Courts (Jamaica) Limited

Notes to the Financial Statements

31 March 2005

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 property, plant and equipment.

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.

Financial instruments
Financial instruments carried on the balance sheet include receivables, cash and short term investments, payables, group balances and borrowings.

The determination of fair values of the financial instruments is discussed in Note 26.

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.

Property, plant and equipment
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 property, plant and equipment are shown at historical cost less accumulated depreciation.

Depreciation is calculated on bases and at rates estimated to write off the cost of the assets over their expected useful lives. Land is not depreciated. The bases and rates used to write off the cost of the other property, plant and equipment are as follows:

Buildings	Straight line	1%
Computer equipment	Straight line	20%
Office equipment, furniture, fixtures and fittings	Straight line	10%
Motor vehicles	Reducing balance	33 1/3%

Gains and losses on disposal of property, plant and equipment 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 tested annually for impairment and carried at cost less accumulated impairment losses.

Employee benefits
(a) 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 the 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.

(b) 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.

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.

Impairment of non-current assets
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.
Provision is made for slow-moving items.

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.

Borrowings
Borrowings are recognised initially as 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.

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.

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.

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 6).

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.

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

Segment reporting
A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Directors are of the view that there are no material segments into which the company's business should be separated that would enhance the proper understanding of the company's financial statements.

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

1. Identification and Principal Activity

Courts (Jamaica) Limited (the company) is a public company incorporated and resident in Jamaica, with registered offices at 79-81A Slipe Road, Kingston. 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.

2. Ultimate Parent Company (Courts Plc) in Administration

Following an application to the High Court in the United Kingdom by the directors of Courts Plc, Mick McLoughlin and Chris Laverty of KPMG LLP were appointed Administrators to Courts Plc on 30 November 2004. The directors have confirmed that the appointment of the Administrators will have limited effect on Courts (Jamaica) Limited, which continues to trade as normal.

3. Property, Plant and Equipment

	Freehold Land & Buildings $'000	Equipment, Fixtures & Fittings $'000	Motor Vehicles $'000	Total $'000
Cost or Valuation -				
1 April 2004	1,021,030	364,626	48,550	1,434,206
Additions	134	35,211	-	35,345
Disposals	-	-	(5,656)	(5,656)
31 March 2005	1,021,164	399,837	42,894	1,463,895
Depreciation -				
1 April 2004	8,094	196,942	25,167	230,203
Charge for the year	8,094	33,433	7,644	49,171
On disposals	-	-	(5,088)	(5,088)
31 March 2005	16,188	230,375	27,723	274,286
Net Book Value -				
31 March 2005	1,004,976	169,462	15,171	1,189,609

	Freehold Land & Buildings $'000	Equipment, Fixtures & Fittings $'000	Motor Vehicles $'000	Total $'000
Cost or Valuation -				
1 April 2003	1,002,676	311,475	33,805	1,347,956
Additions	18,354	53,400	17,023	88,777
Disposals	-	(249)	(2,278)	(2,527)
31 March 2004	1,021,030	364,626	48,550	1,434,206
Depreciation -				
1 April 2003	-	164,046	20,397	184,443
Charge for the year	8,094	32,990	6,854	47,938
On disposals	-	(94)	(2,084)	(2,178)
31 March 2004	8,094	196,942	25,167	230,203
Net Book Value -				
31 March 2004	1,012,936	167,684	23,383	1,204,003

(a) Freehold land and buildings include $211,677,000 in respect of land.

(b) Freehold land and buildings were revalued in 2003, on the basis of open market value, by Langford and Brown, valuers and real estate agent. The deficit arising from these valuations was written off against capital reserves arising from previous upward valuation of the same properties (Note 11).

(c) The historical cost of land is $49,575,000. If buildings were stated on the historical cost basis, the cost would be $275,366,000 with accumulated depreciation of $24,471,000 (2004 - $21,717,000).

4. Goodwill

This represents goodwill arising on the acquisition of an established furniture retailing business, and is determined as follows:

	2005	2004
	$'000	$'000
Cost	15,000	15,000
Less: Accumulated impairment charges	(15,000)	(4,500)
	-	10,500

Up to 31 March 2004, goodwill was amortised on a straight line basis over a 20 year period, in accordance with IAS 38 - Intangible Assets. Subsequent to 31 March 2004, goodwill is accounted for under IFRS 3 - Business Combinations, which states, inter alia, that 'Goodwill acquired in a business combination shall not be amortised. Instead, the acquirer shall test it for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired in accordance with IAS 36 - Impairment of Assets.'

Accordingly, the goodwill was tested for impairment at 31 March 2005, and found to be fully impaired at that date.

5. Retirement Benefit Asset

The company operates a defined benefit pension plan administered by Guardian Life Limited, in which all permanent employees must participate. The company contributes at a rate of 5% of pensionable salaries Employees contribute at a mandatory rate of 5%, and may make voluntary contributions not exceeding a further 5%. The plan is valued by independent actuaries annually using the Projected Unit Credit Method.

The amounts recognised in the balance sheet are determined as follows:

	2005	2004
	$'000	$'000
Fair value of plan assets	634,560	515,379
Present value of funded obligation	(165,922)	(114,980)>
	468,638	400,399
Unrecognised actuarial gains	(188,055)	(163,722)
Limitation due to uncertainty of obtaining future benefits	(24,977)	-
Asset in the balance sheet	255,606	236,677

Movement in the asset recognised in the balance sheet:

	2005	2004
	$'000	$'000
At 1 April	236,677	216,980
Amounts recognised in the profit and loss account	14,676	16,566
Contributions paid	4,253	3,131
At 31 March	255,606	236,677

The amounts recognised in the profit and loss account are as follows:

	2005	2004
	$'000	$'000
Current service cost, net of employee contributions	418	2,007
Interest cost	(15,655)	(16,119)
Net actuarial gains recognised during the year	5,555	-
Expected return on plan assets	49,335	30,678
Change in limitation due to uncertainty of obtaining futu	(24,977)	-
Included in staff costs	14,676	16,566

The actual return on plan assets was $111,310,000 (2004 - $184,991,000).

The principal actuarial assumptions used were as follows:

	2005	2004
Discount rate	12.50%	12.50%
Inflation rate	8.25%	7.50%
Future pension increases	2.50%	2.50%
Expected return on plan assets	10.00%	9.50%
Future salaries increases	10.00%	10.00%
Expected remaining working lives of the employees (years)	20.2	25.5

6. Hire Purchase Receivables

2005	2004
$'000	$'000

Hire purchase receivables	5,766,302	5,325,329
Less: Unearned charges	(1,079,161)	(984,316)
	4,687,141	4,341,013
Less: Impairment for doubtful accounts	(159,307)	(179,758)
	4,527,834	4,161,255
Less: Current portion (Note 7)	(2,560,724)	(1,934,452)
	1,967,110	2,226,803

7. Receivables

	2005 $'000	2004 $'000
Current portion of hire purchase receivables(Note 6)	2,560,724	1,934,452
Prepayments	13,391	8,738
Other	158,888	68,844
	2,733,003	2,012,034

8. Inventories

	2005 $'000	2004 $'000
Merchandise for resale	839,574	749,389
Gifts	9,397	18,842
Goods in transit	55,768	25,173
	904,739	793,404

9. Cash and Cash Equivalents

	2005 $'000	2004 $'000
(a) Cash	144,499	45,623
(b) Government of Jamaica Investment Debenture	-	25,000
(c) Securities purchased under resale agreements	82,487	427,929
	226,986	498,552
Borrowings (Note 15)	(431,479)	(1,031,247)

(204,493)	(532,695)

(a) Cash is comprised mainly of amounts held in current accounts, which do not attract interest.

(b) This security attracted interest at a rate of 18%.

(c) The company entered into resale agreements collaterised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligation. The weighted average interest rate on these fixed rate resale agreements was 6% (2004 - 4%) and these investments have an average maturity of 2 days (2004 - 4 days).

10. Share Capital

	2005 $'000	2004 $'000
Authorised, 2,400,000,000 ordinary shares of 50 cents each	1,200,000	1,200,000
Issued and fully paid, 2,397,123,000 ordinary stock units of 50 cents each	1,198,562	1,198,562

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:

(a) Exercisable by a Director to acquire 66,667 shares. These options are exercisable on or after 17 January 2005 at a price of $2.83 per share.

(b) Exercisable by 4 Associate Directors to acquire 10,000 shares each. These options are exercisable on or after 17 January 2005 at a price of $2.83 per share.

(c) Exercisable by a Director to acquire 50,000 shares. These options are exercisable on or after 11 February 2005 at a price of $5.70 per share.

(d) Exercisable by an Associate Director to acquire 10,000 shares. These options are exercisable on or after 11 February 2005 at a price of $5.70 per share.

(e) Exercisable by 2 Directors to acquire 50,000 shares each. These options are exercisable on or after 1 November 2007 at a price of $3.53 per share.

(f) Exercisable by a Director to acquire 60,000 shares. This option is exercisable on or after 17 November 2008 at a price of $3.53 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.

At 31 March 2005, the Share Option Trust held 18,152,000 (2004 - 18,152,000) units of the company's stock.

11. Capital Reserve

This represents the unrealised surplus on revaluation of property, plant and equipment, net of applicable deferred taxes.

12. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal rate of 33 1/3%. The movement on the deferred income tax account is as follows:

	2005	2004
	$'000	$'000
At 1 April	707,329	616,959
Charged to the profit and loss account (Note 20)	81,536	90,370
At 31 March	788,865	707,329

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The movement in deferred tax assets and liabilities, prior to offsetting of balances, is as follows:

	2005	2004
	$'000	$'000
Deferred income tax assets -		
Excess of depreciation over capital allowances	35,330	43,402
Other	7,172	9,802
	42,502	53,204

	2005	2004
	$'000	$'000
Deferred income tax liabilities -		
Hire purchase profits deferred for taxation purposes	547,442	478,462
Retirement benefits	85,202	78,892
Revaluation of buildings	195,283	195,283
Other	3,440	7,896
	831,367	760,533

These balances include the following:

	2005	2004
	$'000	$'000
Deferred tax assets to be settled after more than 12 months	35,330	43,402
Deferred tax liabilities to be recovered after more than 12 months	645,446	593,150

The deferred tax charged to the profit and loss account comprises the following temporary differences:

	2005	2004
	$'000	$'000
Hire purchase profits deferred for taxation purposes	68,980	88,702
Retirement benefits	6,310	6,565
Excess of depreciation over capital allowances	8,072	(3,153)
Other	(1,826)	(1,744)
	81,536	90,370

13. Payables

2005	2004
$'000	$'000

Trade payables	77,100	65,071
Accruals	209,197	177,192
Other	60,008	14,381
	346,305	256,644

14. Provisions

	2005 $'000	2004 $'000
Warranty provisions -		
At 1 April	18,544	28,232
Additional provisions	30,750	45,955
Utilised during the year	(28,248)	(55,643)
At 31 March	21,046	18,544
Customs Department assessment provision	-	60,925
	21,046	79,469

The amounts provided for the Customs Department assessment were paid during the year.

15. Borrowings

	2005 $'000	2004 $'000
(a) Promissory notes	399,294	780,405
(b) Bank overdrafts - unsecured	32,185	250,842
	431,479	1,031,247

(a) The promissory notes represent working capital borrowings with a weighted average interest rate of 13.21% (2004 - 15.51%) and an average maturity of 30 days (2004 - 30 days). $Nil (2004 - $97 million) is guaranteed by a Letter of Comfort from the ultimate parent company, Courts Plc.

(b) The company has an unsecured overdraft facility of $350,000,000 with National Commercial Bank Jamaica Limited. The weighted average effective interest rate on the overdraft facility was 22.75% (2004 - 20.79%).

16. Turnover and Cost of Sales

(a) Turnover comprises the invoiced value of goods and hire purchase credit charges, net of discounts allowed and General Consumption Tax.

(b) Cost of sales comprises the cost of goods sold and certain selling expenses (including bad debts written off and movement in provision for impairment of doubtful accounts, warehousing and certain distribution costs, and debt collection expenses).

17. Finance Costs

	2005	2004
	$'000	$'000
Net foreign exchange gains	35,862	12,068
Interest income -		
Related companies	45,722	20,932
Short term investments	3,761	9,111
	49,483	30,043
	85,345	42,111
Interest expense -		
Related companies	(558)	(1,421)
Borrowings	(121,988)	(146,779)
	(122,546)	(148,200)
	(37,201)	(106,089)

18. Profit before Taxation

The following items have been charged/(credited) in arriving at profit before taxation:

	2005	2004
	$'000	$'000
Auditors' remuneration	2,200	2,020
Bad debts written off and movement in provision for impairment of doubtful accounts	199,033	196,665
Cost of inventories recognised as expense	2,924,650	2,860,555
Depreciation	49,171	47,938
Directors' emoluments -		

Executive remuneration (included in staff cost)	62,429	56,201
Fees as directors	1,034	867
Gain on disposal of property, plant and equipment	(1,592)	(677)
Goodwill impairment charge	10,500	750
Operating lease rentals	34,286	31,747
Repairs and maintenance expense	28,004	32,010
Staff costs (Note 19)	641,603	618,081

19. Staff Costs

	2005 $'000	2004 $'000
Wages and salaries	533,097	504,888
Statutory contributions	62,827	55,538
Pension (Note 5)	(14,676)	(16,566)
Other	60,355	74,221
	641,603	618,081

Number of persons employed by the company at the end of the year:

	2005 No.	2004 No.
Full - time	612	660
Part - time	203	141
	815	801

20. Taxation Expense

(a) Income tax is computed on the profit for the year adjusted for tax purposes and comprises income tax at 33 1/3%:

	2005 $'000	2004 $'000
Current tax	352,902	290,448
Tax credit on bonus issue of shares	-	(97,388)
Adjustment to prior year provision	-	(2,541)
	352,902	190,519

Deferred tax (Note 12)	81,536	90,370
	434,438	280,889

(b) Reconciliation of applicable tax charge to effective tax charge:

	2005 $'000	2004 $'000
Profit before taxation	1,291,308	1,140,995
Tax calculated at 33 1/3%:	430,436	380,332
Adjusted for the effect of:		
Tax credit on bonus issue of shares	-	(97,388)
Adjustment to prior year provision	-	(2,541)
Impairment charges on goodwill	3,500	250
Other charges and allowances	502	236
	434,438	280,889

21. Earnings per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2005	2004
Net profit attributable to stockholders ($'000)	856,870	860,106
Weighted average number of ordinary stock units in issue ('000)	2,397,123	2,397,123
Basic earnings per stock unit	$0.36	$0.36

There was no dilution of earnings per share as a result of the share options outstanding at year end.

22. Dividends

	2005 $'000	2004 $'000
Ordinary, gross -		

Interim declared - 1 cent per share (2004 - 0.45 cents per share)	23,971	10,786
Final proposed - 6 cents per share (2004 - 10 cents per share)	143,827	239,713
	167,798	250,499

23. Related Party Transactions

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

	2005	2004
	$'000	$'000
Computer charges	43,002	61,299
Interest income	45,722	20,932
Interest expense	558	1,421
Other charges	23,330	20,039
Purchases and expenses	1,530,762	1,421,960

Related companies include the parent company and fellow subsidiaries.

24. Commitments

Commitments under operating leases are scheduled for payment as follows:

	2005	2004
	$'000	$'000
In the year ending 31 March 2005	-	19,775
2006	19,451	19,542
2007	19,892	7,762
2008	7,381	4,621
2009	6,186	3,197
2010 and thereafter	1,552	-
	54,462	54,897

25. Financial Risk Management

The company's activities expose it to a variety of financial risks, including the effects of changes in debt market prices, foreign currency exchange rates and interest rates. Management seeks to minimise potential adverse effects on the financial performance of the company by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The main currencies giving rise to this risk are the United States dollar, British pound and Eastern Caribbean dollar. The table below summarises the company's exposure to currency risks. Included in the table are the company's financial assets and liabilities denominated in foreign currencies.

	2005			2004		
	US$'000	pound(000)	EC$'000	US$'000	pound(000)	EC$'000
Assets						
Due from parent company	-	-	-		110	-
Due from fellow subsidiaries	-	-	360	-	-	149
Cash and short term investments	742	-	-	7,165	-	-
	742	-	360	7,165	110	149
Liabilities						
Payables	59	-	-	-	-	-
Due to parent company	-	97	-	-	-	-
Due to fellow subsidiaries	1,489	-	-	661	-	-
Borrowings	2,500	-	-	5,449	-	-
	4,048	97	-	6,110	-	-
Net Assets/(Liabilities)	(3,306)	(97)	360	1,055	110	149

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The table below summarises the company's exposure to interest rate risks. Included in the table are the company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Weighted average period for	Weighted average	Weighted average period

	Floating rate $'000	Fixed rate $'000	Non rate sensitive $'000	Total $'000	which rate is fixed years	interest rate %	until maturity years
Assets							
Hire purchase receivables	-	4,527,834	-	4,527,834	1.41	19.49	1.41
Other receivables	-	-	172,279	172,279	1.00	19.49	1.00
Due from fellow subsidiaries	-	-	17,944	17,944	-	-	0.08
Cash and short term investments	-	82,487	144,499	226,986	0.01	6	0.01
	-	4,610,321	334,722	4,945,043			
Liabilities							
Payables	-	-	346,305	346,305	-	-	0.08
Due to parent company	-	-	11,210	11,210	-	-	0.08
Due to fellow subsidiaries	-	-	91,546	91,546	-	-	0.08
Borrowings	32,185	399,294	-	431,479	0.08	13.09	0.08
	32,185	399,294	449,061	880,540			
Net Assets/(Liabilities)	(32,185)	4,211,027	(114,339)	4,064,503			

(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 impairment for doubtful debts.

Cash and short-term investments are held with substantial financial institutions. A significant level of investments is held in various forms of government instruments.

(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 management of the company aims at maintaining flexibility in funding by keeping committed lines of credit available.

(e) Cash flow risk
Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount and timing. The company manages this risk by ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flows.

26. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates. The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

The following methods and assumptions have been used:

(a) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

(b) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts; and

(c) The fair value of hire purchase receivables is determined by discounting the expected cash inflows using the market rate of interest for similar instruments, and is estimated as follows:

	Carrying Value 2005	Fair Value 2005	Carrying Value 2004	Fair Value 2004

	$'000	$'000	$'000	$'000
Hire purchase receivables	4,527,834	4,360,243	4,161,255	3,625,657

27. Contingent Liability

The company serves jointly, along with other subsidiaries of Courts Plc, as guarantor for revolving credit facilities extended to the group through the parent company by a consortium of financial institutions. The company's obligation under this guarantee is limited to the aggregate from time to time of:

(a) the outstanding amount of all letters of credit issued in relation to obligations of the company; and

(b) the aggregate amount directly or indirectly attributed to the company out of the proceeds of the facility by way of intercompany loan or otherwise.