

THE GLEANER COMPANY LIMITED 1996

DIRECTORS' REPORT 1996

The Directors have pleasure in presenting the 100th Annual Report and Audited Financial Statements for the year ended December 31, 1996.

1. GROUP HIGHLIGHTS

		1996 \$million	1995 \$million
Group profit after tax	-	80.5	82.2
Dividends paid	-	19.0	16.2
Group turnover	-	1,344	1,039
Working capital	-	270	208
Net Worth	-	586	525
Number of 50¢ Stock Units			
Issued - thousands	-	196,536	131,024
Net Worth per Stock Unit	-	\$3.00	\$4.00
Dividends per Stock Unit	-	14.50¢	20.00¢

The Group's profit after tax fell by \$1.7 million during the year in spite of an increase in Group turnover. The working capital of the Group increased. The net worth of the Company per stock unit, fell as a result of a 50% increase in the number of stock created and issued by way of a bonus issue. The amount paid by way of dividends to stockholders increased to \$19 million.

2. GROUP COMPANIES

(i) The Gleaner Company

(a) Revenue

Advertising revenues increased by 33% over the previous year moving to \$728 million from \$546 million.

All of our publications showed increased readership numbers over the previous year with the exception of the Daily Star which reflected a slight decrease. Readership numbers are obtained from the All Media Survey for 1996 conducted independently by Market Research Limited.

Paid circulation of our publications remain flat. There was a slight decrease in the circulation of the Star.

(b) Libel

The Company continues to contest a number of large libel awards. An appeal against an \$80 million award will be heard in the Court of Appeal during 1997. The Courts have overturned another award of \$23 million previously made and have ordered a new trial. A reasonable provision has been made in our 1996 accounts for the purpose of covering, in the opinion of our lawyers, the reasonable and probable judgements and costs for libel actions against the Company.

Representatives of a number of the major Caribbean media met with the Caricom Ministers of Legal Affairs in Trinidad on January 28, 1997 to lobby for a change in the libel laws of

the Caribbean nations. The Ministers of Legal Affairs have set up a sub committee to study the proposals made to decide on a course of action.

(c) Human Resource Development

At the year end, the Company employed 470 members of staff as well as contractors and freelancers. We employed 52 new staff and 62 people left our employment during the year.

A very substantial staff training programme continues to be implemented. This has included in-house training on customer service, performance appraisals, awareness of libel, computer training to facilitate the effective implementation for new editorial and circulation systems, as well as training for our press personnel at the operations of our still new offset press.

We are grateful to the Commonwealth Press Union for having funded a one-week training course in December on "Management Skills for Editorials" with specific emphasis on newspaper design. The focus of our training continues to be to improve the quality of our products and the level of our customer service.

(d) Editorial Coverage

Better content and improved design and layout were evident in all our publications for the period under review. The Financial Gleaner and Star newspapers led the way in improvements under the direction of new editors. (Claire Clarke for the Star and Delroy Alexander for the Financial Gleaner.)

More attention is being paid to rural coverage, and social events from Negril to Kingston are being covered with more fervour. All editorial staff have signed a memorandum on gifts which sets out the instances when gifts may be accepted from members of the public. A register has been opened to record any offer made to reporters.

The introduction of a "Corrections and Clarifications" column has gone a far way to ensure mistakes in the publications are corrected in a timely fashion.

Our Monthly Silver Pen award for the best letter of the month to the Editor has been well received and since its inception last year, the volume of letters received has almost doubled.

Another of our new products is the TV Guide which comes with the Saturday paper.

We continue to print the Catholic Opinion, Baptist Reporter and Liguanea Times.

(e) Newsprint

Newsprint prices fluctuated during the year. We were glad for the price decline in the latter part of the year. We have, however, been informed of likely new price increases in 1997. Continuous efforts are being made to reduce the amount of newsprint wasted both at the time of printing and through the return of unsolds. To help in achieving this we changed the method of applying dampening or fountain solution on our press from the conventional sock roller system to a more efficient spray bar system. This system facilitates greater economic usage of materials, including newsprint and chemicals. We have already seen reductions in these areas.

(ii) Overseas Companies

The Gleaner operates three overseas subsidiary companies - one in England, one in Canada and one in the United States. The performance of these subsidiaries was disappointing in 1996. In part this was due to the tough economic climate in these countries. In part this was due to increased competition for the advertising dollar amongst papers catering to the Caribbean community. In 1997, a well capitalised new paper was started in London catering to the Caribbean and African communities in that country.

Our London office moved to a new location in the Elephant & Castle Shopping Centre, London SE1 6TE, Unit 220-223 in January 1996. In 1997 we are hoping that a Sangster's Book Store outlet will be opened in the front part of these new offices.

Our Canadian subsidiary owns a fifty percent interest in the building in which it is located at 1890 Eglinton Avenue West, Toronto, Ontario.

(iii) Sangster Book Stores

This company, under the competent management of Norman Marshall, gave a substantially improved financial performance in 1996.

Early in 1997 Sangster's acquired full ownership of The Book Shop Limited. As a result of this acquisition, Sangster's and its new subsidiary will operate book stores in Harbour Street, King Street, The Mall, The Springs, Sovereign Centre, New Kingston, Spanish Town and Montego Bay. It is anticipated that the new outlets will facilitate further growth in the Sangster's Book Stores financial performance.

(iv) Independent Radio Company - Power 106

Power 106 changed its programme format during the year (February 26, 1996) to become an adult contemporary music station, with the exception of the remarkable and popular morning talk show - "Independent Talk" - hosted by Ronnie Thwaites. In its fourth year of operation, Power 106 ended up losing \$2 million on a turnover of \$39 million. General Manager, Mr. Newton James, anticipates a return to profitability during 1997.

The broadcasting licence for the station requires that a public offer of shares be made in the near future. Due to the very poor health of the equity market in Jamaica, a request has been made to government for an extension of this public share offer.

(v) Property Companies

The performance of the property companies in which the Group has an interest continues to be flat.

2. DIVIDENDS, BONUS ISSUE & STOCK PRICES

The following interim Capital distributions (less transfer tax of 7 1/2%) were paid in 1996:

	Amount (cents)	Record Date	Payment Date
Capital	6.5	26/01/96	01/03/96
Capital	8.0	29/11/96	16/12/96

No final dividend is recommended.

At an Extraordinary General Meeting held on December 12, 1996, the Directors were authorised to issue to stockholders on record at the close of business on December 30, 1996, one bonus share for every two stock units held. This increased the number of stock units issued to 196 million.

The stock unit price on the Stock Exchange, adjusted for the bonus issue, varied from \$1.59 per stock unit in January to \$1.60 per stock unit in December 1996. The highest price for the year was \$2.00 and the lowest \$1.23.

3. OUTREACH

(a) Primary School Textbook Project

The contract for the Primary School Textbook Project 1996-97 was not awarded to the Gleaner Company.

The Gleaner Company will be tendering for the contract to produce and deliver the books for the 1997-98 school year.

(b) PALS Jamaica Textbooks

Some 200,000 books were produced by the Gleaner Company on time for the new school term 1996/97.

(c) Sponsorships

The Gleaner is proud to be associated with the Governor General's Achievement Award (with The Building Societies Association of Jamaica), the Spelling Bee under the auspices of Children's Own and the Newspaper in Education Scheme. In 1996 the Company sponsored an interesting series of Forums in Ocho Rios, Montego Bay and Negril.

4. GLEANER HONOUR AWARD

The Gleaner Honour Award for 1996 was made to Deon Hemmings, Jamaican Olympian and 1996 Gold Medalist. Two merit awards were made in 1996, one to ICWI/Science Learning Centre and the other to The Jamaica AIDS Support.

In 1995, no award was made. However, two special awards were made in 1995, one to CAST/University of Technology, for its contribution to education and for gaining university status and the other to the Dudley Grant Trust for contribution to Early Childhood Education. A merit award was also made to Monsignor Richard Albert, Founder of the St. Patrick's Foundation, for community service.

5. STAFF AND BOARD NEWS

a. Industrial Relations

During the year, negotiations between The Gleaner Company Limited and the Bustamante Industrial Trade Union, University & Allied Workers Union and the Union of Technical Administrative & Supervisory Personnel for increased wages and improved conditions of work, effective between March and April 1995, were concluded amicably.

There were no work stoppages during the year; the cost for industrial action was therefore nil.

b. Staff Welfare

The Company continues to provide a wide range of benefits for its staff which include a pension scheme, medical scheme, life insurance coverage, soft loans both at Christmas and at the start of the school year. The Gleaner Provident Society continues to be a well used institution.

A Stock Option Scheme for senior management is in place. Some two percent of the Company's

issued share capital has been made available for purchase by 41 members of the Group's senior management team.

c. Long Service Awards

During the year, long service awards were made to 44 members of staff. Mr. Hubert Marsh, Night Manager Production, received an award for 40 years' service. Three awards were made for 35 years' service, twenty-one for 25 years, two for 20 years, eleven for 15 years and six for 10 years.

d. Directors

Mr. Brian Young was appointed a director of the Company on January 9, 1997.

The directors retiring by rotation at this year's annual general meeting are Sonia Jones, Douglas Orane and Christopher Roberts, all of whom play an important role on the Board.

6. SHAREHOLDERS' BENEFITS

Apart from the value of shares held and dividends, the Company has offered its shareholders in the past discounts on books bought from Sangster's Book Stores and a gift voucher to discount some classified advertisement placed in our Papers.

These benefits have not been widely used and as a result are no longer promoted. The Company Secretary, however, is authorised to extend these benefits to any shareholder on request.

7. The Board remains concerned that in spite of an advertising programme some \$1.2 million of dividends remain unclaimed by 210 shareholders.

AUDITORS FOR THE COMPANY

The retiring auditors are KPMG Peat Marwick who have expressed their willingness to continue.

8. GLEANER ON LINE www.Jamaica-gleaner.com

On Sunday, February 16, 1997, the Jamaica Gleaner on Line was launched on the Internet. The Internet address for this site is www.jamaica-gleaner.com.

The Gleaner On Line provides news and information about Jamaica. The news section contains a selection of articles published each day in the daily edition of the Gleaner. Other information that will be of great interest to prospective returning residents and tourists is presented on the site.

Classified advertisements will be sold by the Company for the web site after March 31, 1997.

9. LOOKING FORWARD

1997 is going to be a difficult year for the media. Many media companies in Jamaica are now unprofitable.

The announced "merger" of the JBC/RJR will have a major impact on other media. It is most unfortunate that the government has sought to move away from a policy of accountability by divesting its interest in JBC without following its normal and established procedure of transparency. This should require disclosure of the nature of assets for sale and the financial performance of the entity being divested, and only afterwards, should offers for the acquisition of these assets be sought.

When the Gleaner Company sought to acquire participation in a broadcasting license it was obliged to justify its application at a public hearing. No such practice is being followed in the private negotiations relating to JBC.

At the time of writing this report there is no current operating results for JBC available to the general public. The Gleaner has written to the Government strongly objecting to this change in Government policy towards the divestment of publicly owned assets. It is unfortunate that Government has treated from its policy of transparency.

The Government's response does not suggest that it is about to change its policy relating to this issue.

The advertising market does not appear to be growing and the cost of production continues to rise in spite of the dramatic fall in inflation rates.

New developments in 1997 will include the aggressive promotion of our web site, commencement of the publishing of the international edition of the Miami Herald, the acquisition of a new advertising computer system as well as an attempt to be more aggressive in leading our overseas publications to greater profitability.

10. OFFICERS AND STAFF

The directors wish to place on record their appreciation for the services given by officers, staff and contractors during the year under review.

ON BEHALF OF THE BOARD OF DIRECTORS

Oliver F. Clarke
Chairman & Managing Director

February 28, 1997
