

# Courts (Jamaica) Limited 1997

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## NOTES TO THE FINANCIAL STATEMENTS

31st March 1997

### 1. Turnover

Turnover represents the total retail price of goods sold less discounts allowed. It includes hire purchase charges but excludes general consumption tax.

### 2. Pension Scheme

All permanent employees are eligible to join a contributory pension scheme which is managed by an outside agency. Retirement benefits are based on the highest salary in the last three years prior to retirement. The scheme was actuarially valued as of 31 March 1994 and the results of the valuation indicated that there was an unfunded past service liability of approximately \$8.31 million. The actuaries have recommended that the company continues its contribution to the fund at the rate of 10% of annual salaries in order to eliminate the deficit by 31 March 1997. The company's contribution to the scheme for the year was \$7,214,000 (1996 - \$6,449,000).

### 3. Net Interest Expense

1997	1996
\$000s	\$000s

Interest expense		
Related companies	17,296	10,229
On loans and overdraft	248,758	179,455
	<u>266,054</u>	<u>189,684</u>
Interest income	(9,415)	(2,888)
	<u><b>256,639</b></u>	<u><b>186,796</b></u>

#### 4. Profit before Taxation

This is stated after charging/(crediting)

	1997	1996
	\$000s	\$000s
Bad debts written off and increase in provision for doubtful accounts	88,301	17,968
Depreciation	11,302	8,900
Directors' emoluments		
Fees as directors	352	260
Executive remuneration	24,349	18,037
Auditors' remuneration		
Current year	900	900
Prior year	-	51
Exchange (gain)/loss	(4,994)	12,216*
Gain on disposal of fixed assets	<u><b>(1,145)</b></u>	<u><b>(443)</b></u>

\*Reclassified for comparative purposes only

#### 5. Taxation

(a) The taxation charge for the year is based on the reported profit adjusted for tax purposes and comprises

	1997	1996
	\$000s	\$000s

Income tax at 33 1/3%	32,149	-
Urban renewal relief	(7,019)	-
	<u>25,130</u>	-

There was no tax charge for the previous year because of the utilization of tax losses.

(b) Tax relief amounting to \$7,019,000 is claimed under the Urban Renewal (Tax Relief) Act 1995 which provides for a tax relief on capital development in declared development areas as defined by the Act and calculated as stipulated by the Act.

(c) The taxation charge is disproportionate to the reported profit mainly as a result of (i) capital allowances for taxation purposes exceeding the depreciation charge for accounting purposes and the (ii) utilization of tax losses of approximately \$16,495,000 brought forward from the previous year.

## 6. Dividends

	1997	1996
	\$000s	\$000s
Ordinary		
Interim declared, gross	1,798	1,798
Final proposed, gross	<u>3,955</u>	<u>3,955</u>
Total dividends	<u>5,753</u>	<u>5,753</u>

## 7. Earnings per Stock Unit

The calculation of earnings per ordinary 50 cents stock unit is based on the net profit for the year of \$85,934,000 (1996 - \$34,695,000) and 35,956,000 ordinary stock units in issue throughout both years.

Fully diluted earnings per stock unit is not shown as the dilution which would result from the exercise of the outstanding options is less than 5% (note 13(b)).

## 8. Fixed Assets

	Freehold Land	Freehold Buildings	Leasehold Improve- ments	Equipment, Fixtures, Fittings & Motor Vehicles	Total
	\$000s	\$000s	\$000s	\$000s	\$000s
Cost or valuation					
01-Apr-96	188,761	611,687	430	84,228	885,106
Additions	-	28,655	-	23,711	52,366
Disposals	-	-	-	(5,451)	(5,451)
31 March 1997	<u>188,761</u>	<u>640,342</u>	<u>430</u>	<u>102,488</u>	<u>932,021</u>
Depreciation					
1 April 1996	-	-	390	29,694	30,084
Charge for the year	-	-	24	11,278	11,302
On disposals	-	-	-	(1,348)	(1,348)
31 March 1997	<u>-</u>	<u>-</u>	<u>414</u>	<u>39,624</u>	<u>40,038</u>
Net book value					
31 March 1997	<b><u>188,761</u></b>	<b><u>640,342</u></b>	<b><u>16</u></b>	<b><u>62,864</u></b>	<b><u>891,983</u></b>
31 March 1996	<b><u>188,761</u></b>	<b><u>611,687</u></b>	<b><u>40</u></b>	<b><u>54,534</u></b>	<b><u>855,022</u></b>

In the prior year, freehold land was revalued on the basis of unimproved value by Langford and Brown, valuers and real estate agents, and the company's office, showrooms and warehouses were revalued on the basis of current use/depreciated replacement cost by Alex W. J. Twyman, professional valuer and chartered quantity surveyor. The surpluses arising from these valuations have been transferred to capital reserve (note 14). All other assets are stated at cost.

## 9. Long Term Receivables

This represents National Housing Trust contributions recoverable in years

2001 - 2004.

#### 10. Receivables

	1997 \$000s	1996 \$000s
Amounts owing after providing for doubtful debts (note 11)		
Hire purchase	1,115,144	812,952
Other	31,852	13,228
	<b><u>1,146,996</u></b>	<b><u>826,180</u></b>

#### 11. Provision for Doubtful Accounts

	1997 \$000s	1996 \$000s
Specific provision at beginning of year	49,988	60,972
Increase/(decrease) during the year	28,538	(10,984)
Specific provision at end of year	<b><u>78,526</u></b>	<b><u>49,988</u></b>

#### 12. Short Term Loans

	1997 \$000s	1996 \$000s
Bank loans - unsecured	100,000	352,800
Bank loans - secured	86,221	-
Bank loans (US\$1.0m - 1996 US\$1.5m) - unsecured	35,074	60,000
Other loans - secured	235,000	-
Other loans - unsecured	25,600	161,422
	<b><u>481,895</u></b>	<b><u>574,222</u></b>

These amounts represent working capital loans which are repayable between April 1997 and December 1997. The loans repayable in Jamaican dollars attract interest at rates ranging between 18% to 32% per annum and those repayable in United States dollars attract interest at the rate of 10.5% (1996 - 12%) per annum. The secured loans are evidenced by a stand-by letter of credit from a commercial bank.

### 13. Share Capital

	1997 \$000s	1996 \$000s
(a) Authorised In ordinary shares of 50 cents each	<b><u>19,000</u></b>	<b><u>19,000</u></b>
Issued and fully paid In ordinary stock units of 50 cents each	<b><u>17,978</u></b>	<b><u>17,978</u></b>

#### (b) Share options

At the year end, there were outstanding share options exercisable as follows:

(i) by an executive director, to acquire 50,000 shares at \$1.58 each on or after 11 January 2000.

(ii) by five executive directors, four of whom are to acquire 20,000 shares each and the other, 25,000 shares. These options are exercisable on or after 8 February 2001 at a price of \$6.50 per share.

### 14. Capital Reserve

	1997 \$000s	1996 \$000s
Realised capital gains	1,969	1,969
Unrealised surplus on revaluation of fixed assets:		

At beginning of year	683,919	488,413
Arising during the year (note 8)	-	195,506
	<u>683,919</u>	<u>683,919</u>
	<b><u>685,888</u></b>	<b><u>685,888</u></b>

### 15. Long Term Loans

		1997	1996
		\$000s	\$000s
24.25% Bank loans	1998	36,221	-
24.25% Bank loans	1999	36,221	-
28.36% Bank loans	1998	50,000	-
28.36% Bank loans	1999	50,000	-
28.36% (1996 - 46%) Bank loans	1995/2000	<u>40,018</u>	<u>45,857</u>
		<u>212,460</u>	<u>45,857</u>
Less Current portion		<u>9,425</u>	<u>4,928</u>
		<b><u>203,035</u></b>	<b><u>40,929</u></b>

These loans are evidenced by a stand-by letter of credit from a commercial bank and are repayable over periods varying between two to five years.

### 16. Commitments

(a) Capital commitments at 31 March 1997 not provided for in these financial statements, amounted to approximately \$60.8 million (1996-\$27 million) and relate to the continued expansion of the company's operations.

(b) Commitments under operating leases at 31 March 1997 amounted to approximately \$13,871,000 and are scheduled for payment as follows

	\$000s
In the year ending 31 March 1998	3,656
1999	3,437

2000	3,309
2001	2,620
2002	849

### 17. Related Party Transactions

During the year, the company entered into transactions with related parties as follows:

	1997	1996
	\$000s	\$000s
Overseas Affiliates		
Purchase of inventories	743,592	352,524
Other purchases	<u>26,371</u>	<u>19,800</u>

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