

THE GLEANER COMPANY LIMITED

Notes to the Financial Statements

December 31, 1995

1. THE COMPANY

The Gleaner Company Limited (company) is the holding company of the following companies:

- | | |
|---|-------------------|
| (a) Sangster's Book Stores Limited | - 100% subsidiary |
| (b) Popular Printers Limited and its wholly-owned subsidiaries, Selectco Publications Limited and Associated Enterprise Limited | - 100% subsidiary |
| Selectco Publications Limited owns 33 1/3% of the shares in Jamaica Joint Venture Company Limited, a property company. | |
| (c) The Gleaner Company (UK) Limited | - 100% subsidiary |
| (d) The Gleaner Company (NA) Incorporated | - 100% subsidiary |
| (e) The Gleaner Company (NA) Limited | - 100% subsidiary |

The last named is a wholly-owned subsidiary of The Gleaner Company (NA) Incorporated. All the companies in the group are incorporated under the laws of Jamaica with the exception of The Gleaner Company (UK) Limited, The Gleaner Company (NA) Inc. and the Gleaner Company (NA) Limited which are incorporated in the United Kingdom, Canada and The United States of America, respectively. The holding company's

shares are quoted on the Jamaica Stock Exchange.

The Financial statements are presented in Jamaican Dollars.

The major activities of the Group are the publication and printing of newspapers, the sale of books, and leasing.

2. THE BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Convention

The financial statements are prepared under the historical cost convention, except for the inclusion of certain fixed assets at valuation.

b. Basis of Consolidation

The group financial statements present the results of operations and financial position of the Company and its subsidiaries made up to December 31, 1995. The company and its subsidiaries are collectively referred to as the "Group".

c. Depreciation

Fixed assets, with the exception of freehold land on which no depreciation is provided, are depreciated on both the straight line and reducing balance methods at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

Buildings (Note 3b)	- 2 1/2% and 5%
Furniture & Fixtures	- 10% and 20%
Machinery & equipment	- 10%, 12 1/2%, 20% & 25%
Motor vehicles & computer equipment	- 20% and 25%
Presses	- 5%
Typesetting equipment (see Note 3d)	- 33% (1994: 20%)
Leased assets (see Note 3e)	- over the period of the

leases

d. Foreign Currencies

Transactions in foreign currencies are converted at the exchange rates ruling at the dates of those transactions. Foreign currency balances outstanding at the balance sheet date are translated at the rates of exchange ruling on that date (US\$1 = J\$39.4: 1994 - US\$1 = J\$33.37) (1 Pound Sterling = J\$58.27: 1994-1 Pound Sterling = J\$50.15) (Can\$1 = J\$27.38: 1994 - Can\$1 = J\$22.96). Gains and losses arising from fluctuations in exchange rates have been included in arriving at the trading profit for the year.

e. Associated Companies and Partnership

Jamaica Joint Venture Investment Company Limited, City Properties Limited and Independent Radio Company Limited are associated companies. With the exception of Independent Radio Company Limited, the Company has not adopted the equity method of accounting for these investments as the Directors of the Company do not consider that they exercise significant influence over the financial or operating policies of these companies (see Note 7).

The appropriate share of the loss in Independent Radio Company Limited and the provision for loss in an associated company of Popular Printers Limited, namely, Jamaica Popular Investment Company Limited, have been included in the Group accounts for 1995 and 1994. The Group's share of the loss in Independent Radio Company Limited amounts to \$2,020,000 (1994: \$265,000) for the year ended December 31, 1995. The loss in Jamaica Popular Investment Limited amounts to \$53,000 (1994: Profit of \$19,000) based upon the latest audited Financial Statements for the year ended May 31, 1995.

The Partnership with Jamaica Producers Group Limited was dissolved in 1995 based on audited accounts at December 31, 1994 (see Note 7d).

f. Inventories

Newsprint has been valued at the lower of cost, determined on last in

first out basis (LIFO), and net realizable value. The effect of the adoption of the LIFO basis is to decrease the valuation of Newsprint Inventories computed by reference to average cost by \$20,409,996 (1994: \$9,883,292). All other inventories have been valued at the lower of average cost or first in first out and net realizable value.

g. Deferred Taxation

Deferred taxation is provided at current rates on timing differences between profits for financial statements and tax reporting purposes and includes investment allowances which are recognized over the expected useful lives of the assets (see Note 14).

h. Pensions

The Company and Group operate pension schemes (see Note 18) and the assets of the schemes are held separately from those of the Company. Contributions to the schemes are charged to the Group Profit and Loss Account to fund past and future benefits.

3. FIXED ASSETS

	Group		Company	
	1995 \$(000)	1994 \$(000)	1995 \$(000)	1994 \$(000)
Cost or valuation:				
Freehold land & buildings	177,811	108,134	155,220	86,738
Furniture & Fixtures	12,587	10,602	4,044	3,377
Machinery & Equipment	13,447	11,538	10,041	10,260
Motor Vehicles & computer equipment	29,422	17,476	22,240	11,290
Presses	133,514	121,545	133,514	121,545
Typesetting equipment	47,863	42,910	47,863	42,910
Leased assets (Notes e and 2c)	24,495	17,298	24,495	17,298

	439,139	329,503	397,417	293,418
Accumulated depreciation:				
Freehold land and buildings (Note 2c)	4,026	10,117	2,604	9,667
Furniture & Fixtures	5,755	4,213	2,034	1,661
Machinery & Equipment	6,740	5,437	5,915	4,933
Motor Vehicles & computer equipment	14,408	10,279	11,133	7,548
Presses	17,197	10,734	17,197	10,734
Typesetting equipment	30,465	13,006	30,465	13,006
Leased assets (Notes e and 2c)	9,628	4,977	9,628	4,977
	88,219	58,763	78,976	52,526
Net Book Value	350,920	270,740	318,441	240,892

The increase in Fixed Assets for 1995 is largely as a result of the revaluation of the Company's building at 5 - 7 North Street (See Note b).

a. The depreciation charge for the year is made up as follows:

	Group		Company	
	1995	1994	1995	1994
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
Freehold buildings	6,381	4,852	5,467	4,326
Furniture & fixtures	928	1,302	335	290
Machinery & equipment	1,871	1,675	1,071	1,106
Motor vehicles and computer equipment	5,121	2,413	3,586	1,447
Presses	6,462	10,537	6,462	10,537
Typesetting equipment	17,459	8,457	17,459	8,457
Leased Assets	5,131	5,016	5,131	5,016
	43,353	34,252	39,511	31,179

b. Freehold Land and Buildings

The Company's building at 7 North Street was revalued at \$155,000,000 on a fair market value basis as an office and warehouse complex on August 28, 1995 by C.D. Alexander Company Realty Limited, Real Estate Brokers and Appraisers of Kingston. The Board has decided to revalue such building at 3-year intervals. Sangster's Book Stores Limited buildings were revalued on October 13, 1994, at a fair market valuation of \$15,900,000 by Property Consultants Limited, Real Estate Brokers and Appraisers of Kingston. The surplus arising on revaluation, inclusive of depreciation no longer required, has been included in capital reserves (see note 11). Freehold land and buildings include freehold land at a cost of \$199,600 (1994: \$199,600) for the Company and at valuation/cost of \$1,049,000 (1994: \$1,049,000) for the Group.

c. Computer Equipment

The Company deemed it prudent to revalue its business computers in 1985 at rate of exchange of US\$1.00 to J\$5.50. Although the exchange rate was US\$1.00 to J\$39.40 at December 31, 1995, no further revaluation was undertaken as the asset is fully depreciated.

d. Typsetting Equipment

The Company during the year purchased new pre-press typesetting equipment costing \$4,953,673. By reducing the useful life of all typesetting equipment from 5 years to 3 years (see note 1c), the additional depreciation cost for 1995 is \$8M.

e. Leased Assets

Fixed Assets acquired under finance leasing arrangements are included at cost, less accumulated depreciation calculated to write them off over the period of the leases. After deducting interest attributable to future periods, the net payable is included in Accounts payable and long-term liabilities.

f. Assets at Cost

Apart from assets shown in (b) and (c), all other fixed assets are shown at cost.

4. LONG-TERM RECEIVABLES

	Group		Company	
	1995	1994	1995	1994
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
(i) Loan	579	620	-	-
(ii) General Consumption Tax (GCT)	378	519	226	214
(iii) Other	439	73	-	-
	1,396	1,212	226	214
Less current maturities (see Note 8)	(368)	(444)	(189)	(172)
	1,028	768	37	42

(i) This loan is repayable in ten years in equal monthly instalments of \$10,978 including interest at 12.5% per annum. Repayments commenced in June 1992.

(ii) GCT paid on purchase of fixed assets and is to be recovered in twenty-four monthly instalments from the date of purchase.

5. NATIONAL HOUSING TRUST CONTRIBUTIONS

The Group's contributions up to July 31, 1979 are recoverable in the years 2001/4 and are as follows:

Year of Contribution	Amount Contributed		Year of Repayment
	Group	Company	

	\$ (000)	\$ (000)	
1976	88	85	2001
1977	159	125	2002
1978	123	108	2003
1979	81	65	2004
	451	383	

The above contributions have been charged to Profit and Loss Account

6. LEASE COMMITMENTS

Unexpired lease commitments at December 31, 1995 and 1994 expire as follows:

	Group		Company	
	1995 \$ (000)	1994 \$ (000)	1995 \$ (000)	1994 \$ (000)
Within one year	8,856	3,397	8,419	366
Subsequent years	7,016	675	6,635	-
	15,872	4,072	15,054	366

7. INVESTMENTS

	Group		Company	
	1995 \$ (000)	1994 \$ (000)	1995 \$ (000)	1994 \$ (000)
Subsidiary Companies:				
shares at cost, less				
amounts written off:				
Popular Printers Limited	-	-	426	426
Sangster's Book Stores Limited	-	-	2,650	2,650
The Gleaner Co. (UK) Ltd.	-	-	1	1
The Gleaner Company				

(NA) Inc.	-	-	687	687
Associated Companies:				
Jamaica Popular Investment Limited (See Note a)	544	645	-	-
Jamaica Joint Venture Limited (See Notes b and 2e)	150	150	-	-
Independent Radio Company Limited (See Note 2e)	2,328	4,349	1,163	2,173
Subscriptions for Rights Issue in Independent Radio Co. Ltd.	5,658	-	2,829	-

	Group		Company	
	1995	1994	1995	1994
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
Trafalgar Development Bank Limited Quoted Shares at cost (market value \$33,479,777 1994: \$46,364,123)	9,577	9,577	9,577	9,577
Other quoted investments. (market value \$114,268 1994: \$189,898)	23	30	-	-
Other unquoted investments. December 1996 Local Registered Stock (LRS) Shares at cost (See Note (c)).	-	2,000	-	-
	277	277	254	254

Debentures	50	50	50	50
Gulf Ship Partnership (See Note (d))	-	750	-	750
	18,607	17,828	17,637	16,568

- (a) Jamaica Popular Investment Company Limited is 50% owned by Popular Printers Limited.
- (b) Selectco Publications Limited owns 33 1/3% of Jamaica Joint Venture Investment Company Limited.
- (c) Other unquoted investments include an interest in the Caribbean News Agency, Carib Finance Service and Stabroek News, Guyana.
- (d) This represents 50% interest in the Partnership which purchased a motor ship in July 1990 (see Note 2e).

8. WORKING CAPITAL

	Group		Company	
	1995 \$(000)	1994 \$(000)	1995 \$(000)	1994 \$(000)
CURRENT ASSETS				
Inventories & Goods intransit (see Note below)	115,228	65,906	67,303	37,322
Accounts receivable and Prepaid expenses less provision for doubtful debts: Group \$18,348,000 (1994: \$14,518,000) Company \$13,215,000 (1994: \$9,077,000)	184,916	200,380	152,146	170,497
Taxation recoverable	4,934	4,557	4,334	4,334
Current portion of long- term receivables (see Note 4)	368	444	189	172

Cash at bank and short-term deposits	37,740	70,968	4,148	13,097
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	Group		Company	
	1995	1994	1995	1994
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
Short-term promissory notes	4,653	2,049	-	-
Due from Associated Company	6,760	6,528	6,232	6,142
Due from Subsidiary Companies	-	-	45,591	66,154
	354,599	350,832	279,943	297,718

CURRENT LIABILITIES

Bank Overdraft (secured)	8,675	234	6,866	215
Accounts Payable and accrued charges	113,732	205,032	73,036	176,874
Due to Subsidiary Companies	-	-	4,408	1,435
Current Taxation	1,585	3,139	-	-
Deferred Income	4,171	-	-	-
Unclaimed Dividends	1,252	984	1,252	984
Current portion of long-term liabilities	16,850	7,091	16,279	6,663
	146,265	216,480	101,841	186,171
WORKING CAPITAL	208,334	134,352	178,102	111,547

Note:

INVENTORIES & GOODS IN-TRANSIT

	Group		Company	
	1995 \$ (000)	1994* \$ (000)	1995 \$ (000)	1994 \$ (000)
Newsprint	54,072	26,283	54,072	26,283
Books	10,856	13,462	-	-
Goods-in-transit	18,134	6,233	-	-
Consumable Stores	13,231	11,039	13,231	11,039
Stationery	18,935	8,889	-	-
	115,228	65,906	67,303	37,322

9. LONG-TERM LIABILITIES

These represent:

- (1) A Mortgage loan denominated in foreign currency, which bears interest at 11.25% (1994: 10.5%) per annum and is repayable over a period of 7 years. The loan is secured by a mortgage over a subsidiary company's land and building.
- (2) A US\$800,000 (1994: US\$1,000,000) loan which bears interest at 10.5% per annum and is repayable over a period of five years of which one year has expired. The loan is secured by a fixed charge over the Company's Offset Press.
- (3) Obligations held under finance leasing arrangements.

* - Restated to conform to 1995 presentation.

10. SHARE CAPITAL

	1995 \$ (000)	1994 \$ (000)
Authorized - 140,000,000 (1994: 100,000,000) ordinary shares of 50 cents each	70,000	50,000

Issued - 131,023,972		
(1994: 80,283,982) stock units		
of 50 cents each fully paid	65,512	40,142

At the Annual General Meeting held on May 12, 1994, options were granted to the Company's senior management staff to acquire 2% of the issued share capital at prices which will be related to the market price. An Employee Investment Trust was set up and 1,606,000 Ordinary Stock Units were issued at a premium of \$2.70 (see Note 11) to the Trust to cover the options provided.

At an Extraordinary General Meeting held on December 14, 1995, (December 8, 1994) resolutions were passed:

- increasing the authorized capital of the Company from \$50,000,000 (1994: \$25,000,000) to \$70,000,000 (1994: \$50,000,000) by the creation of 40,000,000 (1994: 50,000,000) ordinary shares of 50 cents each ranking pari passu in all respects with the existing ordinary stock units of the Company. Such shares shall be issued on such terms and at such times as the Board of Directors shall determine and shall, as and when issued and fully paid up, be converted into ordinary stock units transferable in units of 50 cents each.
- authorizing the Directors to issue to stockholders on record at the close of business on December 29, 1995, three bonus shares for every five stock units held. In consequence, 49,133,982 (1994: 48,170,390) shares were issued and converted to stock units bringing the number of stock units to 131,023,972 (1994: 80,283,982) with a par value of \$65,511,986 (1994: \$40,141,991). The 1995 resolution reflected 48,170,382 shares and a resolution will be placed before the Annual General Meeting to ratify the additional 963,600 shares issued.

11. RESERVES

Group		Company	
1995	1994	1995	1994
\$ (000)	\$ (000)	\$ (000)	\$ (000)

Capital				
Realized:				
Share Premium	4,353	17	4,353	17
Other	18,184	34,401	17,174	33,391
Profit on sale of fixed assets	1,908	1,656	1,375	1,256
	24,445	36,074	22,902	34,664

	Group		Company	
	1995	1994	1995	1994
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
Unrealized:				
Revaluation of buildings	169,949	88,938	153,582	72,570
Revaluation of equipment	41	41	41	41
Revaluation of press	11,979	11,979	11,979	11,979
Revaluation of computer	968	968	968	968
Revaluation of investment	1,219	1,219	-	-
Reserve arising from consolidation of subsidiaries	9,572	4,172	-	-
Exchange difference on opening net investment in subsidiary	3,178	2,035	-	-
	196,906	109,352	166,570	85,558
Total Capital	221,351	145,426	189,472	120,222

REVENUE:

Unappropriated profits	238,074	186,089	207,829	159,230
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459,425 331,515 397,301 279,452

Notes:

The net increase/(decrease) in capital reserves \$75,925,000 (1994: \$50,508,000) for the Group and \$69,250,000 (1994: \$31,311,000) for the Company arose as follows:

	Group		Company	
	1995	1994	1995	1994
	\$(000)	\$(000)	\$(000)	\$(000)
(i) Transfers (to)/from Profit and loss Account:				
(a) Capital distribution received (net)	-	318	-	318
(b) Appropriation in respect of capital distribution	(16,217)	(4,817)	(16,217)	(4,817)
(c) Share of profit in partnership	-	15	-	15
(d) Profit on sale of fixed assets	252	1	119	1
(e) Profit on sale of investments	-	36,778	-	35,794
(f) Appropriation in respect of bonus shares issued	5,400	4,480	-	-

	1995	Group	1995	Company
	\$(000)	1994*	\$(000)	1994
		\$(000)	\$(000)	\$(000)
Net transfer (from)/to Profit and Loss Account	(10,565)	36,775	(16,098)	31,311

(ii) Other Movements:

(g) Unrealized surplus on re- valuation of buildings (note 3b)	81,012	13,320	81,012	-
(h) Share premium on allotment of shares (Note 10)	4,336	-	4,336	-
(i) Exchange differ- ence on opening net investment in subsidiary	1,142	413	-	-
	75,925	50,508	69,250	31,311

Unappropriated profits for the Company and the Group at December 31, 1995, include \$131,000 (1994: \$131,000) franked income available for distribution without deduction of tax.

Capital distribution of \$19,000 (1994: \$19,000) can be made from distributions received from a subsidiary company and transfer tax withheld and retained by the company.

*Restated to conform with 1995 presentation.

12. Turnover

Turnover represents sales by the Group, before commission payable but excluding returns, as follows:

	1995 \$(000)	1994 \$(000)
Circulation	255,118	246,599
Advertising	624,323	428,959
Book sales	157,504	81,777
Leasing	33	495
Other	2,336	30,988
	1,039,314	788,818

13. EXCEPTIONAL ITEMS

	1995 \$(000)	1994 \$(000)
Insurance claim surplus (see Note below)	816	-
Profit on sale of fixed assets	252	1
Redundancy expense	-	(908)
Profit on sale of investment	-	984
	1,068	77

This is a provision for a potential insurance receipt in order to replace asset stolen and burnt at a subsidiary. The full extent of the insurance compensation is currently uncertain.

14. TAXATION

(a) Taxation is based on the Group profit for the year adjusted for tax purposes and is made up as follows:

	1995 \$(000)	1994 \$(000)
Income Tax at 33 1/3%	12,148	9,943

Taxation on share of profits of associated company	66	32
UK Corporation Tax at 25%	51	690
USA Income Tax	67	339
Canadian Income Tax at 45%	-	(116)
Deferred taxation (Note 2g)	5,710	3,668
Transfer tax @ 7 1/2%	-	25
Tax credit on bonus shares issued (restricted)	(6,847)	(5,948)
Tax adjustment in respect of previous year	(307)	-
	10,888	8,633

(b) Total tax charge for 1995 represents an effective tax rate of 11.70% (1994: 12.47%) on \$93,092,000 (1994: \$69,224,000) pre-tax profit compared to a Jamaica statutory tax rate of 33 1/3%. The difference is due principally to:

- (i) The inclusion of profit on sale of fixed assets in the profit for the year.
- (ii) Special tax allowances received for working more than one shift.
- (iii) Accelerated tax allowance under the Ministry of Industry, Investment and Commerce Tax incentive programme.
- (iv) Tax credit on bonus issue of shares, and offset by:
 - (v) Increase in depreciation charges for revalued fixed assets. That portion of the value of fixed assets in excess of cost is not eligible for tax allowances, which are based on original cost.
- (vi) Foreign taxation and Deferred taxation.

15. EXTRAORDINARY ITEM

1995

1994

	\$(000)	\$(000)
Profit on sale of Investment	-	35,794

16. DIVIDENDS PAID (GROSS)

An interim capital distribution of 10 cents per stock unit (less transfer tax of 7 1/2%) was paid on March 2, 1995, to stockholders on record at close of business on January 27, 1995.

A second interim capital distribution of 10 cents per stock unit (less transfer tax of 7 1/2%) was paid on August 21, 1995, to stockholders on record at the close of business on August 2, 1995.

No final dividend was recommended by the Directors.

17. EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit is based on profit after taxation before and after extraordinary item, respectively, attributable to stockholders of the Company and the weighted average issued and fully paid ordinary share capital of 130,451,972 (1994: 80,283,982) stock units of 50 cents each. The 1994 figure has been restated to give effect to the bonus issue made in December 1995. Fully diluted earnings per share is not calculated as the outstanding options are immaterial.

18. PENSION FUNDS

- a. The Company operates a "benefits based" contributory pension scheme which is self-administered and managed by a Board of Management appointed by The Gleaner Company Limited. The Scheme is subject to triennial actuarial valuation. The most recent valuation was done on the aggregate attained age cost method, with projections, as at May 1, 1993. This showed the fund to be viable at the existing rates of contributions. The next actuarial valuation is due as at May 1, 1996. The Company's contributions, charged to Profit and Loss Account, for the year were \$3,521,758 (1994: \$2,191,901).

b. SANGSTER'S BOOK STORES LIMITED. This subsidiary operates a contributory pension scheme for all employees who have satisfied certain minimum service requirements. The benefits are computed by reference to final salaries. The last actuarial valuation at December 31, 1993 showed that the Scheme was adequately funded. The next actuarial review is due on December 31, 1996. The contributions, charged to the Profit and Loss Account, for the year were \$282,207 (1994: \$235,079).

19. AUTHORIZED CAPITAL EXPENDITURE

	Group		Company	
	1995	1994	1995	1994
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
Capital expenditure Authorized and contracted for	2,659	5,355	2,659	4,548
Capital expenditure Authorized but not contracted for	24,700	-	23,291	-

20. CONTINGENT LIABILITIES

The Company is contingently liable in respect of \$5.2M worth of guarantees issued on its behalf.

21. LIBEL CASES

The Company's lawyers have advised that they are of the opinion that the provision made in the Company's accounts as at December 31, 1995, is a reasonable provision for the purpose of covering all reasonable and probable judgements and costs for libel actions against the Company.