

Courts (Jamaica) Limited 2001

Notes to the Financial Statements

1 Turnover and Cost of Sales

(a) Turnover represents the total retail price of goods sold, less discounts allowed. It includes hire purchase charges and excludes General Consumption Tax.

(b) Cost of sales comprises the cost of goods sold, selling expenses (including bad debt provisions, debt collection expenses and advertising), branch operating expenses (including insurance, depreciation and occupancy) and the amortisation of goodwill.

2 Operating Profit

This is stated after charging/(crediting):

	2001	2000
	\$'000	\$'000
Bad debts written off and increase in provision for doubtful accounts	301,042	307,871
Depreciation	37,348	34,084
Directors' emoluments -		
Fees as directors	718	662
Executive remuneration (inc. in staff cost)	45,246	67,280
Auditors' remuneration	1,550	1,400
Gain on disposal of fixed assets	(335)	(434)
Staff Costs (Note 3)	421,650	475,996

=====

3 Staff Costs

	2001	2000
	\$'000	\$'000
Wages and salaries	316,534	357,332
Statutory contributions	58,746	49,833
Pension costs	15,147	18,682
Other	31,223	50,149
	<u>421,650</u>	<u>475,996</u>

=====

Average number of persons employed by the company during the year

	2001	2000
	No. 's	No. 's
Full - time	658	608
Part - time	62	121
	<u>740</u>	<u>729</u>

4 Finance Costs, Net

	2001	2,000
	\$'000	\$'000
Foreign exchange loss	(3,540)	(724)
Interest expense -		
Related companies	(6,533)	(11,059)
On loans and overdraft	(241,006)	(254,810)
	<u>(251,079)</u>	<u>(266,593)</u>
Interest income	4,215	3,007
	<u>(246,864)</u>	<u>(263,586)</u>

5 Taxation

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

	2001	2000
	\$'000	\$'000
Income tax at 33 1/3%	258,249	259,322

Adjustment to prior year provision	640	-
Tax credit on bonus issue	(59,928)	(29,964)
	198,961	229,358

6 Dividends

	2001	2000
	\$'000	\$'000
Ordinary, out of unfranked income, gross -		
Interim declared - 0.65 cents per share (2000-0.65cents)	6,232	6,233
Final proposed - 1.50 cents per share (2000 -1.40cents)	17,978	16,780
	24,210	23,013

For the interim dividend declared, the comparative figure for the previous year has been adjusted to reflect the bonus shares issued during the year, (Note 17(a)). For the final proposed dividend, the dividend per share is based on shares in issue after the intended 1 for 4 bonus issue of shares, and the comparative figure for the previous year has been adjusted accordingly.

7 Earnings per Stock Unit

The calculation of earnings per ordinary 50 cent stock unit is based on the net profit for the year of \$576,917,000 (2000 - \$542,098,000) and 958,849,000 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 479,424,000 bonus shares during the year (Note, 17(a)).

8 Fixed Assets

	Freehold Land and Buildings	Equipment, fixtures and Fittings	Motor vehicles	Total
Cost or Valuation	\$'000	\$'000	\$'000	\$'000
1 April 2000	870,200	198,811	27,956	1,096,967
Additions	37,476	27,650	4,915	70,041
Disposals	-	(217)	(815)	(1,032)
31 March 2001	907,676	226,244	32,056	1,165,976
Depreciation				
1 April 2000	-	79,978	15,570	95,548

Charge for the year	6,762	25,398	5,188	37,348
On disposals	-	(217)	(772)	(989)
31 March, 2001	6,762	105,159	19,986	131,907
=====				
Net Book Value				
31 March 2001	900,914	121,085	12,070	1,034,069
31 March 2000	870,200	118,833	12,386	1,001,419
=====				

(a) Freehold land and buildings includes \$273,600,000 in respect of land.

(b) During the previous year, freehold land and buildings were revalued on the basis of market valuation by Langford and Brown, valuers and real estate agents. The deficit arising from these valuations was written off against profit and loss or capital reserve (Note 18). Subsequent additions are included at cost.

9 Goodwill

This represents goodwill arising on the acquisition of an established retailing business, and is being amortised over 20 years commencing 1999.-

	2001	2000
	\$'000	\$'000
Cost	15,000	15,000
Less: Amortisation	(2,250)	(1,500)
	12,750	13,500

10 Long Term Receivable

This represents National Housing Trust contributions recoverable in years 2002 -2004. The current portion recoverable in 2001 has been included in other receivables.

11 Long Term Hire Purchase Receivables

	2001	2000
	\$'000	\$'000
Hire purchase receivables	4,048,745	4,351,597
Less: Deferred profit	(1,814,720)	(1,907,150)
	2,234,025	2,444,447
Less: Provision for doubtful accounts	(266,504)	(290,164)

	1,967,521	2,154,283
Less: Current portion (Note 12)	(1,242,059)	(1,095,618)
	<u>725,462</u>	<u>1,056,665</u>

12 Receivables

	2,001	2,000
	\$'000	\$'000
Current portion of hire purchase receivables	1,242,059	1,095,618
Taxation recoverable	-	4,086
Other receivables	52,048	29,877
	<u>1,294,107</u>	<u>1,129,581</u>

13 Inventories

	2,001	2,000
	\$'000	\$'000
Merchandise for resale	614,965	633,650
Gifts	62,731	19,119
Goods in transit	42,044	37,957
	<u>719,740</u>	<u>690,726</u>

14 Cash and Short Term Deposits

	2,001	2,000
	\$'000	\$'000
Cash at bank and in hand	31,275	36,098
Short term deposits	127,791	4,121
	<u>159,066</u>	<u>40,219</u>

The weighted average effective interest rate on short term deposits was 16.5% (2000 - 17%), and these deposits have been placed on call or overnight deposit.

15 Payables

	2,001	2,000
	\$'000	\$'000
Trade payables	78,261	139,939

Warranty provisions	34,362	21,957
Accruals and other payables	94,510	83,825
	<u>207,133</u>	<u>245,721</u>

16 Borrowings

	2,001	2,000
	\$'000	\$'000
Bank loans - secured	100,000	100,000
Bank loans - unsecured	-	976,213
Other loan - secured	428,455	250,000
Other loan - unsecured	437,396	46,036
	<u>965,851</u>	<u>1,372,249</u>

These amounts represent working capital loans which are repayable between April 2001 and March 2002.

(a) The loans repayable in Jamaican dollars attract interest rates ranging between 18% to 24% (2000 - 20.75% to 25.5%) per annum and those repayable in United States dollars attract interest at the rate of 10% (2000 - 10%) per annum. The secured loans are evidenced by a stand-by letter of credit from a commercial bank based in the United Kingdom.

(b) The company has unsecured overdraft facilities of \$230,000,000 with The Bank of Nova Scotia Jamaica Limited and \$135,000,000 with National Commercial Bank.

17 Share Capital

	2001	2000
	\$'000	\$'000
Authorised, 960,000,000 (2000 - 480,000,000)		
In ordinary shares of 50 cents each	480,000	240,000
	<u>480,000</u>	<u>240,000</u>
Issued and fully paid, 958,849,000 (2000 - 479,424,000)		
ordinary shares of 50 cents each	479,425	239,712
	<u>479,425</u>	<u>239,712</u>

(a) During the year, the authorised share capital of the company was increased by \$240,000,000 by the creation of 480,000 ordinary shares of 50 cents each. A total of 479,424,740 shares were then issued at par as fully paid up bonus shares by the capitalisation of \$239,712,370 of retained earnings. The shares so issued were then converted to stock units.

(b) Share options

The Share Option Trust has purchased shares from which future share options are exercisable. At the year end, there were outstanding share options exercisable as follows:

(i) Exercisable by 4 Executive Directors, 3 of whom are to acquire 533,340 shares each and the other 666,660 shares. These options are exercisable on or after 12 February, 2001 at a price of \$0.23 per share.

(ii) Exercisable by 3 Executive Directors, 2 of whom are to acquire 125,000 shares each and the other 166,668 shares. These options are exercisable on or after 17 January, 2005 at a price of \$1.13 per share.

(iii) Exercisable by an Executive Director to acquire 125,000 shares. This option is exercisable on or after 17 January, 2005 at a price of \$2.22 per share.

(iv) Exercisable by 5 Senior managers to acquire 25,000 shares each. This option is exercisable on or after 17 January, 2005 at a price of \$1.13 per share.

(v) Exercisable by a Senior manager to acquire 25,000 shares. This option is exercisable on or after 17 January, 2005 at a price of \$2.22 per share.

The option agreement provides for a proportionate increase in the number of shares available under the option, in respect of bonus shares issued by way of capitalisation of profits or reserves.

18 Capital Reserve	2001	2000
	\$'000	\$'000
Realised capital gains	1,969	1,969
Unrealised surplus on revaluation of fixed assets	615,934	615,934
	<u>617,903</u>	<u>617,903</u>

=====
19 Related Party Transactions

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

	2001	2000
	\$'000	\$'000
Interest income	(61)	(52)
Interest expense	6,533	11,059
Managment fees	7,234	8,432
Computer charges	19,391	14,544
Other charges	10,468	12,062
Purchases and expenses	1,057,238	1,491,851

=====

20 Commitments

(a) Capital expenditure approved at 31 March 2001 amounted to approximately \$124,000,000 (2000 - \$94,000,000) and relates to the continued expansion of the company's operations.

(b) Commitments under operating leases are scheduled for payment as follows:

	2001	2000
	\$'000	\$'000
In the year ending 31 March 2001	-	6,495
2002	8,058	4,140
2003	2,471	1,259
2004	1,206	560
	<u>11,735</u>	<u>12,454</u>

=====

21 Financial Instruments

(a) Currency Risk

The company incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to this risk are the United States dollar, British pound, Eastern Caribbean dollar and the Guyana dollar.

	2001			2000			Guy'000
	US\$'000	£'000	EC\$'000	US\$'000	£'000	EC\$'000	
Assets							
Cash & short term deposits	162	-	-	558	-	-	-
Liabilities							
Payables	(663)	-	-	(1,150)	-	-	-
Holding Co.	-	(733)	-	-	(1,632)	-	-
Due to affiliates	-	-	(6)	-	-	(86)	(3,012)
Bank & short term loans (Note 16)	(500)	-	-	(500)	-	-	-
	<u>(1,163)</u>	<u>(733)</u>	<u>(6)</u>	<u>(1,650)</u>	<u>(1,632)</u>	<u>(86)</u>	<u>(3,012)</u>
Net Liabilities	<u>(1,001)</u>	<u>(733)</u>	<u>(6)</u>	<u>(1,650)</u>	<u>(1,632)</u>	<u>(86)</u>	<u>(3,012)</u>

(b) Interest Risk

The company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarizes the company's exposure to interest rate risks. Included in the table are the company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates

	Floating rate \$'000	Non rate		Total \$'000	Weighted average period for which rate if fixed years	Weighted average interest rate %	Weighted average period until maturity years
		Fixed rate \$'000	sensitive \$'000				
Assets							
Long term hire purchase receivables	-	725,462	-	725,462	1.7	20	1.70
Receivables	-	1,242,059	52,048	1,294,107	1	20	1
Cash & short term deposits	135,184	-	23,822	159,006	-	1.65	overnight
	<u>135,184</u>	<u>1,967,521</u>	<u>75,870</u>	<u>2,178,575</u>			

=====							
Liabilities							
Payables	-	-	207,133	207,133	-		0.25
Holding company	-	46,986	-	46,986	1	12	1
Due to, affiliates	-	-	27,045	27,045			
Bank & short. term loans (Note 16)	-	965,851	-	965,851	0.08	21	0.08
	-	1,012,837	234,178	1,247,015			
Net Assets/(Liabilities)	135,184	954,684	(158,308)	931,560			
=====							

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company has no significant concentration of credit risk attaching to hire purchase receivables as the company has a large and diverse customer base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities. The company has policies in place to ensure that sales are made to customers with an appropriate credit history. Hire purchase receivables balances are shown net of provision for doubtful debts.

(d) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the managernept of the company aims at maintaining flexibility in funding by keeping committed lines of credit available.

(e) Fair values.

The amounts included in the financial statements for cash and bank balances, current hire purchase and other trade receivables trade payables, holding company balances and amounts due from subsidiaries reflect their approximate fair values because of the short-term maturity of these instruments.

The carrying value of long term hire purchase receivables approximates fair value

because the contracts are at market rates, and are shown net of provisions for doubtful debts.

22 Pension Scheme

All permanent employees are eligible to join the 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 1999 and the results indicated an unfunded past service liability of approximately \$296,000. The actuaries have recommended that the company contribute to the fund at the rate of 5% of annual salaries in order to eliminate the deficit. The company as at 31 March 2001, contributes at the rate of 8% of pensionable salaries.

23 Contingent Liability

The company has received from the Commissioner of Inland Revenue notices of reassessment in respect of its corporate tax liabilities for the years ended 31 March 1992-1994 and 1996-1997 which, if successful, would result in demands for increased taxation for those periods totalling \$53,701,000.

The reassessment, against which the Company has already lodged a formal objection, results from the proposed disallowance for tax purposes of a proportion of the deferred profit.

At the date of these financial statements, these matters remain under discussion, however it is the opinion of the Board of Directors that they will be favourably resolved.
