

## Courts (Jamaica) Limited 2000

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### 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 the diminution in the value of freehold properties) and the amortisation of goodwill.

#### 2. Operating Profit

This is stated after charging/(crediting):

|   | 2000           | 1999           |
|---|----------------|----------------|
|   | \$000s         | \$000s         |
| Bad debts written off and increase in provision for doubtful accounts | 307,871        | 191,048        |
| Depreciation  | 34,084         | 21,945         |
| Directors' emoluments -   |                |                |
| Fees as directors   | 661            | 507            |
| Executive remuneration (inc. in staff costs)                          | 67,280         | 48,079         |
| Auditors' remuneration  | 1,400          | 1,300          |
| Gain on disposal of fixed assets                                      | (434)          | (1,268)        |
| Staff Costs (Note 3)  | <u>475,996</u> | <u>326,686</u> |

#### 3. Staff Costs

|                         | 2000           | 1999           |
|-------------------------|----------------|----------------|
|                         | \$000s         | \$000s         |
| Wages and salaries      | 357,332        | 247,379        |
| Statutory contributions | 49,833         | 30,996         |
| Pension costs           | 18,682         | 16,519         |
| Other                   | 50,149         | 31,792         |
|                         | <u>475,996</u> | <u>326,686</u> |

Average number of persons employed by the company during the year:

|             | 2000       | 1999       |
|-------------|------------|------------|
|             | No.'s      | No.'s      |
| Full - time | 608        | 534        |
| Part - time | 121        | 117        |
|             | <u>729</u> | <u>651</u> |

#### 4. Finance Costs

|                              | 2000             | 1999             |
|------------------------------|------------------|------------------|
|                              | \$'000           | \$'000           |
| Foreign exchange (loss)/gain | (724)            | 31,176           |
| Interest expense -           |                  |                  |
| Related companies            | (11,059)         | (11,580)         |
| On loans and overdraft       | <u>(254,810)</u> | <u>(200,074)</u> |
|                              | (266,593)        | (180,478)        |
| Interest income              | 3,007            | 2,492            |
|                              | <u>(263,586)</u> | <u>(177,986)</u> |

#### 5. Taxation

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

|                           | 2000            | 1999            |
|---------------------------|-----------------|-----------------|
|                           | \$'000          | \$'000          |
| Income tax at 33 1/3%     | 259,322         | 167,233         |
| Tax credit on bonus issue | <u>(29,964)</u> | <u>(23,971)</u> |
|                           | <u>229,358</u>  | <u>143,262</u>  |

6. Dividends

|  | 2000          | 1999          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| Ordinary, out of unfranked income, gross -               |               |               |
| Interim declared - 1.30 cents per share (1999 - 2 cents) | 6,233         | 4,794         |
| Final proposed - 1.75 cents per share (1999 - 3 cents)   | 16,780        | 14,383        |
|  | <u>23,013</u> | <u>19,177</u> |

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 \$542,098,000 (1999 - \$375,680,000) and 479,424,000 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 239,712,000 bonus shares during the year (Note 17(a)).

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

8. Fixed Assets

|                     | Freehold Land<br>& Buildings<br>\$'000 | Leasehold<br>Improvements<br>\$'000 | Equipment,<br>Fixtures, Fittings<br>& Motor Vehicles<br>\$'000 | Total<br>\$'000  |
|---------------------|--|-------------------------------------|--|------------------|
| Cost or Valuation - |  |                                     |  |                  |
| 1 April 1999        | 909,667                                | 430                                 | 194,661  | 1,104,758        |
| Revaluation         | (89,678)                               | -                                   | -  | (89,678)         |
| Additions           | 50,210                                 | -                                   | 34,073   | 84,283           |
| Disposals           | -                                      | (430)                               | (1,966)  | (2,396)          |
| 31 March 2000       | <u>870,199</u>                         | <u>-</u>                            | <u>226,768</u>   | <u>1,096,967</u> |
| Depreciation        |  |                                     |  |                  |
| 1 April 1999        | -                                      | 430                                 | 69,874   | 70,304           |
| Charge for the year | 7,391                                  | -                                   | 26,693   | 34,084           |
| Revaluation         | (7,391)                                | -                                   | -  | (7,391)          |
| On disposals        | -                                      | (430)                               | (1,019)  | (1,449)          |
| 31 March 2000       | <u>-</u>                               | <u>-</u>                            | <u>95,548</u>  | <u>95,548</u>    |
| Net Book Value -    |  |                                     |  |                  |

|               |                |          |                |                  |
|---------------|----------------|----------|----------------|------------------|
| 31 March 2000 | 870,199        | -        | 131,220        | 1,001,419        |
| 31 March 1999 | <u>909,667</u> | <u>-</u> | <u>124,787</u> | <u>1,034,454</u> |

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

(b) During the 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 amortized over 20 years commencing 1999.

|                    | 2000          | 1999          |
|--------------------|---------------|---------------|
|                    | \$'000        | \$'000        |
| Cost               | 15,000        | 15,000        |
| Less: Amortization | (1,500)       | (750)         |
|                    | <u>13,500</u> | <u>14,250</u> |

#### 10. Long Term Receivable

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

#### 11. Long Term Hire Purchase Receivables

|                                       | 2000             | 1999             |
|---------------------------------------|------------------|------------------|
|                                       | \$'000           | \$'000           |
| Hire purchase receivables             | 4,351,596        | 2,830,467        |
| Les: Deferred profit                  | (1,907,150)      | (1,337,655)      |
|                                       | <u>2,444,446</u> | <u>1,492,812</u> |
| Less: Provision for doubtful accounts | (290,164)        | (154,179)        |
|                                       | <u>2,154,282</u> | <u>1,338,633</u> |
| Less: Current portion (Note 12)       | (1,095,618)      | (792,549)        |
|                                       | <u>1,058,664</u> | <u>546,084</u>   |

12. Receivables

|  | 2000             | 1999           |
|--|------------------|----------------|
|  | \$'000           | \$'000         |
| Current portion of hire purchase receivables | 1,095,619        | 792,549        |
| Taxation recoverable                         | 4,086            | 3,494          |
| Other receivables                            | 29,877           | 33,760         |
|  | <u>1,129,582</u> | <u>829,803</u> |

13. Inventories

|                        | 2000           | 1999           |
|------------------------|----------------|----------------|
|                        | \$'000         | \$'000         |
| Merchandise for resale | 633,650        | 411,779        |
| Gifts                  | 19,119         | 13,453         |
| Goods in transit       | 37,957         | 71,106         |
|                        | <u>690,726</u> | <u>496,338</u> |

14. Cash and Short Term Deposits

|                          | 2000          | 1999          |
|--------------------------|---------------|---------------|
|                          | \$'000        | \$'000        |
| Cash at bank and in hand | 36,098        | 33,952        |
| Short term deposits      | 4,121         | 3,000         |
|                          | <u>40,219</u> | <u>36,952</u> |

The weighted average effective interest rate on short term deposits was 17% (1999 - 18%).

15. Payables

|                             | 2000           | 1999           |
|-----------------------------|----------------|----------------|
|                             | \$'000         | \$'000         |
| Trade payables              | 139,939        | 76,741         |
| Warranty provisions         | 21,957         | 15,093         |
| Accruals and other payables | 83,825         | 91,242         |
|                             | <u>245,721</u> | <u>183,076</u> |

16. Bank and Short Term Loans

|                        | 2000    | 1999    |
|------------------------|---------|---------|
|                        | \$'000  | \$'000  |
| Bank loans - secured   | 100,000 | 278,455 |
| Bank loans - unsecured | 976,213 | 340,454 |
| Other loan - secured   | 250,000 | 235,000 |
| Other loan - unsecured | 46,036  | 19,140  |

1,372,249      873,049

These amounts represent working capital loans which are repayable between April 2000 and March 2001.

The loans repayable in Jamaican dollars attract interest rates ranging between 20.75% to 25.5% (1999 - 23.9% to 25.9%) per annum and those repayable in United States dollars attract interest at the rate of 10% (1999 - 10%) per annum. The secured loans are evidenced by a stand-by letter of credit from a commercial bank based in the United Kingdom.

The company has unsecured overdraft facilities of \$230,000,000 with The Bank of Nova Scotia Jamaica Limited and \$130,000,000 with National Commercial Bank.

17. Share Capital

|  | 2000           | 1999           |
|--|----------------|----------------|
|  | \$'000         | \$'000         |
| Authorised, 480,000,000 (1999 - 240,000,000)<br>In ordinary shares of 50 cents each            | <u>240,000</u> | <u>120,000</u> |
| Issued and fully paid, 479,424,000 (1999 - 239,712,000)<br>In ordinary shares of 50 cents each | <u>239,712</u> | <u>119,856</u> |

(a) During the year authorised share capital the company was increased by \$120,000,000 by the creation of 240,000,000 ordinary shares of 50 cents each. A total of 239,712,370 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 at the year end.

(b) Share options -

At the year end there were outstanding share options exercisable as follows:

- (i) exercisable by four executive directors, three 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.
- (ii) exercisable by an executive director, to acquire 50,000 shares at \$2.83 each on or after 17th January 2005.

(iii) exercisable by 8 senior managers, to acquire 10,000 shares each at \$2.83 each on or after 17th January 2005.

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                               | 2000<br>\$'000 | 1999<br>\$'000 |
|---|----------------|----------------|
| Realised capital gains                            | 1,969          | 1,969          |
| Unrealised surplus on revaluation of fixed assets | 615,934        | 683,919        |
|   | <u>617,903</u> | <u>685,888</u> |

19. Long Term Loans

|                        | 2000<br>\$'000 | 1999<br>\$'000 |
|------------------------|----------------|----------------|
| 29.83% Bank loans 2000 | -              | 16,352         |
| Less: Current portion  | -              | 14,845         |
|                        | <u>-</u>       | <u>1,507</u>   |

The prior year loan was evidenced by a stand by letter of credit from a commercial bank based in the United Kingdom and was repaid during the year.

20. Related Party Transactions

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

|                                  | 2000<br>\$'000   | 1999<br>\$'000   |
|----------------------------------|------------------|------------------|
| Interest income                  | (52)             | (799)            |
| Interest expense                 | 11,059           | 11,580           |
| Management fees                  | 8,432            | 6,150            |
| Computer charges                 | 14,544           | 7,979            |
| Other charges                    | 12,062           | 14,221           |
| Purchases and commission expense | <u>1,491,851</u> | <u>1,049,669</u> |

21. Financial Instruments

(a) Currency risk

Cash, short term loans and payables at 31 March 2000 include aggregate net foreign liabilities of approximately EC\$86,000, Guy\$3,012,000, US\$1,126,000 and £1,632,000 (1999- EC\$10,000, Guy \$950,000, US\$1,666,000 and £1,720,000) in respect of transactions arising in the ordinary course of business.

(b) Credit risk

The company has no significant concentrations of credit risk. Cash and short term deposits are held with substantial financial institutions.

(c) Fair values

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

The estimated fair values of the short-term maturity of these instruments are as follows:

|                                     | 2000               |               | 1999               |               |
|-------------------------------------|--------------------|---------------|--------------------|---------------|
|                                     | Carrying<br>Amount | Fair<br>Value | Carrying<br>Amount | Fair<br>Value |
| Financial assets                    |                    |               |                    |               |
| Long term Hire Purchase receivables | 1,058,664          | 1,058,664     | 546,084            | 546,084       |
| Financial liabilities               |                    |               |                    |               |
| Long term loans                     | -                  | -             | 16,352             | 16,352        |

The estimated fair values have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented above are not necessarily indicative of the amounts that the group would realise in a current market exchange.

Fair values were estimated as follows:

Hire purchase receivables



The carrying value of hire purchase receivables approximates fair value because the contracts are at market rate.

#### Long-term loans

The fair values of long-term loans either approximate their carrying amounts or are estimated using discounted cash flow analyses based on the company's current incremental borrowing rates for similar types of borrowing arrangements.

#### 22. Commitments

(a) Capital expenditure approved at 31 March 2000 amounted to approximately \$94,000,000 (1999 - \$136,000,000) and relates to the continued expansion of the company's operations.

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

|                                  | 2000          | 1999          |
|----------------------------------|---------------|---------------|
|                                  | \$'000        | \$'000        |
| In the year ending 31 March 2000 | -             | 6,591         |
| 2001                             | 6,495         | 5,519         |
| 2002                             | 4,140         | 2,815         |
| 2003                             | 1,259         | 840           |
| 2004                             | 560           | 560           |
|                                  | <u>12,454</u> | <u>16,325</u> |

#### 23. 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 is currently contributing at the rate of 8% of pensionable salaries.

#### 24. 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, 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.

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