

THE GLEANER COMPANY LIMITED 1997

DIRECTORS' REPORT 1997

The Directors have pleasure in presenting the 101st Annual Report and Audited Financial Statements for the year ended December 31, 1997.

1. GROUP HIGHLIGHTS

	1997	1996
	\$million	\$million
Group profit after tax -	107	81
Dividends paid -	20	19
Group turnover -	1,466	1,344
Working capital -	344	270
Net Worth -	<u>676</u>	<u>586</u>
Number of 50c Stock Units		
Issued - thousands -	262,048	196,536
Bonus Shares -	65,512	65,512
Earnings per Stock Unit -	40.94c	31.37c
Net Worth per Stock Unit -	258c	299c
Dividends per Stock Unit -	10c	14.50c

2. GROUP COMPANIES

(i) The Gleaner Company

(a) Revenue

The net paid circulation for all of our major publications increased during 1997. Circulation revenue increased from \$351.3M in 1996 to \$393.5M for 1997.

Readership numbers obtained from the two independently produced surveys conducted firstly by Market Research Services Limited and secondly by Marketing Strategy Limited at different times in 1997 showed that your Company's publications continue to enjoy a significantly larger number of readers than any competitor. For example:

	Market Research Services Limited Readership	Marketing, Strategy Limited Leadship
Sunday Gleaner	466,000	665,000
Sunday Observer	237,000	152,000
Sunday Herald	106,000	38,000
Daily Gleaner	413,000	215,000
Daily Observer	218,000	69,000
Week-end Star	407,000	513,000
X-News	296,000	95,000
Daily Star	368,000	247,000

(b) Libel

The Gleaner continues to contest the large libel awards handed down in 1995 and 1996.

The Courts have not yet finalised a date for the appeal to be heard against the J\$80M award. It is hoped that this will be in 1998.

In the case of the \$23,010,726 awarded against the Gleaner in 1995, the judgement was

set aside and the Gleaner given liberty to defend the case at trial.

Subsequently, the plaintiff applied to the courts to have the order for a trial revoked. The court refused, but the plaintiff has appealed that decision to the Court of Appeal.

That appeal is now pending.

The Company initiated during 1997 a regular Page 2 feature "Corrections and Clarifications". and this has been effectively used, The Editorial Department continued its emphasis on libel training, exposing all new employees to workshops and organising refreshers for oldsters. This has resulted in a reduction in the number of new libel suits.

In 1997 a number of major Caribbean media houses (including The Gleaner Company Limited) were successful in their lobby for Caribbean Legal Affairs Ministers to consider some suggested changes to our libel laws. A sub-committee of these Ministers was set up to consider these suggested changes and submit a report and recommendations. So far there has been no formal response from that sub-committee.

(c) Human Resource Development

The emphasis during the year was on training. Much of the training was done in-house by our Human Resource Department. The areas dealt with include supervisory skills; customer service; proof-reading and editing skills.

The department is building a Library of training tapes and other books to improve the development of staffers which it is hoped will impact positively on the quality of service the Company offers. There is, of course, technical training being provided by external personnel both locally and overseas in the areas of Prepress & Technology and Print.

(d) Editorial Coverage

Coverage of the December 18 General Election was the most significant project undertaken in the Editorial Department in 1997. The Gleaner started its coverage in September with profiles, analyses, polls and news features. The department performed well over the period, and the Gleaner came out on top in terms of political coverage.

One of the newest features developed in 1997 was the Religion Page which is carried on a Saturday. It has an exciting layout and opens up to a variety of views.

The Youth Link feature has become increasingly popular based on the feedback from readers.

In December a special publication, *The Best of Jamaica*, was published. It is hoped that this will become an annual publication.

Gleaner publications won most of the National journalism awards in November, winning ten awards. The icing on the cake was the award of Journalist of the Year to Miss Barbara Gayle, our Court Reporter.

Business coverage continues to improve with the introduction of a Wednesday Business section. The feedback has been very encouraging. As the department strives to provide papers of a high standard, it continues to pay keen attention to content and layout.

(ii) Overseas Companies

The three overseas subsidiary companies recorded mixed results during the year. The U.K. and Canadian companies showed some improvement in profitability while the U.S. company's results were disappointing.

Towards the end of 1997, the printers in the U.K. and Canada started receiving all pages for the overseas publications by electronic transmission.

During the year Sangster's Book Stores Limited set up a small outlet in the U.K. Office.

(iii) Sangster's Book Stores Limited

In mid February 1997, Sangster's acquired The Book Shop Limited which has enhanced this company's market share of the book trade. The Book Shop has branches in Spanish Town, the Springs Plaza and New Kingston.

Sangster's sales increased significantly in 1997 and continues to be an important profit centre for the Group. The Book Shop had a profitable first year under the new ownership of Sangster's.

(iv) Independent Radio Company Limited - Power 106.

Power 106 continued the process of refining its adult contemporary music format which resulted in an increase in audience share. It enjoys the distinction of being the most preferred radio station

being played in business retail outlets.

The company ended the year in a profit position, a welcome return to profitability from the three previous years' losses.

(v) Property Companies

The performance of the property companies in which the Group has an interest showed marginal improvements during the year.

2. DIVIDENDS, BONUS ISSUE & STOCK PRICES

The following interim Capital Distributions (less transfer tax of 7 1/2%) were paid in 1997:

	Amount (Cents)	Record Date	Payment Date
Capital	5	97/02/28	97/03/12
Capital	5	97/10/24	97/11/07

No final dividend is recommended.

At an Extraordinary General Meeting held on December 11, 1997, the Directors were authorised to issue to stockholders on record at the close of business on December 30, 1997 one bonus share for every three stock units held. This increased the number of stock units issued to 262 million.

The stock unit price on the Stock Exchange, adjusted for the bonus issue, closed the year at its opening value of \$1.20 per stock unit at January 1997. The highest price for the year was \$1.69 and the lowest \$0.80.

An Interim Capital Distribution of five cents per stock unit (less transfer tax of 7 1/2%) will be paid to stockholders on record at the close of business on March 16, 1998. Payment will be made on March 31, 1998.

3. OUTREACH

(a) **Primary School Textbook Project**

The contract for the Primary School Textbook Project 1997-98 was not awarded to the Gleaner Company.

The Gleaner Company tendered for the contract to produce and deliver the books for the 1998-99 school year. Your Company's tender cost was lower than the other bidder. The Government is expected to announce shortly which company will be awarded the contract for 1998/99.

(b) **PALS Jamaica Textbooks**

One of the highlights of PALS' achievements for 1997 was the evaluation of the impact of the programme on the school community. The findings were very encouraging, demonstrating that where the programme is being implemented, PALS has begun to impact positively on aggression in schools. A special PALS programme in eleven inner city schools has also begun to experience successes with members of the wider community becoming committed to non-violent conflict resolution as a way of life.

Peace Day was successful in the schools with the occasion providing an opportunity for meaningful interaction among teachers, students, parents and members of the wider public.

(c) **Sponsorships**

The Gleaner is proud to be associated with the Governor General's Achievement Award (with Jamaica National Building Society and the Building Societies Association of Jamaica), the Spelling Bee under the auspices of Children's Own and the Newspaper in Education Scheme.

4. GLEANER HONOUR AWARD

The Selection Committee met on December 2 to consider the nominations. The choice was unanimous - The Jamaican National Football Team and The Mission to France.

The Award Function took the form of a Luncheon on January 28, 1998 at which

members of the team, their coach and representatives of the Jamaica Football Federation were present. The Chairman of the Company, Mr. Oliver Clarke, took the opportunity to wish the team every possible success in the World Cup.

5. STAFF AND BOARD NEWS

(a) Industrial Relations

During the year, the second year increases of wages and improved fringe benefits of the two-year agreements between The Gleaner Company Limited and the Bustamante Industrial Trade Union, University & Allied Workers Union and the Union of Technical, Administrative & Supervisory Personnel were implemented.

Non-unionised employees also benefitted from increased wages and improved benefits.

There were no work stoppages during 1997, therefore, the cost for industrial action was nil.

(b) Long Service Awards

Thirty-six members of staff received Long Service Awards in 1997. The awards were made as follows: twelve for 10 years, seven for 15 years, one for 20 years, thirteen for 25 years and three for 30 years (Miss Cherice Brown, Mrs Joyce Rowe-Tucker and Mr Dexter McCaw).

(c) Directors

The Directors retiring at this year's Annual General Meeting are Messrs. Richard Ashenheim, John Issa and Professor The Hon. Gerald Labor, all of whom play an important role on the Board.

6. SHAREHOLDERS BENEFIT

Despite the low response from shareholders to the Company's offer of discounts on classified advertisements and books bought from Sangster's Book Stores Limited, the Company will continue to make these benefits available on request from shareholders.

The Company Secretary is authorized to extend these benefits to shareholders.

7. AUDITORS FOR THE COMPANY

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

8. GLEANER ONLINE LIMITED www.jamaica-gleaner.com

The Company's web site celebrated one year of operation in February 1998. Receiving over four million hits a month from visitors in over seventy countries, the web site has been an unqualified success in news delivery.

New services have been implemented in the past year to increase international exposure. Gleaner Online Limited sends an electronic version of the front page of The Gleaner to The Newseum, a renown museum in the United States that is devoted to freedom of the press. Serving as the only representative of the Caribbean, The Gleaner is seen at the Newseum by an estimated 2400 visitors each day. The web site staff have also initiated joint news coverage of international sports events with other newspaper web sites and conducted special live coverage on the night of the General Election to viewers around the world.

Ways to increase revenue continue to be explored including the recent launch of a fee-based electronic subscription service to the Financial Gleaner and a liaison with a local company to produce an advertising driven business directory online called the Gleaner Jamaica Yellow Pages in conjunction with International Multimedia Exchange Limited (IMEX).

9. LOOKING FORWARD

Circulation has been showing an upward trend in the past year, and it is expected that this will continue for 1998. Like the rest of the major media your Company did not have a good year for advertising in 1997 primarily due to a stagnant economy. Against this general trend, Power 106 experienced a healthy increase in advertising in 1997, and its format of adult contemporary music and news with "Independent Talk" has given the station increased listenership.

On the cost side, various measures taken in late 1996 and continued in 1997 to reduce newsprint wastage (detailed in the 1996 Report) have cut newsprint wastage by nearly 30%.

Newsprint prices which for most of 1997 were below those of 1996 have in recent months begun to increase. It is not, however, expected that the substantial increase in newsprint prices that took place in 1996 will again occur in 1998.

For 1998, even greater emphasis will be placed on cost containment by purchasing at the most competitive prices.

10. OFFICERS AND STAFF

The Directors wish to place on record their appreciation for the services given by Officers and Staff during the year under review.

ON BEHALF OF THE BOARD OF DIRECTORS

Oliver F. Clarke
Chairman & Managing Director
March 19, 1998
