

THE GLEANER COMPANY LIMITED 1997

Notes to the Financial Statements

December 31, 1997

1. THE COMPANY

The Gleaner Company Limited (Company) established in 1834 is the holding company of the following companies:

- | | | | |
|-----|---|---|-----------------|
| (a) | Sangster's Book Stores Limited and its wholly owned subsidiary which was acquired during the year, | - | 100% subsidiary |
| | The Book Shop 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 Investment 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 |

Sangster's Book Stores Limited acquired The Book Shop Limited in February 1997.

The Gleaner Company (NA) Limited 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, and the sale of books.

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, 1997. 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	-	33%
Leased assets (see Note 3c)	-	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 and items in the foreign subsidiaries profit and loss account are translated at the rates of exchange ruling on that date (US\$1 = J\$36.09: 1996 - US\$1 = J\$34.70) (1 Pound Sterling = J\$58.34: 1996 - 1 Pound Sterling = J\$57.51) (Can\$1 = J\$24.73: 1996 Can\$1 = J\$24.91). Gains and losses arising from fluctuations in exchange rates have been included in arriving at the trading profit for the year.

e. Associated Companies

Jamaica Joint Venture Investment Company Limited and its subsidiaries 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 investments as the Directors of the Company do not consider that they exercise significant influence over the financial or operating policies of that company and its subsidiaries (see Note 7).

The appropriate share of the profit/(loss) in Independent Radio Company Limited and the profit in an associated company of Popular Printers Limited for 1996, namely, Jamaica Popular Investment Company Limited, have been included in the Group accounts. The Group's share of the profit in Independent Radio Company Limited amounts to \$1,940,000 (1996: Loss - \$1,055,000) for the year ended December 31, 1997. The Group's portion of

profit in Jamaica Popular Investment Limited amounts to \$84,000 (1996: loss of \$568,000) for period ended December 31,1997 (1996: Year ended May 31, 1996).

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 \$13,759,682 (1996: \$19,428,778). 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 17) 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.

i. Repurchase and Reverse Repurchase Agreements

A repurchase agreement ("repo"), is a short-term transaction whereby securities are bought and sold with simultaneous agreements for reselling/ repurchasing the securities on the date specified.

Although the security is delivered to the "buyers" at the time of the transaction, title is not actually transferred unless the counterparty fails to repurchase the securities on the date specified.

Repurchase and reverse repurchase agreements are accounted for as shortterm collateralised borrowing and lending, respectively.

j. Deferred Subscription Revenue

Subscription revenue is recognized over the life of the subscription. Revenue received in advance is deferred to match the revenue with the future costs associated with honouring the subscription.

3. FIXED ASSETS

	Group		Company	
	1997	1996	1997	1996
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
Cost or valuation:				
Freehold land & buildings	177,166	177,203	155,220	155,220
Furniture & Fixtures	23,192	12,266	6,366	4,331
Machinery & Equipment	15,575	14,326	12,162	10,920
Motor Vehicles & Computer Equipment	76,298	50,707	57,575	38,302
Presses	135,710	135,710	135,710	135,710
Typesetting equipment	47,863	47,863	47,863	47,863
Leased assets (Notes 2c and 3c)	<u>32,931</u>	<u>31,575</u>	<u>32,931</u>	<u>31,575</u>
	<u>508,735</u>	<u>469,650</u>	<u>447,827</u>	<u>423,921</u>
Accumulated depreciation:				
Freehold land and buildings (Note 2c)	21,567	12,779	18,107	10,354
Furniture & Fixtures	12,999	7,762	2,919	2,388
Machinery & Equipment	10,177	6,978	8,111	6,978
Motor vehicles & computer equipment	37,074	23,125	26,984	17,910
Presses	25,830	19,045	25,830	19,045
Typesetting equipment	47,863	46,211	47,863	46,211
Leased Assets (Notes 2c and 3c)	<u>9,501</u>	<u>8,940</u>	<u>9,501</u>	<u>8,940</u>
	<u>165,011</u>	<u>124,840</u>	<u>139,315</u>	<u>111,826</u>
Net Book Value	<u>343,724</u>	<u>344,810</u>	<u>308,512</u>	<u>312,095</u>

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

	Group		Company	
	1997 \$(000)	1996 \$(000)	1997 \$(000)	1996 \$(000)
Freehold buildings	8,789	9,490	7,753	7,750
Furniture & fixtures	1,700	1,084	532	344
Machinery & equipment	2,475	1,700	1,193	1,073
Motor vehicles and computer equipment	12,637	8,533	9,081	6,779
Presses	6,785	6,785	6,785	6,785
Typesetting equipment	1,653	15,745	1,653	15,745
Leased Assets	6,586	8,601	6,586	8,601
	<u>40,625</u>	<u>51,938</u>	<u>33,583</u>	<u>47,077</u>

b. Freehold Land and Buildings

The Company's building at 7 North Street was revalued at \$155M 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.

These buildings will be revalued in 1998. 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 (1996: \$199,600) for the company and at valuation/ cost of \$1,049,000 (1996: \$1,049,000) for the group.

c. 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. Interest is charged so as to arrive at a constant rate of charge over the period of the leases.

d. Assets at Cost

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

4. LONG-TERM RECEIVABLE

	Group		Company	
	1997	1996	1997	1996
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
(i) Loan	446	517	-	-
(ii) General Consumption Tax (GCT)	<u>1,481</u>	<u>1,248</u>	<u>1,125</u>	<u>680</u>
	1,927	1,765	1,125	680
Less current maturities (see Note 8)	<u>(1,226)</u>	<u>(953)</u>	<u>(845)</u>	<u>(497)</u>
	<u>701</u>	<u>812</u>	<u>280</u>	<u>183</u>

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

The above contributions have been charged to the Profit and Loss Account.

6. LEASE COMMITMENTS

Unexpired lease commitments at December 31 expire as follows:

	Group		Company	
	1997 \$ (000)	1996 \$ (000)	1997 \$ (000)	1996 \$ (000)
Within one year	13,023	10,129	10,654	8,681
Subsequent years	<u>11,072</u>	<u>14,615</u>	<u>9,003</u>	<u>14,373</u>
	<u>24,095</u>	<u>24,744</u>	<u>19,657</u>	<u>23,054</u>

7. INVESTMENTS

	Group		Company	
	1997 \$ (000)	1996 \$ (000)	1997 \$ (000)	1996 \$ (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)	902	844	-	-
Jamaica Joint Venture Investment Company Limited (See Notes b and 2e)	150	150	-	-
Independent Radio Company Limited (See Note 2e)	8,872	6,934	4,436	3,485
Trafalgar Development Bank Limited Quoted Shares at cost (market value \$18,545,649 1996: \$26,842,000)	9,577	9,577	9,577	9,577
Other quoted invest- ments: (market value \$104,920 1996: \$108,420)	13	23	-	-
Other unquoted investments: Shares at cost [See Note (c)].	254	254	254	254
Debentures	50	50	50	50
	<u>19,818</u>	<u>17,832</u>	<u>18,081</u>	<u>17,130</u>

(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, Caribbean Financial Services Corporation and Stabroek News, Guyana.

8. WORKING CAPITAL

Group