u>(9,600)</u>
Net asset at end of year	<u>(268,200)</u>	<u>(278,100)</u>

(c) Movements in plan assets:

	<u>The Group and The Company</u>	
	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Fair value of plan assets at beginning of year	8,828,700	8,183,900
Expected return on plan assets	644,200	815,700
Contributions paid	18,900	21,100
Benefits paid	(498,800)	(74,100)
Actuarial loss on plan assets	<u>(55,000)</u>	<u>(117,900)</u>
Fair value of plan assets at end of year	<u>8,938,000</u>	<u>8,828,700</u>

	<u>The Group and The Company</u>	
	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Plan assets consist of the following:		
Equities	1,637,000	1,586,800
Real property	551,000	565,000
Resale agreements	5,230,600	5,787,100
Leased assets	17,500	33,700
Net current assets	<u>1,501,900</u>	<u>856,100</u>
	<u>8,938,000</u>	<u>8,828,700</u>

(d) Expenses recognised in profit and loss:

	<u>The Group and The Company</u>	
	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Current service costs	24,900	24,600
Interest costs	233,600	222,000
Expected return on plan assets	<u>(644,200)</u>	<u>(815,700)</u>
	<u>(385,700)</u>	<u>(569,100)</u>
Actual return on plan assets	<u>589,200</u>	<u>697,800</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**13. Retirement benefit (asset)/obligation (cont'd)****(i) Pension benefits (cont'd):****(e) Actuarial losses recognised in other comprehensive income:**

	<u>2012</u> \$'000	<u>2011</u> \$'000
Change in disallowed asset	243,500	118,300
Actuarial losses, net	<u>160,300</u>	<u>441,200</u>
	<u>403,800</u>	<u>559,500</u>

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

	<u>2012</u> %	<u>2011</u> %
Discount rate	10.0	10.5
Expected return on plan assets	7.0	7.5
Future salary increases	7.0	7.5
Future pension increases	<u>5.0</u>	<u>6.0</u>

Assumptions regarding future mortality are based on PA (90) Tables with ages reduced by six years.

(g) Plan assets include ordinary stock units issued by the company with a fair value of \$882,253,000 (2011: \$847,242,000).**(ii) Post employment health and group life insurance benefits:****(a) Liability recognised in the statements of financial position:**

	<u>The Group and The Company</u> <u>2012</u> \$'000	<u>2011</u> \$'000
Present value of funded obligations, being liability recognised in statement of financial position	<u>172,700</u>	<u>156,000</u>

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

	<u>The Group and The Company</u> <u>2012</u> \$'000	<u>2011</u> \$'000
Net liability at the beginning of the year	156,000	124,300
Contributions paid	(8,500)	(9,200)
Expense recognised in the statement of comprehensive income	<u>25,200</u>	<u>40,900</u>
Net liability at the end of the year	<u>172,700</u>	<u>156,000</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**13. Retirement benefit (asset)/obligation (cont'd)**

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

(c) Expense recognised in profit and loss:

	<u>The Group and The Company</u>	
	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Past service costs	-	600
Current service costs	5,800	3,900
Interest on obligation	<u>16,500</u>	<u>14,200</u>
	<u>22,300</u>	<u>18,700</u>

(d) Actuarial loss recognised in other comprehensive income:

	<u>The Group and The Company</u>	
	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Actuarial loss, net	<u>2,900</u>	<u>22,200</u>

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

	<u>2012</u>	<u>2011</u>
	%	%
Discount rate	10.0	10.5
Annual increase in health care costs	<u>9.0</u>	<u>9.5</u>

(f) Assumed health care cost trends have a significant effect on the amounts recognised in the statement of comprehensive income. A one percent point change in assumed health care cost trend rates would have the following effects:

	<u>The Group and The Company</u>			
	<u>One percentage point increase</u>		<u>One percentage point decrease</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Effect on the aggregate service and interest cost	4,600	3,600	(3,500)	(2,700)
Effect on the defined benefit obligation	<u>27,600</u>	<u>24,300</u>	<u>(21,700)</u>	<u>(19,200)</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**13. Retirement benefit (asset)/obligation (cont'd)**

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

(g) Historical information:

(i) Defined benefit pension plan:

	<u>2012</u> \$'000	<u>2011</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2008</u> \$'000
Present value of the defined benefit obligation	(2,315,900)	(2,440,200)	(1,932,600)	(994,900)	(1,287,500)
Fair value of plan assets	<u>8,938,000</u>	<u>8,828,700</u>	<u>8,183,900</u>	<u>7,056,600</u>	<u>7,168,100</u>
Experience adjustments on plan liabilities	(226,600)	(85,600)	(202,300)	87,700	254,500
Experience adjustments arising on plan assets	(55,000)	(117,900)	277,000	(953,200)	869,000

(ii) Post employment medical and life insurance benefits:

	<u>2012</u> \$'000	<u>2011</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2008</u> \$'000
Present value of the defined benefit obligation	<u>172,700</u>	<u>156,000</u>	<u>124,300</u>	<u>92,300</u>	<u>74,500</u>
Experience adjustments arising on plan liabilities	(2,800)	(22,000)	(20,200)	(11,200)	1,400

14. Property, plant and equipment

The Group:

	<u>Freehold land</u> \$'000	<u>Buildings and leasehold improvements</u> \$'000	<u>Work-in-progress, machinery, furniture, equipment and vehicles</u> \$'000	<u>Total</u> \$'000
Cost:				
March 31, 2010	342	57,412	285,116	342,870
Additions	-	21,550	53,712	75,262
Disposals and write offs	-	-	(20,231)	(20,231)
March 31, 2011	342	78,962	318,597	397,901
Additions	-	14,669	45,836	60,505
Disposals and write offs	-	-	(16,879)	(16,879)
March 31, 2012	<u>342</u>	<u>93,631</u>	<u>347,554</u>	<u>441,527</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**14. Property, plant and equipment (cont'd)**

The Group (cont'd):

	Freehold land \$'000	Buildings and leasehold improvements \$'000	Work-in-progress, machinery, furniture, equipment and vehicles \$'000	Total \$'000
Depreciation:				
March 31, 2010	-	34,995	193,151	228,146
Charge for the year	-	6,333	42,551	48,884
Eliminated on disposals and write offs	-	-	(19,319)	(19,319)
March 31, 2011	-	41,328	216,383	257,711
Charge for the year	-	8,420	46,929	55,349
Eliminated on disposals	-	-	(16,683)	(16,683)
March 31, 2012	-	<u>49,748</u>	<u>246,629</u>	<u>296,377</u>
Net book values:				
March 31, 2012	<u>342</u>	<u>43,883</u>	<u>100,925</u>	<u>145,150</u>
March 31, 2011	<u>342</u>	<u>37,634</u>	<u>102,214</u>	<u>140,190</u>

The Company:

	Freehold land and buildings \$'000	Work- in-progress \$'000	Machinery, furniture, equipment and vehicles \$'000	Total \$'000
Cost:				
March 31, 2010	48,397	15,038	222,203	285,638
Additions	-	75,262	-	75,262
Transfers	21,550	(90,300)	68,750	-
Disposals	-	-	(20,231)	(20,231)
March 31, 2011	69,947	-	270,722	340,669
Additions	-	60,505	-	60,505
Transfers	14,669	(36,418)	21,749	-
Disposals	-	-	(16,879)	(16,879)
March 31, 2012	<u>84,616</u>	<u>24,087</u>	<u>275,592</u>	<u>384,295</u>
Depreciation:				
March 31, 2010	28,152	-	134,602	162,754
Charge for the year	6,333	-	42,342	48,675
Eliminated on disposals	-	-	(19,319)	(19,319)
March 31, 2011	34,485	-	157,625	192,110
Charge for the year	8,420	-	47,315	55,735
Eliminated on disposals	-	-	(16,683)	(16,683)
March 31, 2012	<u>42,905</u>	<u>-</u>	<u>188,257</u>	<u>231,162</u>
Net book values:				
March 31, 2012	<u>41,711</u>	<u>24,087</u>	<u>87,335</u>	<u>153,133</u>
March 31, 2011	<u>35,462</u>	<u>-</u>	<u>113,097</u>	<u>148,559</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**15. Share capital**

	<u>2012</u> \$'000	<u>2011</u> \$'000
Authorised:		
485,440,000 (2011: 485,440,000) ordinary shares of no par value		
Stated, issued and fully paid:		
485,440,000 (2011: 485,440,000) stock units of no par value	<u>121,360</u>	<u>121,360</u>

16. Deferred tax asset/(liability)

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

The Group:

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax on reserves of subsidiaries in liquidation	-	-	(81,814)	(81,960)	(81,814)	(81,960)
Accounts payable	2,199	2,679	-	-	2,199	2,679
Property, plant and equipment	4,937	6,568	-	-	4,937	6,568
Retirement benefit obligation	57,567	52,000	(89,400)	(92,700)	(31,833)	(40,700)
Accounts receivable	-	-	(1,792)	(4,650)	(1,792)	(4,650)
	<u>64,703</u>	<u>61,247</u>	<u>(173,006)</u>	<u>(179,310)</u>	<u>(108,303)</u>	<u>(118,063)</u>

The Company:

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accounts payable	2,199	2,679	-	-	2,199	2,679
Property, plant and equipment	4,937	6,568	-	-	4,937	6,568
Retirement benefit obligation	57,567	52,000	(89,400)	(92,700)	(31,833)	(40,700)
Accounts receivable	-	-	(1,650)	(4,202)	(1,650)	(4,202)
	<u>64,703</u>	<u>61,247</u>	<u>(91,050)</u>	<u>(96,902)</u>	<u>(26,347)</u>	<u>(35,655)</u>

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

The Group:

	Balance at <u>31.03.11</u> \$'000	Recognised <u>in equity</u> \$'000	Recognised <u>in income</u> \$'000	Balance at <u>31.03.12</u> \$'000
Deferred tax on reserves of subsidiaries in liquidation	(81,960)	146	-	(81,814)
Accounts payable	2,679	-	(480)	2,199
Property, plant and equipment	6,568	-	(1,631)	4,937
Retirement benefit obligation	(40,700)	135,567	(126,700)	(31,833)
Interest receivable	(4,650)	-	2,858	(1,792)
	<u>(118,063)</u>	<u>135,713</u>	<u>(125,953)</u>	<u>(108,303)</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**16. Deferred tax asset/(liability) (cont'd)**

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

The Company:

	Balance at <u>31.03.11</u> \$'000	Recognised <u>in equity</u> \$'000	Recognised <u>in income</u> \$'000	Balance at <u>31.03.12</u> \$'000
Accounts payable	2,679	-	(480)	2,199
Property, plant and equipment	6,568	-	(1,631)	4,937
Retirement benefit obligation	(40,700)	135,567	(126,700)	(31,833)
Accounts receivable	(4,202)	-	2,552	(1,650)
	<u>(35,655)</u>	<u>135,567</u>	<u>(126,259)</u>	<u>(26,347)</u>

(c) The group has not recognised a deferred tax asset arising in subsidiaries in respect of unutilised tax losses of subsidiaries amounting to \$269,885,000 (2011: \$246,766,000) because it is not probable that the subsidiaries will have sufficient taxable profits in the foreseeable future to realise this benefit (see note 7).

17. Related party transactions

The statements of comprehensive income include the following expenses incurred in transactions with related parties, in the ordinary course of business.

		<u>The Group and the Company</u>	
		<u>2012</u>	<u>2011</u>
		\$'000	\$'000
(a)	Purchases from related companies - cigarettes	<u>461,817</u>	<u>523,679</u>
(b)	Technical fees paid to ultimate parent company	<u>121,026</u>	<u>101,746</u>
(c)	Technical fees paid to other related company	<u>209,654</u>	<u>201,387</u>
(d)	Carreras Limited Superannuation Scheme:		
	Expenses incurred with the Scheme:		
	Lease of motor vehicles	23,195	27,588
	Dividends	<u>81,223</u>	<u>70,020</u>
(e)	Key management personnel		
	- short-term employee benefits	98,917	106,837
	- post-employment benefits	-	40,400
	- other long-term benefits	<u>15,348</u>	<u>120,791</u>
		<u>114,265</u>	<u>268,028</u>

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

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**18. Staff costs**

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Salaries and profit-related pay	510,105	484,969	510,105	484,969
Statutory payroll contributions	<u>43,456</u>	<u>38,950</u>	<u>43,456</u>	<u>38,950</u>
	553,561	523,919	553,561	523,919
Cost of post-retirement benefits, net	<u>34,800</u>	<u>22,100</u>	<u>34,800</u>	<u>22,100</u>
	<u>588,361</u>	<u>546,019</u>	<u>588,361</u>	<u>546,019</u>

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

	<u>2012</u>	<u>2011</u>
Permanent	94	89
Temporary	<u>4</u>	<u>7</u>
	<u>98</u>	<u>96</u>

19. Financial instruments and risk management

The group and the company 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 and the company'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 and the company's activities.

(i) Credit risk:

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

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**19. Financial instruments and risk management (cont'd)****(i) Credit risk (con'd):**

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	1,454,575	1,769,750	1,005,558	1,316,078
Resale agreements	832,609	997,318	797,881	946,785
Trade accounts receivables, net	151,655	150,937	151,655	150,937
Other accounts receivables	84,988	172,768	83,656	170,270
Due from related parties	<u>97,370</u>	<u>99,256</u>	<u>97,370</u>	<u>99,256</u>
	<u>2,621,197</u>	<u>3,190,029</u>	<u>2,136,120</u>	<u>2,683,326</u>

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.

Credit risk is monitored according to each customer's characteristics, such as whether it is an individual or company, its geographic location, industry, aging profile, and previous financial difficulties.

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

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

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

	<u>The Group</u>		<u>The Company</u>	
	Carrying amount		Carrying amount	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Wholesale customers	75,733	74,497	75,733	74,497
Retail customers	<u>75,922</u>	<u>76,440</u>	<u>75,922</u>	<u>76,440</u>
	<u>151,655</u>	<u>150,937</u>	<u>151,655</u>	<u>150,937</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**19. Financial instruments and risk management (cont'd)****(i) Credit risk (cont'd):***Trade receivables (cont'd)*

The age of trade receivables at the reporting date was:

	<u>The Group and the Company</u>			
	<u>Gross</u> <u>2012</u> \$'000	<u>Impairment</u> <u>2012</u> \$'000	<u>Gross</u> <u>2011</u> \$'000	<u>Impairment</u> <u>2011</u> \$'000
Not past due	134,983	-	126,374	-
Past due 7-30 days	16,042	-	24,299	-
Past due 31-120 days	1,373	(743)	3,665	(3,401)
More than one year	<u>4,888</u>	<u>(4,888)</u>	<u>1,717</u>	<u>(1,717)</u>
	<u>157,286</u>	<u>(5,631)</u>	<u>156,055</u>	<u>(5,118)</u>

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

	<u>2012</u> \$'000	<u>2011</u> \$'000
Balance at 1 April	5,118	7,057
Impairment loss recognised/(reversed)	<u>513</u>	<u>(1,939)</u>
Balance at 31 March	<u>5,631</u>	<u>5,118</u>

Cash and investments

Management has an investment policy in place and the group's and the company's exposure to credit risk is monitored on an ongoing basis. Cash and investments are held with financial institutions which management considers to be sound and financially strong. As it regards securities purchased under resale agreements, management has a policy of obtaining collateral in the form of pledged Government of Jamaica instruments.

(ii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(a) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**19. Financial instruments and risk management (cont'd)**

(ii) Market risk (cont'd):

(a) Interest rate risk (cont'd):

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

	<u>The Group</u> Carrying amount		<u>The Company</u> Carrying amount	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Variable rate instruments:				
Cash and cash equivalents	852,026	1,578,403	708,980	1,135,379
Resale agreements	<u>832,609</u>	<u>997,318</u>	<u>797,881</u>	<u>946,785</u>

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	<u>March 31, 2012</u>			
	<u>The Group</u> Profit or Loss		<u>The Company</u> Profit or Loss	
	1%	1%	1%	1%
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	8,520	(8,520)	7,090	(7,090)
Resale agreements	<u>8,326</u>	<u>(8,326)</u>	<u>7,979</u>	<u>(7,979)</u>

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

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**19. Financial instruments and risk management (cont'd)**

(ii) Market risk (cont'd):

(b) Foreign currency risk:

The group and the company incur foreign currency risk primarily on purchases that are denominated in a currency other than the Jamaica dollar. The principal foreign currency risks of the group and the company, represented by balances in the respective currencies, are as follows:

The Group:

	<u>2012</u>		<u>2011</u>	
	US\$ '000	GBP (£) '000	US\$ '000	GBP (£) '000
Cash and cash equivalents	9,247	15	11,070	35
Resale agreements	478	-	478	-
Related party receivables	1,113	-	1,158	-
Other receivables	9	-	65	-
Related party payables	(1,664)	(277)	(838)	(203)
Other payables	(382)	-	(123)	-
Exposure, net	<u>8,801</u>	<u>(262)</u>	<u>11,810</u>	<u>(168)</u>

The Company:

	<u>2012</u>		<u>2011</u>	
	US\$ '000	GBP (£) '000	US\$ '000	GBP (£) '000
Cash and cash equivalents	4,225	14	5,927	32
Resale agreements	478	-	478	-
Related party receivables	1,113	-	1,158	-
Other receivables	9	-	64	-
Related party payables	(1,664)	(277)	(838)	(200)
Other payables	(327)	-	(68)	-
Exposure, net	<u>3,834</u>	<u>(263)</u>	<u>6,721</u>	<u>(168)</u>

Sensitivity analysis

Strengthening or weakening of the currencies against the Jamaica dollar would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

The Group:

	<u>2012</u>		<u>2011</u>	
	Profit/(Loss)		Profit/(Loss)	
	1% <u>Strengthening</u> \$'000	1% <u>Weakening</u> \$'000	1% <u>Strengthening</u> \$'000	1% <u>Weakening</u> \$'000
US (\$)	7,652	(7,652)	10,489	(10,489)
GBP (£)	(365)	<u>365</u>	(217)	<u>217</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**19. Financial instruments and risk management (cont'd)**

(ii) Market risk (cont'd)

(b) Foreign currency risk (cont'd)

Sensitivity analysis (cont'd)

The Company:

	2012		2011	
	Profit/(Loss)		Profit/(Loss)	
	1% <u>Strengthening</u>	1% <u>Weakening</u>	1% <u>Strengthening</u>	1% <u>Weakening</u>
	\$'000	\$'000	\$'000	\$'000
US (\$)	3,333	(3,333)	5,740	(5,740)
GBP (£)	(<u>366</u>)	<u>366</u>	(<u>231</u>)	<u>231</u>

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

	<u>US\$</u>	<u>£</u>
At March 31, 2011:	85.7486	137.2759
At March 31, 2012:	87.3000	139.2794
At May 17, 2012:	87.8300	138.9908

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group and the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity problems may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed facilities. The group manages its liquidity risk by maintaining a substantial portion of its financial assets in liquid form. An analysis of the contractual maturities of the group's and the company's financial liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

The following are the contractual maturities of financial liabilities:

The Group:

	<u>Contractual undiscounted cash flows</u>		
	Carrying <u>amount</u>	Total cash <u>outflow</u>	Within <u>1 year</u>
	\$'000	\$'000	\$'000
March 31, 2012:			
Trade accounts payable	14,494	14,494	14,494
Due to related parties	200,550	200,550	200,550
Employee related	49,542	49,542	49,542
Unclaimed dividends	581,372	581,372	581,372
Other payables	<u>85,702</u>	<u>85,702</u>	<u>85,702</u>
	<u>931,660</u>	<u>931,660</u>	<u>931,660</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**19. Financial instruments and risk management (cont'd)****(iii) Liquidity risk (cont'd):**

The following are the contractual maturities of financial liabilities (cont'd):

The Group (cont'd):

	<u>Contractual undiscounted cash flows</u>		
	<u>Carrying amount</u>	<u>Total cash outflow</u>	<u>Within 1 year</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
March 31, 2011:			
Trade accounts payable	22,705	22,705	22,705
Due to related parties	80,875	80,875	80,875
Employee related	169,677	169,677	169,677
Unclaimed dividends	552,288	552,288	552,288
Other payables	<u>80,210</u>	<u>80,210</u>	<u>80,210</u>
	<u>905,755</u>	<u>905,755</u>	<u>905,755</u>

The Company:

	<u>Contractual undiscounted cash flows</u>		
	<u>Carrying amount</u>	<u>Total cash outflow</u>	<u>Within 1 year</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
March 31, 2012:			
Trade accounts payable	14,494	14,494	14,494
Due to related parties	200,550	200,550	200,550
Employee related	49,542	49,542	49,542
Unclaimed dividends	580,107	580,107	580,107
Other payables	<u>64,558</u>	<u>64,558</u>	<u>64,558</u>
	<u>909,251</u>	<u>909,251</u>	<u>909,251</u>
March 31, 2011:			
Trade accounts payable	22,705	22,705	22,705
Due to related parties	80,875	80,875	80,875
Employee related	169,677	169,677	169,677
Unclaimed dividends	551,023	551,023	551,023
Other payables	<u>44,580</u>	<u>44,580</u>	<u>44,580</u>
	<u>868,860</u>	<u>868,860</u>	<u>868,860</u>

(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 and the company define as net operating income divided by total shareholders' equity.

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**19. Financial instruments and risk management (cont'd)****(iv) Capital management (cont'd):**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the group's approach to capital management during the year. Also, the group and the company are 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, resale agreements, 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.

20. Dividends

	<u>2012</u> \$'000	<u>2011</u> \$'000
Declared and paid:		
First quarter ended June 30, 2011 - 150¢ (June 30, 2010: 100¢)	728,160	485,440
Second quarter ended Sept 30, 2011 - 150¢ (Sept 30, 2010: 100¢)	728,160	485,440
Third quarter ended Dec 31, 2011 - 130¢ (Dec 31, 2010: 150¢)	631,072	728,160
Fourth quarter ended Mar 31, 2012 - 130¢ (Mar 31, 2011 150¢)	<u>631,072</u>	<u>728,160</u>
	<u>2,718,464</u>	<u>2,427,200</u>

21. Subsidiary companies

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

<u>Name of company</u>	<u>Principal activity</u>	Percentage of ordinary shares held by			
		<u>Company</u>		<u>Subsidiary</u>	
		<u>2012</u> %	<u>2011</u> %	<u>2012</u> %	<u>2011</u> %
Cigarette Company of Jamaica Limited (In Voluntary Liquidation)	Inactive (voluntary liquidation in process)	99.99	99.99	-	-
Sans Souci Development Limited and its subsidiary, Sans Souci Limited	Dormant	100.00	100.00	-	-
	Dormant	<u>-</u>	<u>-</u>	<u>100.00</u>	<u>100.00</u>

22. Contractual commitments

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u> \$'000	<u>2011</u> \$'000	<u>2012</u> \$'000	<u>2011</u> \$'000
Within one year	18,648	31,208	18,648	31,208
Subsequent years	<u>10,382</u>	<u>17,981</u>	<u>10,382</u>	<u>17,981</u>
	<u>29,030</u>	<u>49,189</u>	<u>29,030</u>	<u>49,189</u>

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012**22. Contractual commitments (cont'd)**

Payments made during the year ended March 31, 2012 aggregated:

	<u>2012</u> \$'000	<u>2011</u> \$'000
The Group and Company	<u>33,409</u>	<u>37,044</u>

23. Tax assessment

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

On April 26, 2010 the Court of Appeal granted the application by the Commissioner for leave to appeal to the Privy Council; however, the application for a stay of execution was refused.

Final leave to Appeal to the Privy Council was granted on February 28, 2011. On March 13, 2012 the Privy Council handed down its decision dismissing the Appeal of the Commissioner Taxpayer Audit and Assessment with costs to CCJ. The costs in relation to this appeal have not yet been taxed.

Payment remains outstanding in respect of taxation recoverable in the amount of \$1,733,137,000 and interest payable thereon, and in respect of costs awarded to CCJ to be taxed.

Interest and costs awarded in relation to the judgment have not been recognised in these financial statements.

24. Other contingencies

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

SSL was initially unsuccessful in the 2004 suit when it was heard in the Supreme Court. On December 12, 2008, the Court of Appeal ordered that the Appeal against the award of damages be allowed and the matter was remitted to the arbitrators for them to reconsider the "issue of damages" only. The Court of Appeal ordered VRL to pay SSL half the costs of the appeal.

SSL contended before the arbitrators that the "issue of damages" meant that they could review all evidence related to the damages, and could also consider fresh evidence of matters that had taken place between 2004 when the award was published and 2008 when the award was remitted.

CARRERAS LIMITED**Notes to the Financial Statements (Continued)**
March 31, 2012

24. Other contingencies (cont'd)

The arbitrators ruled that they had jurisdiction to consider one aspect of the issue of damages only, which was termed “unrecoverable expenses”.

SSL then filed a suit to challenge that decision as to the scope of the jurisdiction (the “2009 suit”). It was unsuccessful at the Supreme Court and the Court of Appeal and the Privy Council dismissed SSL’s appeal on March 7, 2012. SSL was ordered to pay VRL’s costs at the Supreme Court and Court of Appeal. At the Privy Council, VRL received permission to cross-appeal in relation to a costs order made against it in 2008 when the Court of Appeal remitted the Award. The Privy Council dismissed that cross-appeal. The parties are awaiting the Privy Council’s decision in relation to costs of the Privy Council Appeal.

These financial statements have not recognised any possible positive outcome which may arise.