

WEST INDIES PULP AND PAPER GROUP

DIRECTORS' REPORT

The Directors of West Indies Pulp & Paper Limited submit herewith their Annual Report and Audited Financial Statements for the year ended November 30, 1995

FINANCIAL RESULTS

The Group ended the year with a consolidated loss of \$4,051,396 after deducting \$41,041,198 exchange loss provision and \$6,793,531 severance pay. The profit for the year ended November 30, 1994 was \$20,858,066 (adjusted).

More details on the Group's operations are contained in the Financial Statements and the Management Report, all of which are included as part of this report.

DIRECTORS

In accordance with Articles 99 and 104 of the Company's Articles of Association, Directors Norma Duncan, William Isaacs and William King retire by rotation and being eligible offer themselves for re-election.

AUDITORS

The Auditors, KPMG Peat Marwick, have notified their willingness to continue in office. The Directors recommend their re-appointment at the Annual General

Meeting.

APPRECIATION

The Directors wish to express their appreciation for the contribution made throughout the year by the Management and Staff of the Companies.

ON BEHALF OF THE BOARD

Paul Geddes
Chairman

MANAGEMENT REPORT

During the year under review our nation continued to experience economic difficulties. Domestic production was low, inflation rate averaged 21%, interest rate averaged 50% and the Jamaica Dollar devalued by some 21%.

These factors undoubtedly reduced disposable income, the demand for goods and services and the level of activity in the productive sector.

Comprised as it is, of three manufacturing entities, the West Indies Pulp & Paper Group of Companies was directly affected by these economic conditions resulting in an overall volume decline of 6% in the Group's business below the previous year. The major reasons for the volume decline were cessation and/or down sizing of manufacturing operations in Jamaica, competition from imports and the delayed start up of the Tissue Converting Plant.

Ongoing cost containment initiatives during the year continued to yield positive results but these were significantly eroded by provision for exchange

loss exposure arising from the 21% devaluation of the Jamaica Dollar.

Analysis of the trading results for the year ended November 30, 1995, revealed that the Group of Companies realized a profit of \$43.8 Million before deductions for exchange loss exposure of \$41.0 Million and \$6.8 Million for severance pay. After these deductions the financial statement for the year reflects a Group loss of \$4.0 Million, for the year ended November 30, 1994, the Group realized a net profit of \$20.9 Million.

Set out below is a summary of the performance of the individual companies.

WEST INDIES PULP & PAPER LIMITED

This company was scheduled to commence commercial production of tissue products at its new converting plant as of February 1995. The commissioning of this plant was, however, delayed to July 1995 because of late settlement of the fire insurance claim, late completion of the refurbishing of the building and technical problems with the plant installation.

Analysis of the trading results for the year ended November 30, 1995, revealed that sales volume fell below 1994 by 6% and that this as well as the factors listed below were negative influences which flowed from the delayed start up.

- Abnormal interest cost and exchange loss arising from interim financing during the protracted insurance claim negotiations.
- Low sales at uneconomical prices due to competition from remaining stock of imported tissue in trade several months after commissioning.

By the end of the third quarter of the year the strategic measures which were implemented by management in marketing, promotion and quality assurance started to reverse the negative impact from competition. Should that trend continue WIPAP should increase its market share and profitability in the years ahead.

At the end of the year the company's permanent staff stood at 58 persons.

WEST INDIES PAPER PRODUCTS LIMITED

For the year ended November 30, 1995, West Indies Paper Products Ltd., producers of corrugated cartons, experienced fair trading results, despite a sale volume decline of 4.7% below the previous year.

Analysis revealed that the volume decline was consistent with the decline in the level of activity in the productive sectors during the year influenced by cessation, relocation and downsizing of some manufacturing businesses in Jamaica and competition from importation.

In an effort to remain viable in the increasingly hostile market environment the management continued to implement cost containing measures including downsizing from two shifts to a one shift operation, the introduction of productivity incentive and quality improvement schemes.

At the end of the year the company's permanent staff stood at 76 persons.

WEST INDIES CONTAINERS LIMITED

For the year ended November 30, 1995, West Indies Containers Ltd., producers of folding cartons, experienced a sales volume decline of 5.5% below 1994 and recorded disappointing trading results.

Analysis revealed that, like West Indies Paper Products Ltd., the major reasons for the decline were the cessation, relocation and downsizing of some manufacturing businesses in Jamaica and competition from importation.

During the year, several management initiatives were also introduced to improve the viability of the company. These initiatives include rationalization of orders, downsizing from two shifts to a one shift operation and enhancement of quality. The results of these initiatives are being closely monitored to evaluate the future viability of West Indies Containers Ltd.

At the end of the year the company's permanent staff stood at 23 persons.

TRADING RESULTS

Summarized below is the trading results of the Group for year ended November 30, 1995, with comparative figures for 1994:-

	1995	1994
	\$000	\$000
Sales & Commissions	730,510	602,986
Cost of Sales	572,834	497,813
Selling & Admin. Cost	80,904	59,113
Finance & other related	32,989	21,665
Profit before F/E Loss & Severance	43,783	24,395
Exchange Loss & Exposure	41,041	3,352
Severance Pay	6,794	185
Net (Loss) Profit	(\$4,052)	\$20,858

THE FUTURE

Most of the previously announced plans for transforming the Group of Companies into a viable entity have been implemented and have been yielding positive operating results, despite the low activity levels in the productive sectors. These positive results were negated in 1995 primarily by the effects of the extraordinary 21% devaluation of the Jamaica Dollar; a factor which is beyond the reasonable control of the management.

Should there be no further deterioration in the activity levels of the sectors which the companies serve and there is no abnormal devaluation of the nation's currency, the Group of Companies should continue to yield positive annual trading results in the years ahead.

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Joseph Donohoo

