

Courts Jamaica Limited 1999

Notes to the Financial Statements

31st March 1999

1. Turnover

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

2. Finance Costs

	1999 \$000s	1998 \$000s
Interest expense Related companies	11,580	9,828
On loans and overdraft	<u>199,275</u>	<u>167,029</u>
	210,855	176,857
Interest income	<u>(8,192)</u>	<u>(12,433)</u>
	<u>202,663</u>	<u>164,424</u>

3. Profit before Taxation

This is stated after charging/(crediting)

1999	1998
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	\$000s	\$000s
Bad debts written off and increase in provision for doubtful accounts	191,048	88,969
Depreciation	21,945	14,962
Directors' emoluments		
Fees as directors	507	422
Executive remuneration	48,079	34,778
Auditors' remuneration	1,300	1,200
Foreign exchange (gain)/loss	(1,325)	9,707
Gain on disposal of fixed assets	(1,268)	(880)
Employee related costs (including executive remuneration above)	<u>316,237</u>	<u>238,478</u>

4. Taxation

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

	1999 \$'000s	1998 \$'000s
Income tax at 33 1/3%	167,233	130,616
Tax credit on bonus issue	(23,971)	-
Prior year over accrual	-	(59)
	<u>143,262</u>	<u>130,557</u>

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5. Dividends

	1999 \$'000s	1998 \$'000s
Ordinary		
Interim declared, gross	4,794	2,397
Final proposed, gross	<u>14,383</u>	<u>13,304</u>
Total dividends	<u>19,177</u>	<u>15,701</u>

6. Earnings per Stock Unit

The calculation of earnings per ordinary 50 cents stock unit is based on the net profit for the year of \$375,680,000 (1998 - \$264,953,000) and 239,712,000 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 191,770,000 bonus shares during the year (Note 14(a)).

Fully diluted earnings per stock unit is not shown as there would be no dilution resulting from the exercise of the outstanding options.

7. Fixed Assets

	Freehold Land \$'000s	Freehold Buildings \$'000s	Leasehold improve- ments \$'000s	Equipment, Fixtures, Fittings & Motor Vehicles \$'000s	Total \$'000s
Cost or valuation					
1 April 1998	188,761	643,792	430	141,995	974,978
Additions	30,389	46,725	-	59,182	136,296
Disposals	-	-	-	(6,516)	(6,516)
31 March 1999	<u>219,150</u>	<u>690,517</u>	<u>430</u>	<u>194,661</u>	<u>1,104,758</u>

Depreciation

1 April 1998	-	-	430	52,675	53,105
Charge for the year	-	-	-	21,945	21,945
On disposals	-	-	-	4,746	4,746
31 March 1999	-	-	430	69,874	70,304
Net book value					
31 March 1999	<u>219,150</u>	<u>690,517</u>	-	<u>124,787</u>	<u>1,034,454</u>
31 March 1998	<u>188,761</u>	<u>643,792</u>	-	<u>89,320</u>	<u>921,873</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). Subsequent additions are included at cost. All other assets are stated at cost.

8. Goodwill

This represents goodwill arising on the acquisition of an established furniture retailing business, and will be amortized over 20 years commencing 1999.

9. Long Term Receivable

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

10. Long Term Hire Purchase Receivables

	1999 \$'000s	1998 \$'000s
Hire purchase receivables	2,830,466	1,570,089
Less: Deferred profit	<u>1,337,655</u>	<u>712,235</u>
	1,492,811	857,854

Less: Provision for doubtful accounts	154,178	76,279
	<u>1,338,633</u>	<u>781,575</u>
Less: Current portion (note 11)	792,549	550,146
	<u>546,084</u>	<u>231,429</u>

11. Receivables

	1999	1998
	\$000's	\$000's
Current portion of hire purchase receivable (note 10)	792,549	550,146
Taxation recoverable	3,494	3,184
Other receivables	33,760	42,511
	<u>829,803</u>	<u>595,841</u>

12. Inventories

	1999	1998
	\$'000s	\$'000s
Merchandise for resale	482,886	379,960
Other	13,452	16,688
	<u>496,338</u>	<u>396,648</u>

13. Short Term Loans

	1999	1998
	\$'000s	\$'000s
Bank loans - secured	278,455	-
Bank loans - unsecured	325,000	36,513
Other loan - secured	235,000	235,000
Other loans - unsecured	19,140	28,256
	<u>857,595</u>	<u>299,769</u>

These amounts represent working capital loans which are repayable between April 1999 and January 2000. The loans repayable in Jamaican

dollars attract interest at rates ranging between 23.97% to 25.9% (1998 - 29% to 32%) per annum and those repayable in United States dollars attract interest at the rate of 10% (1998 - 10.5%) per annum. The secured loan is evidenced by a stand-by letter of credit from a commercial bank based in the United Kingdom.

14. Share Capital

	1999 \$'000s	1998 \$'000s
Authorised		
240,000,000 (1998 - 48,000,000)		
Ordinary shares of 50 cents each	<u>120,000</u>	<u>24,000</u>
Issued and fully paid		
239,712,000 (1998 - 47,942,000)		
Ordinary stock units of 50 cents each	<u>119,856</u>	<u>23,971</u>

(a) During the year, the authorised share capital (of the company) was increased by \$96,000,000 by the creation of 192,000,000 ordinary shares of 50 cents each. A total of 191,770,000 shares were then issued at par as fully paid up bonus shares by the capitalisation 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) exercisable by an executive director, to acquire 50,000 shares at \$1.58 each on or after 11 January 2000.
- (ii) exercisable 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.

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.

15. Capital Reserve

	1999	1998
	\$'000s	\$'000s
Realised capital gains	1,969	1,969
Unrealised surplus on revaluation of fixed assets	<u>683,919</u>	<u>683,919</u>
	<u>685,888</u>	<u>685,888</u>

16. Long Term Loans

		1999	1998
		\$000s	\$000s
29.83% Bank loans	1998	-	42,234
29.83% Bank loans	1999	-	36,221
29.83% Bank loans	1998	-	50,000
29.83% Bank loans	1999	-	50,000
30% Bank loans	1999	-	100,000
29.83% Bank loans	2000	<u>16,352</u>	<u>29,967</u>
		16,352	308,422
Less: Current portion		<u>14,845</u>	<u>104,345</u>
		<u>1,507</u>	<u>204,077</u>

The existing loan is evidenced by a stand-by letter of credit from a commercial bank based in the United Kingdom and is repayable in the year 2000.

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

17. Capital Commitments

(a) Capital commitments at 31 March 1999 not provided for in these financial statements, amounted to approximately \$136,000,000 (1998 - \$158,000,000) and relate to the continued expansion of the company's

operations.

(b) Commitments under operating leases at 31 March 1999 amounted to approximately \$16,325,000 (1998 - \$15,709,000) and are scheduled for payment as follows:

		\$'000s
In the year ending 31 March	2000	6,591
	2001	5,519
	2002	2,815
	2003	840
	2004	560

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18. Related Party Transactions

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

	1999	1998
	\$'000s	\$'000s
Interest income	(799)	(326)
Interest expense	11,580	9,429
Management fees	6,150	5,704
Other charges	22,200	25,758
Purchases and commission expense	<u>1,049,669</u>	<u>852,343</u>

19. 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 1997 and the results indicated an unfunded past service liability of approximately \$9.6 million. The actuaries have recommended that the company contributes 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 \$16,519,000 (1998 - \$12,188,000).

20. Contingent Liabilities

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.

21. Comparative Information

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