Carreras Group Limited

Annual Review & Accounts 2004/2005

Table of Contents

NOTICE IS HEREBY GIVEN THAT the Forty-third Annual General Meeting of the stockholders of Carreras Group Limited will be held at the Hilton Kingston Hotel, 77 Knutsford Boulevard, Kingston 5, on Tuesday, September 13, 2005, at 2:00 p.m. for the following purposes:

Ordinary Business

To consider, and if thought fit, pass the following resolutions:

1. **THAT** the Directors' Report, the Auditors' Report and the Group Profit and Loss Account for the year ended March 31, 2005, and the Group Balance Sheet and company Balance Sheet as at that date be approved and adopted.

2. **THAT** the remuneration of the Auditors, KPMG Peat Marwick, who have signified their willingness to continue in office, be fixed by the Directors.

3. **THAT** Mr. Emil George, one of the Directors retiring by rotation, and being eligible and having offered himself for re-election, be and is hereby re-elected a Director of the company.

4. **THAT** Mr. William McConnell, one of the Directors retiring by rotation, and being eligible and having offered himself for re-election, be and is hereby re-elected a Director of the company.

5. **THAT** the appointment since the last General Meeting of the company of Mr. Edgard Vargas as a Director of the company be and is hereby confirmed.

6. **THAT** the appointment since the last General Meeting of the company of Mr. Bruce Terrier as a Director of the company be and is hereby confirmed.

7. **THAT** the appointment since the last General Meeting of the company of Mr. Reynaldo Callejas as a Director of the company be and is hereby confirmed.

8. **THAT** the amount shown in the accounts for the year ended March 31, 2005 for emoluments received by the Directors for their services as Directors, be and is hereby approved.

9. To consider any other business which may properly be transacted at an Annual General Meeting.

By Order of the Board

Michael McNally
Company Secretary

Twickenham Park
Spanish Town

June 22, 2005

NOTE:
A member entitled to attend and vote at the Forty-third Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A Proxy need not be a member of the Company. Proxies must be received at the company's Registered Office not less than forty-eight hours before the time for the Meeting.

George Ashenheim
Chairman (Retired)

We once again review and report on the annual results of Carreras Group Limited set against a volatile economic background contributed to, in great part, by the dramatic increase in oil prices to well above the US$50 per barrel level within the period. This, along with the impact of hurricanes "Charlie" and "Ivan" last season, led to increases in related costs of goods and services. Despite these factors, the economy performed creditably, mitigating the overall potential fallout to record an annualized inflation rate of 13.7% as at December 2004 and average foreign exchange rate for the calendar year of J$61.39 to each US$1. There was a marginal devaluation over the average for the same period in 2003 of J$60.72 to the United States dollar.

All of this resulted in an improvement in business and consumer confidence in Jamaica as expressed by both the Jamaican business sector and consumers, as well as by the international rating agencies. During this period, and in the absence of a cigarette price increase, our tobacco business recorded growth in sales volume and our hotel operations also recorded improved financial performance. However, the Group's overall year-on-year financial performance was affected negatively by lower interest income and exchange gains due to declining interest rates and the stable exchange rate. The reduction in available investment funds resulting from the Board's decision to return capital to shareholders via significant capital distribution also contributed to this decline.

The financial year was rewarding for our shareholders as significant amounts of cash were returned via distribution of capital along with our periodic dividend payout. The sale of our insurance business, Twickenham Insurance Company, also allowed us to contribute to this important distribution.

Last year, we noted that the company had undertaken the penultimate step towards the complete restructuring of the Group.

As of July 2004, the registered office of Carreras Group Limited was relocated to Twickenham Park, thereby signalling the return to our core business and paving the way for reduction in administrative overhead costs. Within that context, the effective combination of staff and resources of both the former Head Office at Carreras Group in New Kingston with that of the subsidiary at Twickenham Park into one unit will continue to redound to the benefit of the company in the medium term as remaining items of the restructuring process are concluded.

As has been established, we continue to report in terms of the Tobacco and Hospitality Segments. In respect of the Tobacco Segment, we continue to see general improvements as you will note in the detailed report herein contained. As has been noted previously, we continue to explore responsible marketing opportunities, aimed at adult smokers who choose to consume our products, resulting in more focused marketing and distribution strategies. These improvements are expected to strengthen our position in the market and should allow us to continue to be the tobacco industry leader in Jamaica.

In the Hospitality Segment, our property, Sans Souci Resort and Spa, has recorded positive and profitable performance during the year. It has been the focus of business writers and there has been speculation in regards to the results and future operation of the business. We are pleased to report that the resort has received a number of awards during the year including, being named amongst the TOP 10 Resort in the Caribbean by Conde Nast 2004 and being listed among the best 700 places to stay in the world by Conde Nast Gold List for 2005.

We have received many enquiries from both shareholders and the media in regards to the initiatives of the health authorities with regards to the Framework Convention on Tobacco Control [FCTC]. The Government of Jamaica signed the treaty in September 2003, and has, at the time of writing this report, not yet ratified the treaty. Despite that, the relevant authorities are drafting legislation which will seek to effect various tobacco control measures. As a corporate guideline, we do not interfere with that process as we believe that the health authorities are best able to inform society of the scientific health risks associated with smoking. In the course of debate of tobacco issues, the company submits its own views as part of its contribution to the discussion. As a result of these activities, it is to be expected that there will be new and more comprehensive tobacco control legislation in place in the near future. In preparation for this eventuality, we have reported to our stakeholders over the years the steps being taken to reflect and adapt to society's changing expectations. To this end, we announced in January 2005 that the Carreras Sports Foundation would be wound up by April 2005. This has now taken place. However, at the time of writing, we have not confirmed a successor. We are hopeful that this will occur before next year's Annual Awards to ensure that corporate Jamaica can continue to recognize our country's outstanding achievement in sport.

On the other hand, we strongly believe in making a contribution to the society within which we operate, and to this end have increased the funding of our corporate social initiatives, primarily those involving adult education and the environment.

In the last Annual Report, it was noted that a subsidiary, Cigarette Company of Jamaica Limited, received income tax assessments in respect of the years 1997 to 2002 from the Commissioner, Taxpayer Audit and Assessment, totalling J$5,716 million, being income tax of J$2,172 million and penalties of J$3,544 million. An objection was filed to the Commissioner, Taxpayer Appeals. The objection was heard and a decision was given in favour of the Commissioner. The matter is now under appeal to the Revenue Court. Counsel for the company has advised that, although the results of litigation are not predictable, it is his opinion that there is no proper basis in law or fact for the assessments, which should therefore be discharged. The Directors are unanimously of the same view. No provision for this amount has been made in the financial statements under review.

In the matter of the outcome of the Arbitration in the dispute between VRL Services Limited and Sans Souci Limited (SSL), the arbitrators ruled in favour of VRL Services Limited. An award equivalent to just over US$6 million, plus costs was made to VRL. This award has been appealed by SSL and is set to be heard by the end of the 3rd quarter 2005.

On a more personal note, as mentioned in my message to you, Mrs. Marlene Sutherland retired from executive management of the Group but continues to serve as a non-executive Director and Mr. William Telling retired from the company in February 2005, as Chief Executive Officer and was replaced by Mr. Michael Bernard who was the General Manager of our tobacco operations. I wish to reiterate our gratitude to both Mrs. Sutherland and Mr. Telling for their most valuable service to the Group during their respective tenures.

During this period, and in the absence of a cigarette price increase, our tobacco business recorded growth in sales volume and our hotel operations also recorded improved financial performance.

Even more directly, you will have noted in the media that I too have retired from Carreras Group, and as a result this is my last report to the stockholders. It has been my honour to have served the Board since 1961 as a Director, and since 1983 as Chairman during which time I have worked with incredibly talented persons both within the various management teams and as well within the Carreras Board. It has been fascinating and at times quite challenging to plan and strategize the course of the Group during what may be some of the most diverse and dynamic economic and political times in Jamaica.

Subsequent Events

Since the end of the financial year, two significant events have taken place that I believe that should be shared with you.

Firstly, we have announced our plan to cease the manufacturing of cigarettes at our plant at Twickenham Park by the end of 2005 and import our cigarettes from Trinidad and Tobago. This is expected to bring benefits of cost reduction, capital expenditure avoidance and access to improved R&D and marketing capabilities.

Secondly, we took the decision to pay the VRL award while the matter is being appealed. This will serve to reduce our exposure to interest costs which have been accumulating since July of last year. This decision includes the setting up of a bankers guarantee by VRL that will provide a refund of all or part of this payment, depending on the outcome of the appeal.

In closing, I wish to thank all those persons who have contributed to the success of the Group over the years, and wish the new Chairman, Mr. Christopher Burton, all the success in his stewardship. I am confident that the management and directors will continue to lead the company to deliver good value to the shareholders.

George Ashenheim
Chairman (Retired)

Christopher Burton
Chairman

Michael Bernard

Andrew Cripps

Emil George

William McConnell

Michael McNally

Marlene Sutherland

Bruce Terrier

Edgard Vargas

REGISTERED OFFICE:

Twickenham Park
Spanish Town

BANKERS:

The Bank of Nova Scotia Jamaica Limited
Scotiabank Centre
Duke & Port Royal Streets
Kingston

AUDITORS:

KPMG Peat Marwick
6 Duke Street
Kingston

REGISTRAR & TRANSFER OFFICE:

N.C.B. Jamaica (Nominees) Limited
32 Trafalgar Road
Kingston 10

LOCATION	NAME	DESIGNATION
CARRERAS GROUP LIMITED Twickenham Park Spanish Town Telephone: 984-3051/8 Fax: 984-6571 E-Mail: Carreras_Group@bat.com	Michael Bernard	Managing Director
	Michael McNally	Group Finance Director and Company Secretary
	Noel Alcott	Supply Chain Manager
	Bridget Brandford	Financial Controller
	Andrea Hardware	Human Resources Manager
	Wayne Nesbitt	Financial Planning Manager
	Patrick Smith	Head, Corporate and Regulatory Affairs
	Mario Suazo	Marketing Manager
	Ronald Wilson	Production Manager
SANS SOUCI RESORT & SPA Ocho Rios Telephone: 994-1206/9 Fax: 994-1515 E-Mail: sales_sanssouci@cwjamaica.com	Pierre Battaglia	General Manager
	Jan Polack	Financial Controller

To the Forty-third Annual General Meeting to be held at the Hilton Kingston Hotel, 77 Knutsford Boulevard, Kingston 5, on Tuesday, September 13, 2005, at 2:00 p.m.

Financial Results

The Directors are pleased to submit their report and audited accounts of the Group and the company for the financial year ended March 31, 2005 set out on pages 14-41.

The following are selected highlights:

	12 Months ended March 31, 2005 $Millions	12 Months ended March 31, 2004 $Millions
Profit before income taxation amounted to:	3,534.76	4,052.98
After charging:		
Directors' emoluments	71.97	84.40
Auditors' remuneration	3.90	3.35
Less: Income tax	(1,075.56)	(1,203.29)
	2,459.20	2,849.69
Minority interests	(1.20)	(3.19)
Net profit for the year attributable to stockholders	2,458.00	2,846.50
Dealt with in the financial statements of:		
The company	1,652.89	1,695.37
The subsidiaries	805.11	1,151.13
Revenue reserves at beginning of year	4,939.87	9,592.93
Appropriations have been made as follows:		
Transfer to capital reserves	(132.16)	(5,051.96)
Deferred tax on reserves of subsidiaries in liquidation	(25.40)	(507.08)
Transfer of realised gains	(1,944.84)	1.24
Dividends	(1,456.32)	(1,941.76)
Revenue reserves at end of year	3,839.15	4,939.87
Earnings per stock unit for year	506.3¢	586.4¢

Dividends

An Interim Dividend of $1.00 per stock unit was paid on February 22, 2005. A Second Interim Dividend of $1.00 per stock unit will be paid on July 26, 2005.

Auditors

Messrs. KPMG Peat Marwick have expressed their willingness to continue in office.

Directors

The Directors in office at the date of this Report are as follows:

Michael Bernard
Christopher Burton
Michael McNally
Andrew Cripps
Emil George
William McConnell
Marlene Sutherland
Bruce Terrier
Edgard Vargas

The Directors due to retire in accordance with the provisions of Article 84 of the Articles of Association are Mr. Emil George and Mr. William McConnell, who being eligible, offer themselves for re-election.

ON BEHALF OF THE BOARD

Michael McNally
Company Secretary

June 22, 2005

Our Business Principles

As a commercial enterprise, Carreras Group Limited's primary role is to build long-term shareholder value by meeting consumers' preferences for high quality tobacco products. However, our company cannot operate in isolation from the expectations of a broader range of stakeholders and it is by successfully balancing these expectations, that we are best placed to continue building a sustainable business.

Our Business Principles seek to capture the key topics that underpin Corporate Social Responsibility for a multinational tobacco business. They also address the issues that are important to stakeholders, including those who criticise tobacco products and the industry. Indeed, our Business Principles aim to cover all the issues that we must balance across our business.

There are three Business Principles: Mutual Benefit, Responsible Product Stewardship and Good Corporate Conduct, each of which is supported by a series of Core Beliefs, which explain what the Principle means in more detail.

The Principle of Mutual Benefit

The principle of Mutual Benefit is the basis on which we build our relationships with our stakeholders. We are primarily in business to build long term shareholder value and we believe the best way to do this is to seek to understand and take account of the needs of all our stakeholders.

Core Beliefs:

- **We believe in creating long term shareholder value**
- **We believe in engaging constructively with our stakeholders**
- **We believe in creating inspiring working environments for our people**
- **We believe in adding value to the communities in which we operate**
- **We believe that suppliers and other business partners should have the opportunity to benefit from their relationship with us**

The Principle of Responsible Product Stewardship

The principle of Responsible Product Stewardship is the basis on which we meet consumer demand for a legal product that is generally accepted as a cause of serious diseases.

Core Beliefs:

- **We believe in the provision of accurate, clear health messages about the risks of tobacco consumption**
- **We believe the health impact of tobacco consumption should be reduced whilst respecting the right of informed adults to choose the products they prefer**
- **We believe that relevant and meaningful information about our products should continue to be available**
- **We believe that underage people should not consume tobacco products**
- **We believe that our brands and products should be marketed responsibly and directed at adult consumers**
- **We believe in the appropriate taxation of tobacco products and the elimination of illicit trade**
- **We believe in regulation that balances the interests of all sections of society, including tobacco consumers and the tobacco industry**
- **We believe that public smoking should be approached in a way that balances the interests of smokers and non-smokers**

The Principle of Good Corporate Conduct

The principle of Good Corporate Conduct is the basis on which all our businesses should be managed. Business success brings with it an obligation for high standards of behaviour and integrity in everything we do and wherever we operate. These standards should not be compromised for the sake of results.

Core Beliefs:

- **We believe our businesses should uphold high standards of behaviour and integrity**
- **We believe that high standards of corporate social responsibility should be promoted within the tobacco industry**
- **We believe that universally recognised fundamental human rights should be respected**
- **We believe the tobacco industry should have a voice in the formation of government policies affecting it**
- **We believe in achieving world class standards of environmental performance**

KPMG Peat Marwick
Chartered Accountants

The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica

P.O.Box 76
Kingston
Jamaica

Telephone +1 (876) 922-6640
Telefax +1 (876) 922-7198
+1 (876) 922-4500
email:firmmail@kpmg.com.jm

To the Members of
CARRERAS GROUP LIMITED

Auditors' Report

We have audited the financial statements of Carreras Group Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the Group") as of and for the year ended March 31, 2005, set out on pages 14 to 41, and have obtained all the information and explanations which we required. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the company and the Group as at March 31, 2005, and of the results of operations and cash flows of the Group for the year then ended and comply with the provisions of the Companies Act.

Without qualifying our opinion we draw attention to note 29 which indicates a contingent liability in the amount of $5,716 million.

KPMG Peat Marwick

June 22, 2005

KPMG Peat Marwick, a Jamaican partnership,
is the Jamaican member firm of KPMG International,
a Swiss cooperative

Raphael E. Gordon
Patrick A. Chin
R. Tarun Handa

Caryl A. Fenton
Patricia O. Dailey-Smith
Cynthia L. Lawrence

Elizabeth A. Jones
Linroy J. Marshall
Rajan Trehan

Statement of Group Revenue and Expenses

YEAR ENDED MARCH 31, 2005

	Notes	2005 $'000	2004 $'000
Operating revenue	4	6,604,902	5,942,333
Cost of operating revenue		(3,428,291)	(3,136,794)
Gross operating profit		3,176,611	2,805,539
Other operating income	5	1,949,376	2,636,069
Administrative and marketing expenses		(1,591,226)	(1,303,384)
Profit before restructuring costs		3,534,761	4,138,224
Restructuring costs		-	(85,245)
Profit before income tax	6	3,534,761	4,052,979
Income tax	7	(1,075,567)	(1,203,294)
Profit for year	8	2,459,194	2,849,685
Attributable to:			
Minority interests		1,195	3,186
Stockholders in parent		2,457,999	2,846,499
		2,459,194	2,849,685
Earnings per ordinary stock unit	9	506.3¢	586.4¢

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

MARCH 31, 2005

	Notes	2005 $'000	2004 $'000
Current assets			
Cash and cash equivalents	10	4,586,553	8,288,762
Short-term investments	11	-	533,783
Resale agreements	12	2,799,780	1,468,499
Accounts receivable	13	331,032	537,137
Income tax recoverable		313,617	438,543
Inventories	14	135,217	154,470
		8,166,199	11,421,194
Current liabilities			
Accounts payable	15	818,328	695,375
Provisions	16	450,000	40,162
Income tax payable		999,215	1,011,361
		2,267,543	1,746,898
Net current assets		5,898,656	9,674,296
Long-term investments	11	1,859,623	4,376,078
Retirement benefit asset	17	191,600	-
Property, plant and equipment	18	503,503	544,970
		8,453,382	14,595,344
Financed by:			
Share capital	19	121,360	121,360
Reserves:			
Unappropriated profits		3,839,153	4,939,876
Capital		95,801	4,746,900
Investment revaluation		356,593	310,078
Other		3,341,286	3,874,204
		7,632,833	13,871,058
Total attributable to stockholders of the parent		7,754,193	13,992,418
Minority interest		16,590	15,307
Total equity		7,770,783	14,007,725
Deferred tax liability	20	596,099	510,419
Retirement benefit obligation	17	86,500	77,200
		8,453,382	14,595,344

The financial statements on page 14 to 41 were approved for issue by the Board of Directors on June 22, 2005 and signed on its behalf by:

_______________ Director
William McConnell

_______________ Director
Michael McNally

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

MARCH 31, 2005

	Notes	2005 $'000	2004 $'000
Current assets			
Cash and cash equivalents	10	1,226,994	5,084,547
Short-term investments	11	-	130,000
Resale agreements	12	489,213	402,393
Accounts receivable	13	186,482	187,560
Dividends receivable		-	4
Due from subsidiary companies		-	7,753
Inventories	14	116,387	140,607
		2,019,076	5,952,864
Current liabilities			
Accounts payable	15	716,189	561,518
Provisions	16	-	40,162
Income tax payable		637,166	204,111
		1,353,355	805,791
Net current assets		665,721	5,147,073
Due from subsidiary companies		493,654	446,442
Investment in subsidiary companies		206,294	238,544
Long-term investments	11	383,811	220,411
Deferred tax asset	20	-	17,689
Property, plant and equipment	18	136,366	220,987
Retirement benefit asset	17	191,600	-
		2,077,446	6,291,146
Financed by:			
Share capital	19	121,360	121,360
Reserves:			
Capital		65,346	4,697,326
Investment revaluation reserve		351,634	180,591
Unappropriated profits		1,411,243	1,214,669
		1,828,223	6,092,586
Total stockholders' equity		1,949,583	6,213,946
Deferred tax liability	20	41,363	-
Retirement benefit obligation	17	86,500	77,200
		2,077,446	6,291,146

The financial statements on page 14 to 41 were approved for issue by the Board of Directors on June 22, 2005 and signed on its behalf by:

______________________ Director
William McConnell

______________________ Director
Michael McNally

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

Statement of Changes in Equity

The Group

	Share capital (note 19) ($'000)	Unappro-priated profits ($'000)	Capital reserves ($'000)	Investment revaluation reserve ($'000)	Other reserve ($'000)	Total attributable to equity holders of the parent ($'000)	Minority interest ($'000)	Total ($'000)
Balances at March 31, 2003	121,360	9,592,927	75,013	84,889	3,741,002	13,615,191	25,017	13,640,208
Change in fair value of investments	-	-	-	225,189	-	225,189	-	225,189
Gain on translation of foreign subsidiary's financials	-	-	-	-	133,202	133,202	-	133,202
Net gains not recognised in statement of revenue and expenses	-	-	-	225,189	133,202	358,391	-	358,391
Net profit for the year	-	2,846,499	-	-	-	2,846,499	3,186	2,849,685
Total recognised gains for the year	-	2,846,499	-	225,189	133,202	3,204,890	3,186	3,208,076
Dividends paid (note 25)	-	(1,941,760)	-	-	-	(1,941,760)	(11,662)	(1,953,422)
Transfer of amount equivalent to intra-group capital distribution	-	(5,051,955)	5,051,955	-	-	-	-	-
Disinvestment of minority holdings	-	-	-	-	-	-	(1,234)	(1,234)
Transfer tax on capital distribution	-	-	(378,904)	-	-	(378,904)	-	(378,904)
Deferred tax on reserves of subsidiaries in liquidation	-	(507,079)	-	-	-	(507,079)	-	(507,079)
Transfer of realised gains	-	1,164	(1,164)	-	-	-	-	-
Reserves arising on the acquisition of minority shareholding in a subsidiary	-	80	-	-	-	80	-	80
Net movement for the year	-	(4,653,051)	4,671,887	225,189	133,202	377,227	(9,710)	367,517
Balances at March 31, 2004	121,360	4,939,876	4,746,900	310,078	3,874,204	13,992,418	15,307	14,007,725
Change in fair value of investments	-	-	-	46,515	-	46,515	-	46,515
Gain on translation of foreign subsidiary's financials					24,338	24,338	-	24,338
Revaluation reserve	-	-	-	-	-	-	88	88
Net gains not recognised in statement of revenue and expenses	-	-	-	46,515	24,338	70,853	88	70,941
Net profit for the year	-	2,457,999	-	-	-	2,457,999	1,195	2,459,194
Total recognised gains for the year	-	2,457,999	-	46,515	24,338	2,528,852	1,283	2,530,135
Dividends paid (note 25)	-	(1,456,320)	(6,699,072)	-	-	(8,155,392)	-	(8,155,392)
Transfer of amount equivalent to intra-group capital distribution	-	(132,163)	132,163	-	-	-	-	-
Transfer tax on capital distribution	-	-	(9,912)	-	-	(9,912)	-	(9,912)
Deferred tax on reserves of subsidiaries in liquidation	-	(25,398)	-	-	-	(25,398)	-	(25,398)
Transfer of gain on disposal of investments	-	(1,944,841)	1,944,841		-	-	-	-
Gains in reserves released on disposal or liquidation of subsidiaries	-	-	(19,119)	-	(557,256)	(576,375)	-	(576,375)
Net movement for the year	-	(1,100,723)	(4,651,099)	46,515	(532,918)	(6,238,225)	1,283	(6,236,942)
Balances at March 31, 2005	121,360	3,839,153	95,801	356,593	3,341,286	7,754,193	16,590	7,770,783

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

The company

	Notes	Share capital $'000	Unappropriated profits $'000	Capital reserves $'000	Investment revaluation reserve $'000	Total $'000
Balances at March 31, 2003		121,360	1,461,054	24,275	83,620	1,690,309
Change in fair value of investments, being total gains not recognised in the statement of revenue and expenses		-	-	-	96,971	96,971
Profit for the year		-	6,368,426	-	-	6,368,426
Total recognized gains for the year		-	6,368,426	-	96,971	6,465,397
Transfer of amount equivalent to intra-group capital distribution less transfer tax		-	(4,673,051)	4,673,051	-	-
Dividends paid	25	-	(1,941,760)	-	-	(1,941,760)
Net movement for the year		-	(246,385)	4,673,051	96,971	4,523,637
Balances at March 31, 2004		121,360	1,214,669	4,697,326	180,591	6,213,946
Change in fair value of investments, being total gains not recognised in the statement of revenue and expenses		-	-	-	171,043	171,043
Profit for the year		-	3,719,986	-	-	3,719,986
Total recognized gains for the year		-	3,719,986	-	171,043	3,891,029
Transfer of gain on disposal of investments		-	(1,944,841)	1,944,841	-	-
Transfer of amount equivalent to intra-group capital distribution less transfer tax		-	(122,251)	122,251	-	-
Dividends paid	25	-	(1,456,320)	(6,699,072)	-	(8,155,392)
Net movement for the year		-	196,574	(4,631,980)	171,043	(4,264,363)
Balances at March 31, 2005		121,360	1,411,243	65,346	351,634	1,949,583

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

	2005 $'000	2004 $'000
Cash flows from operating activities		
Profit for the year	2,459,194	2,849,685
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Items not involving cash:		
Depreciation	43,703	50,363
Employee benefits	(182,300)	13,800
Impairment	58,704	-
Income tax provision	1,075,561	1,203,294
(Gain)/loss on disposal of property, plant and and equipment and investment properties	(1,543)	21,986
Gains in reserves released on disposal of investments	(576,375)	-
Investment income earned	(1,203,564)	(1,977,413)
	1,673,380	2,161,715
Changes in working capital and provisions:		
Accounts receivable	144,069	(106,293)
Inventories	(282)	(2,479)
Accounts payable	122,953	109,694
Provisions	409,838	40,162
Income tax paid	(902,505)	(1,215,223)
Net cash provided by operating activities	1,447,453	987,576
Cash flows from investing activities		
Decrease in investments	1,765,472	2,481,811
Investment income received	1,265,606	1,943,919
Additions to property, plant and equipment	(42,655)	(57,195)
Proceeds of disposal of property, plant and equipment and investment properties	2,793	138,839
Net cash provided by investing activities	2,991,216	4,507,374
Cash flows from financing activities		
Minority interests	88	(12,975)
Dividends paid	(8,155,392)	(1,941,760)
Transfer tax paid on intra-group capital distribution	(9,912)	(378,904)
Net cash used by financing activities	(8,165,216)	(2,333,639)
Net increase in cash and cash equivalents before effect of foreign exchange rate changes	(3,726,547)	3,161,311
Effect of foreign exchange rate changes	24,338	133,202
Cash and cash equivalents at beginning of year	8,288,762	4,994,249
Cash and cash equivalents at end of year	4,586,553	8,288,762

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

1. Identification and principal activity

Carreras Group 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 manufacturing and marketing of cigarettes, and the provision of management and other services to its subsidiaries. The company has announced that it will cease the manufacture of cigarettes during the year following the balance sheet date.

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

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements comply with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"), and with the provisions of the Companies Act ("the Act").

(b) Basis of preparation:

The financial statements are presented on the historical cost basis except for the inclusion of available-for-sale financial assets at fair value. They are presented in thousands of Jamaica dollars ($'000), unless otherwise stated.

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

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

The significant accounting policies used in the preparation of the financial statements are summarised at note 3.

Where appropriate, comparative amounts have been re-classified and re-presented to facilitate comparability with current year amounts.

3. Significant accounting policies

(a) Basis of consolidation:

The consolidated financial statements combine the financial position of the company and its subsidiaries as at March 31, 2005 and their results of operations and cash flows for the year then ended, after eliminating all significant intra-group amounts. The company and its subsidiaries are collectively referred to in the financial statements as "the Group".

(b) Cash and cash equivalents

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

(c) Property, plant and equipment:

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses [note 3(n)].

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, i.e., at the following annual rates:

Buildings	1.4% to 2.5%
Machinery and equipment	3.3% to 33.3%
Motor vehicles	20% to 33.3%

(d) Accounts payable:

Accounts payable is stated at cost.

(e) Provisions:

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

(f) Inventories:

Inventories are valued at the lower of cost, determined principally on the weighted average basis, and net realisable value. The valuation of work-in-progress and finished products includes a relevant portion of production labour and overheads.

3. Significant accounting policies (cont'd)

(g) Accounts receivable:

Trade and other receivables are stated at cost, less provisions for doubtful debts.

(h) Revenue recognition:

Revenue from the sale of goods is recognised in the statement of revenue and expenses when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs or the possible return of goods.

(i) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in the statement of revenue and expenses.

(j) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of revenue and expenses except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

(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 balance sheet 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 balance sheet 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.

3. Significant accounting policies (cont'd)

(k) Investments:

Investments acquired at the time of primary issue are classified as originated loans and are stated at amortised cost less impairment losses [note 3 (n)]. Other investments held by the group are classified as available-for-sale and are stated at fair value with changes in fair value taken to investment revaluation reserve. Where fair value cannot be reliably measured, these investments are stated at cost. Available-for-sale investments include equity securities.

The fair value of stock-exchange-traded equities is their quoted bid price.

Investments originated by the group are recognised/derecognised on the day they are transferred to/by the Group. Available-for-sale investments are recognised/derecognised by the group on the date it commits to purchase or sell the investments.

(l) Employee benefits:

Employee benefits are all forms of consideration given by the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, vacation leave; non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below. Other long-term benefits are not considered material and are charged off when incurred.

Post-employment benefits, comprising pensions and other post-employment obligations included in the financial statements, are actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Group's post-employment benefit obligation as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

3. Significant accounting policies (cont'd)

(l) Employee benefits (cont'd):

(i) Defined-benefit pension plan

The Group's net obligation in respect of its defined-benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the balance sheet date on long-term government bonds of maturities approximating the terms of 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 the group statement of revenue and expenses on the straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the Group statement of revenue and expenses.

All actuarial gains and losses as at April 1, 2002, the date of transition to IFRS, and subsequently are recognised.

Where the calculation results in a pension surplus to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

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

The Group provides post-employment health care and group life insurance benefits, which are not entitlements, to certain of its retirees. These benefits are usually conditional upon the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans and the present value of future benefits at the balance sheet date is shown as an obligation on the balance sheet.

(m) Securities purchased under resale agreements:

Securities purchased under resale agreements ('resale agreements') are short-term transactions in which the company makes funds available to other parties and in turn receives securities which it agrees to resell on a specified date at a specified price. Resale agreements are accounted for as short-term collateralised lending.

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

3. Significant accounting policies (cont'd)

(n) Impairment:

The carrying amounts of the company's and the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet 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 statement of Group revenue and expenses.

(i) Calculation of recoverable amount

The recoverable amount of the Group's investments in originated and held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. 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 pretax 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 an originated and held-to-maturity security or receivable 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.

(o) 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.

4. Operating revenue

Operating revenue represents the invoiced value of products and services sold by the Group, inclusive of special consumption and excise taxes amounting to approximately $2,677,000,000 (2004: $2,482,899,000), and excludes intra-group trading.

5. Other operating income

	2005 $'000	2004 $'000
Interest and other investment income	1,203,564	1,977,412
Exchange gains	87,216	560,959
(Gain)/loss on disposal of property, plant and equipment and investment properties	1,543	(21,986)
Gain on disposal of investments	651,502	74,345
Miscellaneous	5,551	45,339
	1,949,376	2,636,069

6. Profit before income tax

The following are among the items charged/(credited) in arriving at profit before income tax:

	2005 $'000	2004 $'000
Depreciation	43,703	50,363
Auditors' remuneration	3,900	3,351
Directors' emoluments:		
Fees	7	16
Management services	71,971	84,370

7. Income tax

(a) Income tax is computed at $33^{1}/_{3}$% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2005 $'000	2004 $'000
Current:		
Provision for charge on current year's profit	1,060,832	1,212,990
Adjustment in respect of prior year's provision	(45,547)	-
	1,015,285	1,212,990
Deferred:		
Origination and reversal of temporary differences	60,282	(9,696)
	1,075,567	1,203,294

(b) Reconciliation of effective tax rate:

	2005		2004	
	%	$'000	%	$'000
Computed "expected" tax charge	33.33	1,178,254	33.33	1,350,993
Taxation difference between profit for financial statements and tax reporting purposes on –				
Effect of tax losses	4.31	151,175	0.96	38,811
Depreciation and capital allowances	0.23	8,210	0.19	7,858
Gain on sale of investments and fixed assets	(0.01)	(514)	(0.54)	(21,869)
Disallowed expenses	(0.15)	(5,432)	1.97	79,764
Unrealised foreign exchange gains	(0.65)	(22,715)	(4.34)	(175,794)
Other adjustments	(4.93)	(172,639)	(0.41)	(16,689)
Employee benefits	(1.73)	(60,772)	(0.06)	(2,483)
Exempt income and capital gains	-	-	(1.41)	(57,297)
Actual tax charge	30.40	1,075,567	29.69	1,203,294

7. Income tax (cont'd)

(c) At March 31, 2005, taxation losses in subsidiaries, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, available for set off against future taxable profits, amounted to approximately $736,000,000 (2004: $291,000,000).

8. Profit for the year

	2005 $'000	2004 $'000
Profit for the year, dealt with in the financial statements of the company	1,652,894	1,695,375
This amount is made up as follows:		
Amount reported in the financial statements of the company	3,719,986	6,368,426
Transfer to capital reserves	(1,944,841)	-
Intra-group capital distribution	(122,251)	(4,673,051)
Amount dealt with in consolidated profit	1,652,894	1,695,375

9. Earnings per ordinary stock unit

Earnings per ordinary stock unit is calculated by dividing $2,457,999,000 (2004: $2,846,499,000) the profit attributable to stockholders, by 485,440,000, the number of stock units in issue.

10. Cash and cash equivalents

	The Group		The company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Demand and call deposits	4,027,021	5,781,436	782,362	3,387,797
Short-term fixed deposits	559,532	2,507,326	444,632	1,696,750
	4,586,553	8,288,762	1,226,994	5,084,547

11. Investments

(a) Short-term:

	The Group		The company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Originated loans and securities:				
Government of Jamaica securities	-	121,110	-	-
Fixed deposits	-	282,673	-	-
Corporate securities	-	130,000	-	130,000
	-	533,783	-	130,000
	-	533,783	-	130,000

11. Investments (cont'd)

(b) Long-term:

The Group

	2005			2004
	1-5 years $'000	No maturity date $'000	Total $'000	Total $'000
Available for sale securities:				
Quoted equities	-	383,811	383,811	212,003
Government of Jamaica securities	69,960	-	69,960	989,792
	69,960	383,811	453,771	1,201,795
Loans and securities:				
Government of Jamaica securities	1,405,852	-	1,405,852	3,174,283
	1,475,812	383,811	1,859,623	4,376,078

The company

	2005			2004
	1-5 years $'000	No maturity date $'000	Total $'000	Total $'000
Available for sale securities:				
Quoted equities	-	383,811	383,811	212,003
Government of Jamaica securities	-	-	-	8,408
	-	383,811	383,811	220,411

12. Resale agreements

Included in resale agreements of the group is an amount of $7,000,000 which has been deposited with and invested by the Group's Attorney-at-Law. The amount will contribute towards the settlement of the net amounts, if any, due to, and/or claimed by, VRL Services Limited, Village Resorts Limited and International Lifestyles Inc. (see note 15).

13. Accounts receivable

	The Group		The company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Trade accounts receivable – related party	830	407	830	407
- other	114,356	74,846	58,689	45,659
Interest and other investment income receivable	74,868	136,904	5,254	3,869
Prepayments	33,731	43,127	30,376	32,135
Other receivables and advances – related parties	78,626	69,141	66,314	63,310
- pension scheme	5,792	136,183	5,792	5,657
- other	23,799	76,620	19,381	36,614
	332,002	537,228	186,636	187,651
Less: Provision for doubtful debts	(970)	(91)	(154)	(91)
	331,032	537,137	186,482	187,560

14. Inventories

	The Group		The company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Finished leaf	13,685	19,642	13,685	19,642
Material and supplies	41,049	55,985	22,219	42,122
Work-in-progress	718	442	718	442
Finished products	79,765	78,401	79,765	78,401
	135,217	154,470	116,387	140,607

15. Accounts payable

	The Group		The company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Trade accounts payable	117,647	131,882	69,968	67,804
Special and general consumption taxes payable	156,337	141,215	156,337	141,215
Excise tax payable	111,649	101,337	111,649	101,337
Other payables	432,665	320,941	378,235	251,162
	818,298	695,375	716,189	561,518

Other payables include:

(a) approximately $8,400,000 (2004: $1,978,000) and $62,695,000 (2004: $31,499,000) due to parent company and other related companies, respectively, for the company, and $8,400,000 (2004: $1,978,000) and $62,695,000 (2004: $31,499,000) due to parent company and other related companies, respectively, for the Group; and

(b) amounts payable to VRL Services Limited, Village Resorts Limited, and International Lifestyles Inc. (see note 12).

16. Provisions

	Litigation & claims $'000	Restructuring $'000	Total $'000
Balances at April 1, 2004	-	40,162	40,162
Provisions made during the year	450,000	-	450,000
Provisions reversed during the year	-	(40,162)	(40,162)
Balances at March 31, 2005	450,000	-	450,000

A dispute arose from a subsidiary's termination of a management agreement, effective March 4, 2003, and this dispute was submitted to arbitration.

On July 16, 2004, the arbitrator ordered the company to pay the other party the amount of $370,705,264 together with interest and costs.

The company has applied to the Supreme Court to set aside this award or, alternatively, reduce the amount of the award. No date has been set for the hearing of the application.

17. Retirement benefit (asset)/obligation

Retirement benefits currently provided comprise the following:

- Pensions, which are provided for by means of a contributory pension scheme for all employees who have satisfied certain minimum service requirements. This is a trustee-administered contributory scheme, the assets of which are held separately from those of the company. The benefits are computed by reference to earnings in the three years immediately prior to retirement.
- Post-employment health and group life insurance benefits.

The amounts recognised in the company's and Group's balance sheet in respect of retirement benefits are as follows:

	The Group & The company	
	2005 $'000	2004 $'000
Pension benefits	(191,600)	-
Post employment health and group life insurance benefits	86,500	77,200

The amounts recognised are computed as follows:

(i) Pension benefits

(a) Asset recognised in the balance sheet:

	2005 $'000	2004 $'000
Present value of funded obligations	863,200	709,600
Fair value of plan assets	(4,775,500)	(3,965,000)
Present value of net obligations	(3,912,300)	(3,255,400)
Unrecognised amount due to limitation	3,720,700	3,255,400
Amount recognised in balance sheet	(191,600)	-

17. Retirement benefit (asset)/obligation (cont'd)

(i) Pension benefits (cont'd)

(b) Movements in the net asset recognised in the balance sheet:

	The Group & The company	
	2005	2004
	$'000	$'000
Net asset at beginning of the year	-	-
Contributions paid	(12,700)	(15,300)
Expenses recognised in the statement of revenue and expenses	(178,900)	15,300
Net asset at end of the year	(191,600)	-

(c) Expenses recognised in the statement of Group revenue and expenses:

	The Group & The company	
	2005	2004
	$'000	$'000
Current service costs	12,600	8,600
Interest costs	95,700	69,800
Change in disallowed assets	231,100	204,000
Expected return on plan asset	(474,400)	(266,900)
Losses on curtailment and settlement	-	-
Actuarial gains	(43,900)	(200)
	(178,900)	15,300

(d) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2005	2004
	%	%
Discount rate	12.5	15.0
Expected return on plan assets	10.0	12.0
Future salary increases	9.0	10.0
Future pension increases	7.0	7.0

(e) The pension plan assets include ordinary shares issued by the company with a fair value of $445,327,000 (2004: $678,494,000). Plan assets also include property occupied by the Group with a fair value of $6,000,000 (2004: $5,600,000).

17. Retirement benefit (asset)/obligation (cont'd)

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

(a) Liability recognised in balance sheet:

	The Group & The company	
	2005	2004
	$'000	$'000
Present value of funded obligations, being liability recognised in balance sheet	86,500	77,200

(b) Movements in the net liability recognised in the balance sheet:

	2005	2004
	$'000	$'000
Net liability at the beginning of the year	77,200	63,400
Contributions paid	(3,100)	(3,200)
Expense recognised in the statement of group revenue and expenses	12,400	17,000
Net liability at the end of the year	86,500	77,200

(c) Expenses recognised in the statement of Group revenue and expenses:

	2005	2004
	$'000	$'000
Current service costs	3,200	3,600
Interest on obligation	11,300	7,700
Actuarial (gain)/loss	(2,100)	5,700
Loss on curtailment and settlement	-	-
	12,400	17,000

(d) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2005	2004
	%	%
Discount rate	12.5	15.0
Annual increase in health care costs	11.0	13.0

18. Property, plant and equipment

The Group

	Freehold land $'000	Buildings and leasehold improvements $'000	Machinery, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2004	67,342	556,158	256,855	880,355
Additions	-	10,051	32,604	42,655
Impairment	-	-	(94,039)	(94,039)
Disposals and write offs	-	(55)	(4,457)	(4,512)
March 31, 2005	67,342	566,154	190,963	824,459
Depreciation:				
March 31, 2004	-	185,098	150,287	335,385
Charge for the year	-	20,981	22,722	43,703
Impairment	-	-	(54,871)	(54,871)
Eliminated on disposals and write offs	-	(55)	(3,206)	(3,261)
March 31, 2005	-	206,024	114,932	320,956
Net book values:				
March 31, 2005	67,342	360,130	76,031	503,503
March 31, 2004	67,342	371,060	106,568	544,970

The company

	Freehold land and buildings $'000	Construction -in-progress $'000	Machinery, equipment and vehicles $'000	Total $'000
Cost:				
March 31, 2004	29,248	1,840	210,784	241,872
Additions	-	40,000	-	40,000
Write-offs	-	-	(711)	(711)
Transfers	7,502	(40,170)	32,668	-
Impairment	-	-	(97,318)	(97,318)
Disposals	(55)	-	(4,457)	(4,512)
March 31, 2005	36,695	1,670	140,966	179,331
Depreciation:				
March 31, 2004	2,665	-	18,220	20,885
Charge for the year	3,441	-	49,989	53,430
Impairment	-	-	(28,089)	(28,089)
Eliminated on disposals	(55)	-	(3,206)	(3,261)
March 31, 2005	6,051	-	36,914	42,965
Net book values:				
March 31, 2005	30,644	1,670	104,052	136,366
March 31, 2004	26,583	1,840	192,564	220,987

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

Freehold land and buildings includes a subsidiary's land and furnished hotel buildings valued at $900,000,000, on the open market basis as of March 31, 2004 by D.C. Tavares and Finson Company Limited, professional valuators, of Kingston, Jamaica. As the policy is to carry property, plant and equipment at cost less accumulated depreciation and, if any, impairment, the excess of the valuation amount over the carrying value has not been brought to account.

19. Share capital

	2005 $'000	2004 $'000
Authorised in shares, issued and fully paid in stock units:		
485,440,000 ordinary stock units of 25¢ each	121,360	121,360

Under the Companies Act 2004 ("the Act"), which became effective on February 1, 2005, all shares in issue are deemed to be shares without a par or nominal value, unless the company, by ordinary resolution, elects, by July 31, 2005, to retain its shares with a par value. The company has not elected to do so.

20. Deferred tax asset/(liability)

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

The Group

	Assets		Liabilities		Net	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Deferred tax on reserves of subsidiaries in liquidation	-	-	(532,477)	(507,079)	(532,477)	(507,079)
Accounts payable	1,998	-	-	-	1,998	-
Property, plant and equipment	-	-	(6,576)	(6,754)	(6,576)	(6,754)
Retirement benefit obligation	28,833	-	(63,867)	25,733	(35,034)	25,733
Accounts receivable	-	-	(24,010)	(22,319)	(24,010)	(22,319)
	30,831	-	(626,930)	(510,419)	(596,099)	(510,419)

The company

	Assets		Liabilities		Net	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Accounts payable	1,998	-	-	-	1,998	-
Property, plant and equipment	-	-	(6,576)	(6,754)	(6,576)	(6,754)
Retirement benefit obligation	-	25,733	(35,034)	-	(35,034)	25,733
Accounts receivable	-	-	(1,751)	(1,290)	(1,751)	(1,290)
	1,998	25,733	(43,361)	(8,044)	(41,363)	17,689

20. Deferred tax asset/(liability) (cont'd)

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

The Group

	Balance at 01.04.04 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.05 $'000
Transfer tax on reserves of subsidiaries in liquidation	(507,079)	(25,398)	-	(532,477)
Accounts payable	-	-	1,998	1,998
Property, plant and equipment	(6,754)	-	178	(6,576)
Retirement benefit obligation	25,733	-	(60,767)	(35,034)
Interest receivable	(22,319)	-	(1,691)	(24,010)
	(510,419)	(25,398)	(60,282)	(596,099)

The company

	Balance at 01.04.04 $'000	Recognised in equity $'000	Recognised in income $'000	Balance at 31.03.05 $'000
Accounts payable	-	-	1,998	1,998
Property, plant and equipment	(6,754)	-	178	(6,576)
Retirement benefit obligation	25,733	-	(60,767)	(35,034)
Accounts receivable	(1,290)	-	(461)	(1,751)
	17,689	-	(59,052)	(41,363)

(c) The Group has not recognised a deferred tax asset arising in subsidiaries in respect of the following items:

	2005 $'000	2004 $'000
Tax losses	243,304	97,000
Fixed assets	(13)	31,291
Accounts payable	2,527	1,388
Accounts receivable	1,384	(358)
Other items	-	(859)
	247,202	128,462

A deferred tax asset has not been recognised because it is not probable that the subsidiaries will have sufficient taxable profits in the foreseeable future to realise the benefit.

21. Staff costs

	The Group	
	2005 $'000	2004 $'000
Salaries and profit-related pay	551,138	468,216
Statutory payroll contributions	41,965	36,504
Cost of post-retirement benefits, net of credits	(166,500)	32,300
Redundancy	2,734	-
Other	127,991	88,832
	557,328	625,852

21. Staff costs (cont'd)

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

	2005	2004
Permanent	321	322
Contract	15	97
Temporary	139	31
	475	450

22. Related party transactions

Related parties are those which control or exercise significant influence over, or are controlled or significantly influenced by, the company in making financial and operating decisions or, along with the company, are subject to common control or significant influence.

The statement of Group revenue and expenses includes the following transactions with related parties, in the ordinary course of business.

			2005 $'000	2004 $'000
(a)	Purchases from associated companies	- raw materials	151,476	175,513
		- other charges	-	2,164
(b)	Technical fees paid to parent company		41,070	34,614
(c)	Technical fees paid to other related company		-	90,103

23. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial assets comprise cash and cash equivalents, investments, resale agreements, accounts receivable and due from subsidiary companies. Financial liabilities comprise accounts payable and due to subsidiary companies. Information on fair values and financial instruments risks is presented below:

(a) 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 the company's available-for-sale investments are the carrying values. The fair values of amounts due from and due to subsidiary companies are assumed to approximate carrying values.

23. Financial instruments

(a) Fair value:

The fair values of the Group's and the company's financial instruments where they differ from their carrying values are as follows:

The Group

	2005		2004	
	Fair value $'000	Carrying value $'000	Fair value $'000	Carrying value $'000
Loans and securities:				
Government of Jamaica securities	1,475,812	1,438,464	3,619,636	3,295,393

(b) Financial instruments risks:

The Group does not use derivatives as a risk management strategy. Accordingly, exposure to credit, interest rate, foreign currency, liquidity, market and cash flow risks arises in the ordinary course of the Group's operations.

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market rates. The Group manages this risk by investing in a balanced portfolio. At balance sheet date there were no borrowings.

(ii) Credit risk:

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations.

Management has an investment policy in place and the exposure to credit risk is monitored on an ongoing basis. Cash and investments are held with financial institutions which management considers to be sound and financially strong. With regard to securities purchased under resale agreements, management has a policy of obtaining collateral in the form of pledged Government of Jamaica instruments. At balance sheet date, there were no significant concentrations of risk attaching to accounts receivable; however, there is a concentration of investments in Government of Jamaica securities.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions that are undertaken in foreign currencies. The Group ensures that the net foreign currency exposure is kept to an acceptable level and there are net foreign currency assets at the balance sheet date.

23. Financial instruments (cont'd)

(b) Financial instruments risks (cont'd):

(iv) 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 liquid form.

(v) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The directors do not believe this risk is significant because the substantial majority of its financial assets comprises debt securities which the Group has the ability and intention to hold to maturity. Investments which are convertible to cash only by trading in the market are subject to continual monitoring by management.

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The Group manages this risk by ensuring, as far as possible, that fluctuation in cash flows relating to monetary financial assets and liabilities are matched to mitigate any significant adverse cash flows.

24. Segment reporting

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Business segments:

The Group is organised into two business segments. These are:

(a) Tobacco segment – this comprises the manufacturing, marketing and distribution of cigarettes.

24. Segment reporting (cont'd)

Business segments (cont'd):

(b) Hospitality segment – this comprises the operation of a hotel property.

	Tobacco		Hospitality		Total	
	2005	2004	2005	2004	2005	2004
	$'000	$'000	$'000	$'000	$'000	$'000
Operating revenue, being revenue from external customers	6,010,826	5,602,885	594,076	339,448	6,604,902	5,942,333
Cost of operating revenue	(3,159,946)	(2,893,500)	(268,345)	(243,294)	(3,428,291)	(3,136,794)
Segment results	2,850,880	2,709,385	325,731	96,154	3,176,611	2,805,539
Interest and other investment income					1,203,564	1,977,412
Other operating income					745,812	658,657
Administrative and marketing expenses					(1,591,226)	(1,303,384)
Profit before restructuring costs					3,534,761	4,138,224
Restructuring costs					-	(85,245)
Profit before income tax and minority interests					3,534,761	4,052,979
Income tax					(1,075,567)	(1,203,294)
Minority interests					(1,195)	(3,186)
Net profit for the year attributable to stockholders					2,457,999	2,846,499
Depreciation	25,602	32,520	18,101	17,843	43,703	50,363
Capital expenditure	39,289	42,973	3,366	14,222	42,655	57,195
Segment assets	10,152,833	13,639,629	568,092	546,909	10,720,925	14,186,538
Unallocated assets					-	2,155,704
Total assets					10,720,925	16,342,242
Segment liabilities	827,361	724,445	544,057	102,001	1,371,418	826,446
Unallocated liabilities					-	1,598
Total liabilities					1,371,418	828,044

Geographical segments

In the prior year and up to August 2004 of the current year, the Group operated in two principal geographical areas, Jamaica and the Cayman Islands. Subsequent to that date, the Group operated in Jamaica only. The geographical location of the Group's entire revenue, however, is Jamaica, based on the geographical location of its customers. All the Group's assets are geographically located in Jamaica.

25. Dividends

	2005 $'000	2004 $'000
First interim in respect of 2004/2005 100¢ (2003/2004: 100¢) per stock unit	485,440	485,440
Second interim in respect of 2003/2004 200¢ (2002/2003: 200¢) per stock unit	970,880	970,880
Final in respect of 2004/2005 0¢ (2002/2003: 100¢) per stock unit	-	485,440
Capital distribution 2004/2005 1,380¢ (2003/2004: 0¢) per stock unit	6,699,072	-
	8,155,392	1,941,760

26. National Housing Trust contributions

Contributions to the National Housing Trust, which were expensed for the period to July 31, 1979 and are refundable between 2001/2005, are as follows:

	$'000
The Group	622
The company	13

27. Subsidiary companies

The operating subsidiary companies, all of which are incorporated in Jamaica, except as noted below, are as follows:

Name of company	Principal activity	Percentage of ordinary shares held by: The company 2005 %	The company 2004 %	Subsidiary 2005 %	Subsidiary 2004 %
Cigarette Company of Jamaica Limited (In Voluntary Liquidation)	Manufacturing and marketing of cigarettes.	99.9	99.9	-	-
Sans Souci Development Limited and its subsidiary,	Owners and operators of hotel property and	100.0	100.0	-	-
Sans Souci Limited	developers of real estate.	-	-	100	100
Twickenham Insurance Company Limited [incorporated in the Cayman Islands]	General insurance underwriters	-	100.0	-	-
Graphic Arts Limited	Lease of building.	-	100.0	-	-
Agricultural Products of Jamaica Limited	Leasing of investment property	-	100.0	-	-

28. Contractual commitments

Lease commitments at March 31, are payable as follows:

	The Group		The company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Within one year	18,461	17,559	16,450	12,627
Subsequent years	18,647	17,804	16,450	16,443
	37,108	35,363	32,900	29,070

Payments made during the year ended March 31, aggregated:

	2005	2004
	$'000	$'000
Group	26,521	25,451
company	21,468	11,288

29. Contingencies

A subsidiary, Cigarette Company of Jamaica Limited (In Voluntary Liquidation), has received income tax assessments in respect of the years 1997 to 2002 from the Commissioner, Taxpayer Audit & Assessment, totaling $5,716 million, being income tax of $2,172 million and penalties of $3,544 million.

An objection to the assessments was filed and made to the Commissioner, Taxpayer Appeals. The objection was heard and a ruling was given in favour of the Commissioner. The matter is now under appeal to the Revenue Court. Counsel for the company has advised that, although the results of litigation are not predictable, it is his opinion that there is no proper basis in law or fact for the assessments, which should therefore be discharged. The Directors are unanimously of the same view. No provision for this amount has been made in the financial statements.

DISCLOSURE OF STOCKHOLDING REQUIRED BY THE JAMAICA STOCK EXCHANGE

Ten Largest Stockholders as at March 31, 2005

	Stock units held
Rothmans Holdings (Caricom) Limited	244,650,826
Lascelles deMercado & Co. Limited	74,263,144
Life of Jamaica Pooled Equity Fund #1	14,726,262
West Indies Trust Company Limited A/C WT13	14,004,008
Investment Nominees Limited	9,524,224
Estate John Clinton Edmund Hart dec'd	6,572,432
Clinton Hart & Company Insurance Limited	5,899,984
National Insurance Fund	5,616,106
Medsalco Limited	5,049,640
West Indies Trust Co. Ltd. A/C WT 89	4,684,986
Total	384,991,612

Directors' stockholding as at March 31, 2005

	Stock units held
George Ashenheim	Nil
Michael Bernard	Nil
Christopher Burton	Nil
Andrew Cripps	Nil
Emil George	8,000
William McConnell	Nil
Michael McNally	Nil
Marlene Sutherland	3,728
Edgard Vargas	Nil

Senior Manager's stockholding as at March 31, 2005

	Stock units held
Patrick Smith	34,664

There has been no change in the Directors' stockholding interests occurring between the end of the company's financial year and the date of the Notice convening the Annual General Meeting.

At no time during or at the end of the financial year has any Director had any material interest in any contract or arrangement in relation to the business of the company or any of its subsidiaries.

TEN-YEAR FINANCIAL REVIEW

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

FINANCIAL YEAR	2004/05	2003/04	(re-stated) 2002/03	2001/02	2000/01	1999/00	1998/99	1997/98	1996/97	1995/96
PROFIT & LOSS ACCOUNT										
GROSS OPERATING REVENUE	6,604,902	5,942,333	4,972,405	4,462,880	4,550,399	4,435,535	4,603,040	4,128,277	3,568,115	3,300,857
SPECIAL CONSUMPTION TAXES	2,677,000	2,482,899	1,468,134	1,301,668	1,300,722	1,276,204	1,205,515	1,111,497	968,369	898,002
TRADING PROFIT	2,331,197	2,160,812	2,873,971	1,814,362	2,129,800	1,996,873	1,820,753	1,588,116	1,100,919	1,306,938
INVESTMENT & INTEREST INCOME	1,203,564	1,977,412	1,349,153	1,348,067	1,683,984	1,794,016	1,562,502	1,132,894	1,132,316	618,598
OPERATING PROFIT	3,534,761	4,138,224	4,223,124	3,162,429	3,813,784	3,790,889	3,383,255	2,721,010	2,233,235	1,925,536
EXCEPTIONAL ITEMS	-	(85,245)	(26,472)	(55,978)	(38,383)	(49,913)	(9,706)	(75,250)	(50,033)	(57,730)
PROFIT BEFORE TAXATION & EXTRAORDINARY ITEM	3,534,761	4,052,979	4,196,652	3,106,451	3,775,401	3,740,976	3,373,549	2,645,760	2,183,202	1,867,806
PROFIT AFTER TAXATION & BEFORE EXTRAORDINARY ITEM	2,459,194	2,849,685	3,354,576	2,358,214	2,863,477	2,852,480	2,421,085	1,885,290	1,602,325	1,386,443
EXTRAORDINARY ITEM	-	-	-	-	-	705,508	-	-	-	-
PROFIT ATTRIBUTABLE TO STOCKHOLDERS	2,457,999	2,846,499	3,350,939	2,355,244	2,860,192	3,554,840	2,418,194	1,804,532	1,542,936	1,332,687
BALANCE SHEET										
FIXED ASSETS	503,503	544,970	545,963	2,182,959	2,046,554	1,961,011	2,181,195	2,060,626	1,761,809	1,816,504
SHARE CAPITAL	121,360	121,360	121,360	121,360	121,360	121,360	60,680	60,680	60,680	60,680
RESERVES	7,632,833	13,871,058	13,493,831	12,450,014	11,378,305	9,783,196	9,367,428	7,350,970	5,736,810	4,567,228
STOCKHOLDERS' EQUITY	7,754,193	13,992,418	13,615,191	12,571,374	11,499,665	9,904,556	9,428,108	7,411,650	5,797,490	4,627,908
OTHER DATA										
BONUS STOCK ISSUE	-	-	-	-	-	1:1	-	-	-	1:1
SHARE CAPITAL - STOCK UNITS IN ISSUE ('000)	485,440	485,440	485,440	485,440	485,440	485,440	242,720	242,720	242,720	242,720

(The years 1995/96 to 1998/99 have been restated to give effect to 485,440,000 stock units now in issue)

	2004/05	2003/04	2002/03	2001/02	2000/01	1999/00	1998/99	1997/98	1996/97	1995/96
EARNINGS PER STOCK UNIT (before extraordinary item)	506.3¢	586.4¢	690.3¢	485.2¢	589.2¢	587.0¢	498.1¢	371.7¢	317.8¢	274.5¢
EARNINGS PER STOCK UNIT (after extraordinary item)	506.3¢	586.4¢	690.3¢	485.2¢	589.2¢	732.3¢	498.1¢	371.7¢	317.8¢	274.5¢
DISTRIBUTION										
- PER STOCK UNIT	1,680¢	400¢	500¢	300¢	285¢	585¢	185¢	150¢	150¢	135¢
- COST	8,155,392	1,941,760	2,427,200	1,456,320	1,383,504	2,839,824	691,752	364,080	364,080	327,672
DEPRECIATION CHARGED	43,703	50,363	39,816	18,809	15,435	22,388	44,772	41,107	40,571	48,203
EXCHANGE GAIN / (LOSS)	87,216	560,959	1,052,054	259,196	355,564	235,458	68,559	48,208	(144,272)	186,434
TRADING PROFIT MARGIN	35.3%	36.4%	57.8%	40.6%	46.8%	45.0%	39.6%	38.5%	30.9%	39.6%
OPERATING PROFIT/OPERATING REVENUE	53.5%	69.6%	84.9%	70.9%	83.8%	85.5%	73.5%	65.9%	62.6%	58.3%
STOCKHOLDERS' RETURN ON EQUITY	31.7%	20.3%	24.6%	18.7%	24.9%	35.9%	25.6%	24.3%	26.6%	28.8%
WEIGHTED AVERAGE EXCHANGE RATES: US$ 1 to J$	61.5438	61.0057	56.2372	47.6101	45.6847	42.1373	38.2786	36.5131	35.0736	40.0169

Carreras Group Limited

PROXY FORM

I/We ____

of ____

being a Member(s) of Carreras Group Limited hereby appoint

____

of ____

____

____

or failing him ____

of ____

as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the said Company to be held on September 13, 2005, at 2:00 p.m. and at any adjournment thereof.

SIGNED this ____________________ day of ________________ 2005.

Place stamp here $100

Signature of Stockholder ____

If a member is a body corporate, this Proxy Form must be sealed.

To be valid this proxy must be received by the Secretary of the Company at **TWICKENHAM PARK, SPANISH TOWN**, not less than 48 hours before the time appointed for holding the meeting. A Proxy need not be a member of the Company.