

Courts (Jamaica) Limited 1998

Chairman's Statement

Our sales increased by 37% from \$2.2 billion to \$3 billion and profits grew by 256% to \$396 million before tax despite the lack of growth in the Jamaican economy. Earnings per share at 31st March 1998 were \$5.53 compared with \$1.79 last year. Unrealised profits of \$178 million were deferred for the benefit of future profitability, with the deferred profit reserve now standing at \$712 million.

There was some increase in bad debt due to the economic situation, but tight management reduced this over the year and the introduction of a computer-based credit scoring system is also starting to show positive benefits in this area.

We took the decision to cut our Hire Purchase service charges at the beginning of the year and this stimulated growth in the volume of credit sales. Our buyers were able to secure excellent quality merchandise at favourable prices through consolidated group domestic appliance buying in key brands overseas and with the best suppliers of furniture and bedding locally. We were able to honour our Price Pledge with very few claims of lower prices encountered by the public. Research that we commission annually has shown a steady improvement in customer satisfaction at all levels and remarkable growth in market share.

Tight management of working capital and lower interest rates in the earlier part of the year allowed us to reduce borrowing levels and finance costs. In the light of the considerable fallout in the financial sector during the year, it is clear that we were prudent in converting our financing that was dominated by short-term commercial paper in the previous year, to medium to long term credit from large financial institutions.

We continue to eschew the temptation to borrow overseas at a lower cost so that we minimise our exposure to any devaluation of the local currency. However we are pleased to see the second successive year of relatively stable exchange rates and the reduction of inflation to single digit levels. This bodes well for continuing reduction of interest rates vital to the growth of the economy. Housing starts have been declining but lower wage rates and costs associated with low inflation should encourage the construction industry. This should have a positive effect on our sector's future sales growth.

I would like to commend the local management, staff, suppliers and contractors for together helping to produce an excellent year for the company.

The directors have decided to recommend a final dividend of five cents (\$0.05) per share making a total of ten cents (\$0.10) for the year, but with a bonus issue of four (4) new shares for each share held. This is an indication of the confidence that we have in Courts in Jamaica, with a strong management team and a well-trained and focussed staff.

Bruce J. R. Cohen
