Courts (Jamaica) Limited

Identification and Significant Accounting Policies

31 March 2004

Identification and Principal Activities

Courts (Jamaica) Limited (the company) is a public company incorporated and resident in Jamaica, with registered offices at 79-81A Slipe Road, Kingston 5. It is a subsidiary of Courts Group International Limited, which is incorporated in England and which holds 79.86% of the company's issued stock units. The ultimate parent 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.

The company is listed on the Jamaica Stock Exchange.

These financial statements are presented in Jamaican dollars.

Significant Accounting Policies

Basis of preparation
These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards, and have been prepared under the historical cost convention, as modified for the revaluation of certain fixed assets.

Jamaica adopted International Financial Reporting Standards (IFRSs) as its national accounting standards, effective for accounting periods beginning on or after 1 July 2002. The financial statements for the year ended 31 March 2004 have therefore been prepared in accordance with IFRSs and comparative information has been restated to conform with IFRSs. The company has opted for early adoption of IFRS 1, First-time Adoption of IFRS and has applied the provisions of that standard in the preparation of these financial statements. The effect of adopting IFRSs on the equity and net profit as previously reported is detailed in Note 28.

The preparation of financial statements in conformity with International Financial Reporting Standards 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. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates.

Revenue recognition and unearned charges
Sales to customers are recognised upon delivery of goods and customer acceptance. Gross margin is recognised at the time of sale. Hire purchase credit charges are recognised in the profit and loss account over the life of the related hire purchase contract so as to produce a constant rate of return on the net investment.

Hire purchase receivables at balance sheet date are carried net of the unearned portion of the credit charges applicable to future periods (Note 12).

Foreign currency translation
Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the exchange rates prevailing at the balance sheet date, that is, in the case of each currency, the Bank of Jamaica weighted average buying and selling rates at that 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 receivables, cash and short term investments, payables, group balances and short term loans and overdrafts.

The determination of fair values of the financial instruments are discussed in Note 25.

Income taxes
Taxation expense in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Fixed assets
Freehold land and buildings are stated at their revalued amounts, based on market valuations done by external independent valuers, less subsequent depreciation for buildings. All other fixed assets are shown at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line basis at rates estimated to write off the cost of the assets over their expected useful lives. Land is not depreciated. The expected useful lives of the other fixed assets are as follows:

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

Repairs and maintenance expenses are charged to the profit and loss account when the expenditure is incurred.

Goodwill
Goodwill is calculated as the amount by which the consideration paid and other related expenses exceed the fair value of the net identifiable assets acquired. Goodwill is amortised on the straight-line basis over its remaining useful life for a period not exceeding twenty years from the date of acquisition.

Hire purchase receivables
Hire purchase receivables are carried at original invoice amount less initial direct costs and provision for impairment of these receivables. Initial direct costs associated with writing hire purchase contracts are deferred and amortised against hire purchase credit charges over the terms of the contract. A provision for impairment of these receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the hire purchase contract. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows,discounted at the market rate of interest for similar borrowers.

Impairment of non-current assets
Fixed assets and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

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.

Investment securities
Investment securities are classified as available-for-sale.

Management determines the appropriate classification of investments at the time of purchase. Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or market prices. They are included in non-current assets unless management has the express intention of holding the investment for less then 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

All purchases and sales of investment securities are recognised at settlement date. Available-for-sale securities are initially recognised at cost, which includes transaction costs, and are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains or losses arising from changes in the fair value of these securities are recognised in equity. When securities classified as available -for-sale are sold, the accumulated fair value adjustments are included in the profit and loss account as gains and losses from investment securities.

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the assets' carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

Interest earned while holding securities is reported as interest income.

Repurchase agreements
Securities purchased under agreements to resell (repurchase agreements) are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement cash and cash equivalents comprise balances which mature within 90 days of the date of acquisition, including cash, short term investments, bank overdrafts and short term loans.

Employee benefits
(i) Pension benefits
The company operates a defined benefit plan, the assets of which are generally held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of the defined benefit plan is the difference between present value of the defined benefit obligation at the balance sheet date and the fair value of the plan assets, together with adjustments for actuarial gains and losses and past service cost. The defined benefit obligation is determined annually by independent actuaries, using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the remaining service lives of the employees.

(ii) Equity compensation benefits
Executive directors and senior managers of the company are eligible to purchase shares in the company under a share option plan. Under the share option plan, stock units are offered to eligible employees at the average of the bid and ask price at the date the option was conferred on the employee. No expense for these options is recognised in these financial statements.

Payables
Payables are stated at cost.

Provisions
Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions for warranties are recognised for the best estimate of the costs to be incurred in respect of goods sold under warranty before the balance sheet date. The estimate of the provision is based on past experience and on evidence from events occurring after the balance sheet date.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings.

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.

Dividends
Dividends are recorded as a deduction from stockholders' equity in the period in which they are approved.

Segment reporting
Business segments provide products or services that are subject to risks and returns that are different from those of other business segments.

Comparative information
Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to reflect the requirements of IFRSs (Note 28).