

Courts (Jamaica) Limited 1998

NOTES TO THE FINANCIAL STATEMENTS

31st March 1998

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 1997 and the results of the valuation indicated that there was an unfunded past service liability of approximately \$9.6 million. The actuaries have recommended that the company continues its contribution to the fund at the rate of 8% of annual salaries in order to eliminate the deficit. The company is currently contributing at the rate of 10% of pensionable salaries. The company's contribution to the scheme for the year was \$12,188,000: (\$7,214,000.00).

3. Net Interest Expense

	1998 \$000s	1997 \$000s
Interest expense		
Related companies	9,828	17,296
On loans and overdraft	<u>167,029</u>	<u>248,758</u>
	176,857	266,054

Interest income	(12,433)	(9,415)
	<u>164,424</u>	<u>256,639</u>

4. Profit before Taxation

This is stated after charging/(crediting)

	1998 \$000s	1997 \$000s
Bad debts written off and increase in provision for doubtful accounts	88,969	88,301
Depreciation	14,962	11,302
Directors' emoluments		
Fees as directors	422	352
Executive remuneration	34,778	24,349
Auditors' remuneration		
Current year	1,200	1,100*
Exchange loss/(gain)	9,707	(4,994)
Gain on disposal of fixed assets	<u>(880)</u>	<u>(1,145)</u>

*Reclassified for Comparative purposes

5. Taxation

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

	1998 \$000s	1997 \$000s
Income tax at 33 1/3%	130,616	32,149
Prior year over accrual	(59)	
Urban renewal relief	-	(7,019)
	<u>130,557</u>	<u>25,130</u>

(b) Tax relief amounting to \$7,019,000 was claimed in the previous
year 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 for the current and previous year are disproportionate to the reported profit mainly as a result of (i) capital allowances for taxation purposes exceeding the depreciation charge for accounting purposes and (ii) the utilization of tax losses in 1997 of approximately \$16,495,000 brought forward from the previous year.

6. Dividends

	1998 \$000s	1997 \$000s
Ordinary		
Interim declared, gross	2,397	1,798
Final proposed, gross	13,304	3,955
Total dividends	<u>15,701</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 \$264,953,000 (1997 - \$85,934,000) and 47,942,000 ordinary stock units in issue at the end of the year. The comparative figure for the previous year has been adjusted to reflect the issue of 11,986,000 bonus shares during the year. (Note to 14 [a])

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 14(b)).

8. Fixed Assets

	Freehold Land	Freehold Buildings	Leasehold Improvements	Equipment, Fixtures, Fittings & Motor Vehicles	Total
	\$000s	\$000s	\$000s	\$000s	\$000s
Cost or valuation					
1 April 1997	188,761	640,342	430	102,488	932,021
Additions	-	3,450	-	42,370	45,820
Disposals	-	-	-	(2,863)	(2,863)
31 March 1998	<u>188,761</u>	<u>643,792</u>	<u>430</u>	<u>141,995</u>	<u>974,978</u>
Depreciation					
1 April 1997	-	-	414	39,624	40,038
Charge for the year	-	-	16	14,946	14,962
On disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,895)</u>	<u>(1,895)</u>
31 March 1998	<u>-</u>	<u>-</u>	<u>430</u>	<u>52,675</u>	<u>53,105</u>
Net book value					
31 March 1998	<u>188,761</u>	<u>643,792</u>	<u>-</u>	<u>89,320</u>	<u>921,873</u>
31 March 1997	<u>188,761</u>	<u>640,342</u>	<u>16</u>	<u>62,864</u>	<u>891,983</u>

In 1996, 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 15). All other assets are stated at cost.

9. Long Term Receivables

This represents National Housing Trust contributions recoverable in years 2001 - 2004.

10. Receivables

	1998 \$000s	1997 \$000s
Amounts owing after providing for doubtful debts (note 12)		
Hire purchase	1,493,811	1,115,144
Other	42,510	31,852
	<u>1,536,321</u>	<u>1,146,996</u>

11. Inventories

	1998 \$000s	1997 \$000s
Furniture and appliances	346,314	299,289
Goods in transit	50,334	34,006
	<u>396,648</u>	<u>333,295</u>

12. Provision for Doubtful Accounts

	1998 \$000s	1997 \$000s
Specific provision at beginning of year	78,526	49,988
(Decrease)/increase during the year	<u>(2,247)</u>	<u>28,538</u>
Specific provision at end of year	<u>76,279</u>	<u>78,526</u>

13. Short Term Loans

	1998 \$000s	1997* \$000s
Bank loans - secured	-	86,221
Bank loans (US\$1.0m) - unsecured	36,513	35,074
Other loans - secured	235,000	235,000

Other loans - unsecured	28,256	25,600
	<u>299,769</u>	<u>381,895</u>

These amounts represent working capital loans which are repayable between April 1998 and December 1998. The loans repayable in Jamaican dollars attract interest at rates ranging between 29% to 32% per annum and those repayable in United States dollars attract interest at the rate of 10.5% (1997 - 10.5%) per annum. The secured loans are evidenced by a stand-by letter of credit from a commercial bank based in the United Kingdom.

14. Share Capital

	1998 \$000s	1997 \$000s
Authorised		
48,000,000 (1997 - 38,000,000)		
Ordinary shares of 50 cents each	<u>24,000</u>	<u>19,000</u>
Issued and fully paid		
47,942,000 (1997 - 35,956,000)		
Ordinary stock units of 50 cents each	<u>23,971</u>	<u>17,978</u>

(a) During the year, the authorised share capital of the company was increased by \$5,000,000 by the creation of 10,000,000 ordinary shares of 50 cents each. A total of 11,986,000 shares were issued at par as fully paid up bonus shares by the capitalization of retained earnings. The issued shares have been converted to stock units.

(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 \$6.20 per share.

*Reclassified for Comparative purposes

15. Capital Reserve

	1998	1997
	\$000s	\$000s
Realised capital gains	1,969	1,969
Unrealised surplus on revaluation of fixed assets	683,919	683,919
	<u>685,888</u>	<u>685,888</u>

16. Long Term Loans

	1998	1997
	\$000s	\$000s
29.83% Bank loans 1998	42,234	36,221
29.83% Bank loans 1999	36,221	36,221
29.83% Bank loans 1998	50,000	50,000
29.83% Bank loans 1999	50,000	50,000
30% Bank loans 1999	100,000	100,000*
29.83% (1997 - 28.36%) Bank loans 1995/2000	29,967	40,018
	<u>308,422</u>	<u>312,460</u>
Less: Current portion	104,345	9,425
	<u>204,077</u>	<u>303,035</u>

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

17. Commitments

(a) Capital commitments at 31 March 1998 not provided for in these financial statements, amounted to approximately \$158 million (1997 \$60.8 million) and relate to the continued expansion of the company's operations.

(b) Commitments under operating leases at 31 March 1998 amounted to approximately \$15,709,000 (1997 - \$13,871,000) and are scheduled for payment as follows:

\$000s

In the year ending 31 March	1999	4,757
	2000	4,798
	2001	4,282
	2002	1,872

18. Related Party Transactions

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

	1998	1997
	\$000s	\$000s
Overseas Affiliates		
Purchase of inventories	852,343	743,592
Other purchases	<u>33,047</u>	<u>26,371</u>

*Reclassified for Comparative purposes
