

# Courts (Jamaica) Limited

## Identification and Significant Accounting Policies

31 March 2003

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### **Identification and Principal Activities**

Courts (Jamaica) Limited (the company) is a public company incorporated and resident in Jamaica. It is a subsidiary of Courts Furnishers (Overseas) Limited which is incorporated in England and which holds 79.9% of the company's issued stock units. The ultimate holding company is Courts PLC which is also incorporated in England.

The principal activities of the company consist of the retailing and the hire purchase financing of furniture and appliances.

These financial statements are presented in Jamaican dollars

### **Basis of preparation**

The financial statements have been prepared in accordance with and comply with Jamaican Accounting Standards and have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

### **Use of estimates**

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Actual results could differ from those estimates.

#### **Foreign currency translation**

Transactions during the year are converted into Jamaican dollars at the appropriate rates of exchange ruling on transaction dates. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the appropriate rates of exchange ruling on the balance sheet date. Gains or losses arising from fluctuations in exchange rates are reflected in the profit and loss account

#### **Financial instruments**

Financial instruments carried on the balance sheet include cash and short term deposits, bank overdraft, receivables, payables, loans and group balances. The particular recognition methods adopted are disclosed in the policy statements associated with each item. The fair values of the financial instruments are discussed in Note 21.

#### **Fixed assets**

All fixed assets are initially recorded at cost. Freehold land and buildings are subsequently shown at market valuations by external independent valuers, less subsequent depreciation of buildings.

Increases in carrying amounts arising on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the capital reserve; all other decreases are charged to the profit and loss account.

Depreciation is calculated mainly on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives are as follows:

Buildings	100 years
Computer equipment	5 years
Office equipment, furniture, fixtures and fittings	10 years
Motor vehicles	10 years

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

#### **Hire purchase receivables**

Hire purchase receivables are carried at anticipated realisable value. An estimate is made for

doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

## Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on a weighted average basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and deposits held at call with banks, net of bank and short term loans.

## Revenue recognition and deferred profit

Sales to customers are recognised upon delivery of goods and customer acceptance. Profit on hire purchase sales is spread evenly over the lives of the contracts, the majority of which are for thirty six months. Deferred profit represents the estimated gross profit and hire purchase charges attributable to outstanding receivables at the balance sheet date, after providing for doubtful accounts.

## Deferred taxation

Deferred taxation is recognised in these financial statements only to the extent that timing differences are considered likely to reverse in the foreseeable future.

## Employee benefit costs

The company accrues and funds pension costs annually. Such costs are actuarially determined and include amounts to fund future and past service benefits and expenses.

## Leases

Leases of assets under which all the risk and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating lease are charged to the profit and loss account on a straight - line basis over the period of the leases.

When an operating lease is terminated before the lease period has expired any payments required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

## Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

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