

HARWARE AND LUMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1995

1. PRINCIPAL ACTIVITIES AND RELATED PARTIES

The company is 58% owned by Pan-Jamaican Investment Trust Limited. The company and its subsidiaries trade in hardware, lumber, agricultural products and boat engines, and provide construction related and janitorial services.

All amounts are stated in Jamaican dollars unless otherwise identified.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation -

The group financial statements present the results of operations and financial position of the company and its wholly owned subsidiaries, Hole-in-the-Wall Limited, Office Services Limited, H&L Agri & Marine Company Limited and its partly owned subsidiary Wherry Wharf Sales Limited.

Goodwill arising on acquisition of subsidiaries has been adjusted against capital reserves (note 13).

(b) **Fixed assets and depreciation**

Fixed assets are stated at cost or valuation. In accordance with group policy the cost or valuation of fixed assets, other than freehold land, is written off on the straight line method over the expected useful lives of the assets held at the beginning of the year.

The expected useful lives are as follows:-

Freehold buildings	- 50 years;
Furniture, fixtures and equipment	- 10 years;
Vehicles and forklift trucks	- 5 to 7 years;
Scaffolding	- 20 years;
Construction equipment	- 10 years.

(c) **Foreign currency balances**

Balances denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising on translation are reflected in the profit and loss account.

(d) **Inventories**

Inventories are stated at the lower of cost and net realisable value, cost being determined on the weighted average cost method.

(e) **Work in progress**

Work in progress is valued at the actual labour and material costs incurred on construction projects.

3. TURNOVER

Turnover represents the value of goods sold to third parties, net of returns and General Consumption Tax.

4. CONSOLIDATED PROFIT AND LOSS ACCOUNT

(a) Trading profit

Trading profit is arrived at after charging/(crediting) the following items:

	1995	1994
	\$'000	\$'000
Directors' emoluments -		
Fees	-	-
Other	2,272	1,737
Auditors' remuneration -		
Current year	2,109	1,895
Prior year	(38)	-
Depreciation	7,210	6,248
Interest paid-		
Debt bonds	14,165	24,069*
Bank loans and overdrafts	11,835	11,433*
Fellow subsidiaries	17,606	13,381*
Holding company	-	334*
Other	3,696	1,017*
Management fee paid - holding company	1,166	-
Interest received-		
Bank	(787)	(2,702)
Fellow subsidiary	(811)	(10)
Deferred expenditure written off	1,289	990

(b) Net Profit

	1995	1994
	\$'000	\$'000
Profit dealt with in the financial statements of the holding company was	1,976	5,541

*Reclassified for comparative purposes

5. TAXATION

(a) Taxation is based on the profit for the year adjusted for taxation purposes and comprises:

	1995	1994
	\$'000	\$,000
Income tax at 33 1/3%	3,216	756
Prior year overprovision	-	(224)
	3,216	532

- (b) The current year taxation charge is disproportionate to the reported profit due to the utilisation of available tax losses.
- (c) The taxation charge was disproportionately low in 1994 compared to the reported profit principally due to the adjustment, for taxation purposes, of interest payable at the end of 1993 paid during 1994.
- (d) Subject to the agreement with the Commissioner of Income tax, losses available for offset against future taxable profits amount to approximately \$12,063,000 (1994 - \$23,958,000).

6. EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit is based on:

- (i) the profit after taxation (1995 - \$15,112,000; 1994 - \$11,883,000)
- (ii) the number of stock units in issue during both years.

7. FIXED ASSETS

T H E G R O U P

	Freehold Land \$'000	Buildings \$'000	Furniture & Fixtures \$'000	Leasehold Improve- ments \$'000	Equipment & Scaffolding \$'000	Motor Vehicles \$'000	Total \$'000
At cost or valuation -							
1 January 1995	55,000	107,750	14,619	2,098	8,702	8,776	196,945
Additions	351	-	1,857	337	641	2,406	5,592
Disposals	-	-	(8)	(295)	(517)	(996)	(1,816)
31 December 1995	55,351	107,750	16,468	2,140	8,826	10,186	200,721
Depreciation -							
1 January 1995	-	2,859	5,662	852	1,815	2,250	13,438
Charge for the year	-	2,155	1,780	421	1,014	1,840	7,210
On disposals	-	-	(7)	(295)	(207)	(368)	(877)
31 December 1995	-	5,014	7,435	978	2,622	3,722	19,771
Net Book Value -							
31 December 1995	55,351	102,736	9,033	1,162	6,204	6,464	180,950
31 December 1994	55,000	104,891	8,957	1,246	6,887	6,526	183,507

T H E C O M P A N Y

	Freehold Land \$'000	Buildings \$'000	Furniture & Fixtures \$'000	Equipment & Scaffolding \$'000	Motor Vehicles \$'000	Total \$'000
At cost or valuation -						
1 January 1995	55,000	107,750	8,425	-	4,584	175,759
Additions	351	-	1,667	-	1,266	3,284
Transfer from subsidiary	-	-	484	1,086	-	1,570
Disposals	-	-	-	-	(812)	(812)
31 December 1995	55,351	107,750	10,576	1,086	5,038	179,801
Depreciation -						
1 January 1995	-	2,859	3,585	-	1,070	7,514
Charge for the year	-	2,155	1,135	-	913	4,203
On disposals	-	-	-	-	(305)	(305)
31 December 1995	-	5,014	4,720	-	1,678	11,412
Net Book Value -						
31 December 1995	55,351	102,736	5,856	1,086	3,360	168,389
31 December 1994	55,000	104,891	4,840	-	3,514	168,245

Freehold land and buildings are stated at fair market value and depreciated replacement cost, respectively, as at 31 December 1993 as appraised by C. D. Alexander Company Realty Limited, real estate brokers and appraisers. The surplus arising on revaluation has been credited to capital reserves (Note 13). Subsequent additions are stated at cost.

8. LONG TERM RECEIVABLES

These comprise National Housing Trust contributions to 31 July 1979 made in compliance with The National Insurance (Amendment) Act 1976 which are recoverable in the years 2001 to 2004.

9. DEFERRED EXPENDITURE

This represents computer development, showroom and share and bond issue costs which are being written off over three to five years.

10. CURRENT ASSETS

	THE GROUP		THE COMPANY	
	1995	1994	1995	1994
	\$'000	\$'000	\$'000	\$'000
Inventories	218,377	145,025	146,469	83,661
Work in progress	3,428	3,897	-	-
Trade receivables, less provision				
\$5,251,000 1994 -\$5,676,000	107,848	86,899	72,306	56,666
Other receivables and prepayments	7,961	6,620	3,283	4,207
Employee loans for share purchases	96	129	96	129
Taxation recoverable	466	2,089	-	1,380
Deposits	-	15,435	-	14,786
Cash	2,392	5,051	809	1,998
	340,568	265,145	222,963	162,827

11. CURRENT LIABILITIES

	THE GROUP		THE COMPANY	
	1995	1994	1995	1994
	\$'000	\$'000	\$'000	\$'000
Payables and accruals	136,984	86,695	98,380	53,106
Bank loans and overdrafts	84,106	64,839	58,738	50,764
Taxation payable	1,150	64	400	-
Current maturities of long term loans				
(Note 14)	11,201	10,914	10,681	10,297
Dividends payable	2,000	1,334	2,000	1,334
	235,441	163,846	170,199	115,501

Included in bank loans and overdrafts are loans totalling approximately \$36,834,000 (1994-\$44,424,000) from fellow subsidiaries.

The bank loans and overdrafts are secured by a first charge on fixed assets, a second charge on other assets, the assignment of an insurance policy and the guarantee of the holding company, Pan-Jamaican Investment Trust Limited.

Bank loans include foreign currency denominated liability of US\$160,980 (1994 US\$1,154,439).

Payables and accruals include foreign currency denominated liabilities in various currencies the equivalent J\$102,613,000 (1994-\$52,385,000).

12. SHARE CAPITAL

	1995 \$'000	1994 \$'000
Authorised-		
50,000,000 Ordinary shares of 50 cents each	25,000	25,000
Issued and fully paid-		
40,000,000 stock units of 50 cents each	20,000	20,000

13. CAPITAL RESERVES

The movement in capital reserves during the year was as follows:

	The Group	The Company
	1995 \$'000	1995 \$'000
Balance at beginning of year-		
Share premium	30,934	30,934

Revaluation surpluses (net)	137,938	137,938
Realised gain on sale of fixed assets	329	329
Goodwill arising on consolidation (note 2(a))	(11,510)	-
	157,691	169,201
Current year amortisation of revaluation surpluses	(2,409)	(2,409)
Balance at end of year	155,282	166,792

14. LONG TERM LOANS

			THE GROUP		THE COMPANY	
			1995 \$'000	1994 \$'000	1995 \$'000	1994 \$'000
Fixed Rate Debt:						
30% debt bond	(a)	1994/1998	6,999	9,277	6,999	9,277
Variable Rate Debts:						
"A" Bonds	(b)	1993/1996	31,750	31,750	31,750	31,750
"B" Bonds	(b)	1993/1996	3,750	3,750	3,750	3,750
Bank of Nova Scotia Jamaica Limited		1991/1995	-	280	-	280
Bank of Nova Scotia Jamaica Limited	(c)	1993/1998	520	760	-	-
First Life Insurance Company Limited	(d)	1993/1996	950	3,969	950	3,969

Pan Caribbean Merchant Bank Limited	(d)	1994/1996	634	1,616	634	1,616
Portfolio Partners Limited	(d)	1994/1998	4,168	4,818	4,168	4,818
First Life Insurance Company Limited	(e)	1994/1997	10,455	13,580	10,455	13,580
Pan Caribbean Merchant Bank Limited	(e)	1994/1997	1,386	2,283	672	1,383
			60,612	72,083	59,378	70,423
Current maturities (Note 11)			11,201	10,914	10,681	10,297
			49,411	61,169	48,697	60,126

- (a) The 1994/1998 Debt Bonds are unsecured.
- (b) Principal and interest payments on the 1993/1996 Debt Bonds are guaranteed by the holding company, Pan-Jamaican Investment Trust Limited.
- (c) The Bank of Nova Scotia Jamaica Limited loan is secured by the company's guarantee and the assignment of insurance policies on fixed assets and inventories.
- (d) These other loans are from related parties and are unsecured.
- (e) These are related party loans which were used to acquire motor vehicles and are secured by Bills of Sale on the vehicles.

15. HOLDING COMPANY AND FELLOW SUBSIDIARIES

	THE GROUP		THE COMPANY	
	1995 \$'000	1994 \$'000	1995 \$'000	1994 \$'000
Due to holding company (net)	(2,452)	(733)	(1,624)	(378)
Due to fellow subsidiaries	-	(1,485)	(14,153)	(9,145)
	(2,452)	(2,218)	(15,777)	(9,523)
Due from fellow subsidiaries	4,403	2,797	2,030	613
Due from subsidiaries	-	-	46,133	57,597
	1,951	579	32,386	48,687

16. PENSION SCHEME

The company is one of a number of participating employers in a contributory pension plan administered by First Life Insurance Company Limited. Benefits under the plan are based on career earnings. The latest actuarial valuation, which was carried out as at 31 December 1993, indicated that there was a past service surplus of \$2,267,000. The trustees have decided that this surplus will be utilised to improve the retirement benefit for service prior to 1 January 1991 from 2% career average earnings to 2% of final five years' average earnings. The employees contribute at the rate of 5%. The company contributes at a similar rate.

During the year contributions made by the group were \$1,414,000 (1994-\$975,000) and by the company \$661,000 (1994-\$573,000).

17. COMMITMENTS

Lease commitments at 31 December 1995 for vehicles and equipment amounted to approximately \$1,678,000 and are scheduled for payment as follows:

\$'000

In 1996	1,371
1997	307

During the year the company made lease payments of \$1,558,000 (1994-\$2,647,000). These leases are held with related parties.