Gleaner Company Limited 1998

Notes to the Financial Statements

December 31, 1998

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 The Book Shop Limited	- 100% subsidiary
(b)	Popular Printers Limited and its wholly owned subsidiaries, Selectco Publications Limited and Associated Enterprise Limited Selectco Publications Limited owns 33 1/3% of the shares in Jamaica Joint Venture Investment Company Limited, a property company.	- 100% subsidiary
(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, 1998. 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$36.94: 1997 - US$1 = J$36.09)
(1 Pound Sterling = J$59.64: 1997 - 1 Pound Sterling = J$58.34)
(Can$1 = J$23.28: 1997 - Can$1 = J$24.73).
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. Jamaica Popular Investments Company Limited is 50% owned by Popular Printers Limited. With the exception of Independent Radio Company Limited and Jamaica Popular Investment 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 1998, 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 $285,000 (1997: $1,940,000) for the year ended December 31, 1998. The Group's portion of loss in Jamaica Popular Investment Company Limited amounts to $795,000 (1997: profit of $84,000) for period ended December 31, 1998.

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 $12,560,791 (1997: $13,759,682). 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-temm 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 "buyer" 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 short-term collaterised 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.

k. Use of Estimates

The management of the company, subsidiaries and associated companies made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

3. FIXED ASSETS

	Group		Company	
	1998 $('000)	1997 $('000)	1998 $('000)	1997 $('000)
Cost or valuation:				
Freehold land &				
buildings	182,258	177,166	148,410	155,220
Furniture & Fixtures	17,099	23,192	7,039	6,366
Machinery &				
Equipment	32,386	15,575	28,969	12,162
Motor Vehicles &				
Computer Equipment	91,889	76,298	71,301	575,575
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)	29,427	32,931	29,331	32,931
	536,632	**508,735**	**468,623**	**447,827**
Accumulated depreciation:				
Freehold land &	10,060	21,567	1,946	18,107
buildings (Note 2c)	9,015	12,999	3,453	2,919
Furniture & Fixtures	13,943	10,177	11,249	8,111
Machinery & Equipment				
Motor vehicles &	50,079	37,074	36,728	26,984
computer equipment	32,616	25,830	32,616	25,830
Presses	47,863	47,863	47,863	47,863
Typesetting equipment				
Leased Assets	3,038	9,501	2,942	9,501
(Notes 2c and 3c)	166,614	165,011	136,797	139,315
	370,018	**343,724**	**331,826**	**308,512**
Net Book Value				

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

	Group		Company	
	1997	1998	1997	1998
	$('000)	$('000)	$('000)	$('000)
Freehold buildings	9,571	8,789	7,672	7,753
Furniture & fixtures	1,542	1,700	600	532
Machinery & equipment	3,883	2,475	3,138	11,193
Motor vehicles & computer equipment	16,103	12,637	12,718	9,081
Presses	6,785	6,785	6,785	6,785
Typesetting equipment	-	1,653	-	1,653
Leased Assets	5,885	6,586	5,866	6,586
	43,769	**40,625**	**36,779**	**33,583**

b. Freehold Land and Buildings

The Company's building at 7 North Street was revalued at $148M (1997: $155M) on a fair market value basis as an office and warehouse complex in September 1998 (1997: August 1 995), 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 in March 1 998 (1 997: October 1994), at a fair market valuation of $21,150,000 (1 997: 1 5,900,000) by Properly 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 cost of $199,600 (1997: $199,600) fo rthe company and at valuation/cost of $1,049,000 (1997: $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 referred to in (b), all other fixed assets are shown at cost.

4. LONG-TERM RECEIVABLE

	Group 1998 $('000)	Group 1997 $('000)	Company 1998 $('000)	Company 1997 $('000)
(i) Loan	365	446	-	-
(ii) General Consumption Tax (GCT)	1,308	1,481	1,135	1,125
	1,673	1,927	1,135	1,125
Less current maturities (see Note 8)	(1,055)	(1,226)	(839)	(845)
	618	701	296	280

(i) This loan is repayable in ten years in equal monthly installments 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 GROUP $('000)	Amount Contributed COMPANY $('000)	Year of Repayment
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 the Profit and Loss Account.

6. LEASE COMMITMENTS

Unexpired lease commitments at December 31 expire as follows:

	Group 1998 $('000)	Group 1997 $('000)	Company 1998 $('000)	Company 1997 $('000)
Within one year	10,337	13,023	8,829	10,654
Subsequent years	9,668	11,072	7,095	9,003
	20,005	24,095	15,924	19,657

7. INVESTMENTS

	Group 1998	Group 1997	Company 1998	Company 1997
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 Company Limited (See Note a)	-	902	-	-
Jamaica Joint Venture Investment Company Limited (See Notes b and 2e)	150	150	-	-
Independent Radio Company Limited (See Note 2e)	9,143	8,872	4,579	4,436
Trafalgar Development Bank Limited Quoted Shares at cost (market value				

$13,177,172 1997: $18,545,649)	9,577	9,577	9,577	9,577
Other quoted investments: (market value $78,620 1997: $104,920)	13	13	-	-
Other unquoted investments:				
Shares at cost [See Note (c)]	254	254	254	254
Debentures	2,161	50	50	50
	21,298	**19,818**	**18,224**	**18,081**

(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		Company	
	1998 $('000)	1997 $('000)	1998 $('000)	1997 $('000)
CURRENT ASSETS				
Inventories & Goods intransit (see Note below)	128,358	139,588	47,578	65,035
Accounts receivable and Prepaid expenses less provision for doubtful debts: Group $34,966,000 (1997: $33,689,000) Company				

$27,655,000 (1997: $24,145,000	237,103	195,993	192,475	166,505
Taxation recoverable	3	517	-	517
Current portion of long-term receivable (see Note 4)	1,055	1,226	839	845
Cash at bank and short term deposits	292,415	274,763	253,814	249,087
Due from Associated Company	4,626	9,113	4,069	8,722
Due from Subsidiary Companies	-	-	60,253	54,263
Securities purchased under agreements to resell	29,285	8,124	-	-
	692,845	629,324	559,028	544,974
CURRENT LIABILITIES				
Bank Overdraft (secured)	2,538	3,497	-	535
Accounts Payable and accrued charges	200,146	220,154	150,333	184,337
Due to Subsidiary Companies	-	-	-	22,225
Current Taxation	21,211	37,235	17,901	34,761
Deferred income	3,706	4,028	-	-
Unclaimed Dividends	1,597	1,432	1,597	1,432
Current portion of long-term liabilities (see Note 9)	16,801	18,593	16,140	17,950
	245,999	284,939	185,971	261,240
WORKING CAPITAL	**446,846**	**344,385**	**373,057**	**283,734**

Note:
INVENTORIES & GOODS INTRANSIT

	Group	Company

	1998 $('000)	1997 $('000)	1998 $('000)	1997 $('000)
Newsprint	42,984	55,524	42,984	55,524
Books and General Supplies	41,507	40,131	-	-
Goods-in-transit	17,950	11,536	-	-
Consumable Stores	4,594	9,511	4,594	9,511
Stationery	21,323	22,886	-	-
	128,358	**139,588**	**47,578**	**65,035**

9. LONG-TERM LIABILITIES

	Group		Company	
	1998 $('000)	1997 $('000)	1998 $('000)	1997 $('000)
Mortgage Loan	1,013	1,719	-	-
US$ Loan	7,310	14,592	7,310	14,592
Finance Lease Obligations	15,924	19,657	15,924	19,657
	24,247	35,968	23,234	34,249
Less Current maturities (see Note 8)	(16,801)	(18,593)	(16,140)	(17,950)
	7,446	**17,375**	**7,094**	**16,299**

The mortgage loan is denominated in foreign currency and bears interest at 9% (1997: 9%) per annum and is repayable over a period of 7 years ending in the year 2000. The loan is secured by a mortgage over a subsidiary company's land and building.

The US dollar loan bears interest at 10.5% (1997: 10.5%) per annum and is repayable over a period of five years of which four years have expired. The loan is secured by a fixed charge over the Company's Offset Press.

10. SHARE CAPITAL

	1998 $(000)	1997 $(000)

Authorized - 360,000,000 (1997: 280,000,000) ordinary shares of 50 cents each	**180,000**	**140,000**
Issued - 349,397,258 (1997: 262,047,944) stock units of 50 cents each fully paid	**174,699**	**131,024**

At an Extraordinary General Meeting held on December 10, 1998 (1997: December 11, 1997) resolutions were passed:

- increasing the authorized capital of the Company from $140,000,000 (1997: $110,000,000) to $180,000,000 (1997: $140,000,000) by the creation of 80,000,000 (1997: 60,000,000) 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 30, 1998, one bonus share for every three stock units held. In consequence, 87,349,314 (1997: 65,511,986) shares were issued and converted to stock units bringing the number of stock units to 349,397,258 (1997: 262,047,944) with a par value of $174,698,629 (1997:$ 131,023,972

RESERVES

	Group		Company	
	1998	1997	1998	1997
	$('000)	$('000)	$('000)	$('000)
Capital				
Realized:				
Share Premium	4,353	4,353	4,353	4,353
Other	-	-	75	172
Profit on sale of fixed assets	666	1,121	-	-
	5,019	5,474	4,428	4,525

	Group		Company	
	1998	1997	1998	1997
	$('000)	$('000)	$('000)	$('000)
Unrealized:				
Revaluation of buildings	194,669	169,950	170,480	153,582
Revaluation of investment	1,219	1,219	-	-
Reserve arising from consolidation of subsidiaries (net of goodwill)	5,730	21,859	-	-
Exchange difference on opening net investment in subsidiary	3,133	2,984	-	-
	204,751	196,012	170,480	153,582
Total Capital	209,770	201,486	174,908	158,107
Revenue:				
Unappropriated profits at end of year	434,054	343,917	353,891	290,409
	643,824	**545,403**	**528,799**	**448,516**

Notes:

The net increase in capital reserves $8,284,000 (1997: $7,913,000) for the Group and $16,801,000 (1997: $12,532,000) for the Company arose as follows:

	Group		Company	
	1998	1997	1998	1997
(i) Transfers (to)/from Profit and Loss Account:				
(a) Appropriation in respect of				

capital distri - bution	(22,274)	(19,654)	(22,274)	(19,654)
(b) Profit on sale of fixed assets	(80)	774	1,523	743
(c) Capital distri - bution received from subsidiary	-	-	20,654	6,379
(d) Appropriation in respect of bonus shares issued	5,770	8,410	-	-
Net transfer to Profit and Loss Account	(16,584)	(10,470)	(97)	(12,532)
(ii) Other Movements:				
(e) Surplus arising on revaluation of building	24,719	-	16,898	-
(f) Exchange difference on opening net investment in subsidiary	149	76	-	-
(g) Net reserve arising on purchase of subsidiary	-	2,481	-	-
	8,284	(7,913)	16,801	(12,532)

Unappropriated profits for the Company and the Group at December 31,1998, include $131,000 (1997: $131,000) franked income available for distribution without deduction of tax. Unappropriated profits for the group include loss of $791,000 (1997: loss of $281,000) retained by associated companies and profit of $80,954,000 (1997: $55,056,000) retained by subsidiaries.

Capital distribution of $69,389 (1997: $19,000) can be made from distributions received from a subsidiary company and transfer tax withheld and retained by the Company.

12. TURNOVER

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

	1998 $('000)	1997 $('000)
Circulation	435,785	393,521
Advertising	726,509	766,110
Books and stationery	325,611	294,251
Other	2,666	12,573
	1,490,571	**1,466,455**

13. EXCEPTIONAL ITEMS

	1998 $('000)	1997 $('000)
Insurance Claims	10,164	-
Profit on sale of fixed assets	1,594	774
Redundancy expense	(5,980)	(276)
	5,778	**498**

Insurance claims represent primarily amount received for fire damage in 1997.

14. TAXATION

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

	1998 $('000)	1997 $('000)
Income Tax at 33 1/3%	48,992	42,046
Taxation on share of profits of associated company	-	28
UK Corporation Tax at 23%	111	565

USA Income Tax	(381)	613
Canadian Income Tax at 45%	233	-
Deferred taxation (Note 2g)	(1,957)	(2,180)
Tax credit on bonus shares issued (restricted)	(12,422)	(9,920)
Tax adjustment in respect of previous year	124	(2,055)
	34,700	**29,097**

(b) Total tax charge for 1998 represents an effective tax rate of 19.9% (1997: 29.6%) on $174,202,000 (1997: $136,400,000) 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:

1. 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.

2. Foreign taxation and Deferred taxation.

At the balance sheet date, a subsidiary company had tax losses of approximately $14,518,000 (1997: $34,893,000) subject to agreement by the Commissioner of Income Tax, available for set off against future taxable profits for an indefinite period.

15. DIVIDENDS PAID (GROSS)

An interim capital distribution of 5 cents per stock unit (less transfer tax of 7 1/2%) was paid on March 31, 1998, to shareholders on record at close of business on March 6, 1998.

A second interim capital distribution of 2.5 cents per stock unit (less transfer tax of 7 1/2%) was paid on August 24, 1998, to shareholders on record at the close of business on August 7, 1998.

A third interim dividend capital distribution at 1 cent per stock unit (less transfer tax of 7 1/2%) was paid on December 11, 1998, to shareholders on record at close of business on November 27, 1998.

16. EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit is based on profit after taxation of $139,502,000 (1997: $107,303,000) attributable to stockholders of the Company and the issued and fully paid ordinary share capital of 349,397,258 stock units of 50 cents each. The 1997 figure has been restated to give effect to the bonus issue made in December 1998.

17. 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, 1996. This showed the fund to be viable at the existing rates of contributions. The next actuarial valuation is due as at May 1, 1999. The Company's contributions, charged to the Profit and Loss Account, for the year were $7.5M (1997: $6M).

b. SANGSTER'S BOOK STORES LIMITED. This subsidiary operates a contributory pension scheme for all employees of this subsidiary and The Book Shop Limited 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 was due on December 31,1996. The contributions, charged to the Profit and Loss Account, for the year were $735,893

(1997: $588,036).

18. AUTHORIZED CAPITAL EXPENDITURE

	Group		Company	
	1998 $('000)	1997 $('000)	1998 $('000)	1997 $('000)
Capital expenditure Authorized but not contracted for	**23,970**	**18,652**	**23,970**	**18,652**

19. CONTINGENT LIABILITIES

There are contingent liabilities in respect of $4.3M (1997: $2.85M) worth of guarantees issued on behalf of the group and $3.5M (1997: $2.04M) for the company.

20. 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, 1998, is a reasonable provision for the purpose of covering all reasonable and probable judgements and costs for libel actions against the Company.

21. Year 2000 Compliance

The Year 2000 Issue arises because many computerized systems used two digits rather than four to identify a year. Data-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. While all of the major systems involving our Company have been examined and will be Year 2000 compliant by December 31, 1999, it is not possible to be certain that all aspects of the Year 2000 issues related to the effects of customers, suppliers and other third parties will be fully resolved.