

COURTS (JAMAICA) LIMITED 1996

MANAGING DIRECTOR'S STATEMENT

The turnaround from a \$50 million loss after transfer to deferred profit to a \$35 million profit, in a year when the economy and market conditions have deteriorated rather than improved, is a tribute to the staff at all levels of our company. Their ability to absorb training, embrace change and their capacity for enormous work loads at peak retail times should renew our faith in the Jamaican work ethos which is so often decried.

A year and a half ago the directors developed a strategic plan that would transform the business and make tremendous demands on themselves, as well as our management and staff. Success did not come overnight and we are in a process of continuous improvement. However the transformation has been so successful in the most part that we have been able to launch our Courts Consumer Charter. This document tells the public what we stand for, what they should expect of us and how to let us know if we fall short of those expectations, so that we can find the root cause and correct the deficiency.

We have undertaken hundreds of man hours of training and have empowered our management and staff to make decisions that will satisfy our customers whilst enhancing our company's goodwill and business potential. I believe that there is no better way to ensure that a customer is satisfied than by providing our staff at the sharp end of the business with the training, knowledge, responsibility and enthusiasm to allow them to do that job.

A 65,000 sq. ft. modern distribution centre was purchased to supply more efficiently and speedily our twenty-two stores islandwide and the customers they serve. We have lowered Hire Purchase interest charges and introduced a guaranteed credit option for the self employed or those who cannot prove regular income. These initiatives, together with a simplified and customer-friendly, clear English HP contract, have lifted our HP sales from 50% to 55% of sales over the year.

Our profitability is affected by high interest rates because of our need to finance the continued expansion of our business. We trust that revaluation or at least stabilisation of the exchange rate will mean that interest rates will decline this year. This will also enable us to offer Hire Purchase at lower rates so returning this method of becoming an owner of a major household item to its previous popularity.

Whereas we have sought ways to keep inventory levels down and have endeavoured to reduce costs and bureaucracy where possible, we have in fact increased our payroll numbers by more than a third. Courts have been 'upsizing' whilst most other companies have been 'downsizing'. The business levels have justified this and we are making less use of temporary staff, except at peak times, in order to build more loyalty and commitment with permanent staff.

I would like to pay tribute to all our local manufacturers, who faced with foreign import competition, increasing finance charges for work-in-progress, and escalating raw materials prices, have continued to supply us diligently in response to high levels of demand. We are this year supporting their efforts with a 'Buy Jamaican With Pride' advertising and promotional campaign and incorporating our apprenticeship, skills, training, finance and bulk raw material sourcing in a new F.I.N.D. programme - Furniture Industry for National Development.

Tremendous progress has been made this year but we are not complacent. We will be rebuilding our efforts to increase market share by continuously improving our products and services and better reaching our public. We will reinforce our price promise "We will not be beaten on price-ever" and make the shopping experience a pleasant one to an increasingly discerning public. We are optimistic that the economy is turning, in which case as we have proven to be the preferred retailer, our shareholders should see continuing growth in sales and profits over this

year.

RICHARD W.T. COE
