

Gleaner Company Limited 1998

DIRECTORS' REPORT

The Directors have pleasure in presenting the 102nd Annual Report and Audited Financial Statements for the year ended December 31, 1998.

1. GROUP HIGHLIGHTS

		1998	1997
		\$million	\$million
Group turnover	-	1,491	1,466
Group profit after taxation	-	140	107
Working capital	-	447	344
Dividends paid	-	22	20
Net Worth	-	819	676
Number of 50¢ Stock Units			
Issued - thousands	-	349,397	262,048
Bonus Shares issued in year	-	87,349	65,512
Earnings per Stock Unit	-	40.0¢	30.6 cents
Net Worth per Stock Unit	-	234.0¢	258.0 cents
Dividends per Stock Unit	-	8.5¢	10.0 cents

2. GROUP COMPANIES

(i) The Gleaner Company Limited

(a) Revenue

The net paid circulation for all our major publications continued their upward trend in 1998. Circulation revenue increased from \$393.5M in 1997 to \$435.8M in 1998.

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 1998 showed 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 Readership
Sunday Gleaner	460,000	997,000
Sunday Observer	275,000	328,000
Sunday Herald	90,000	89,000
Daily Gleaner	403,000	259,000
Daily Observer	226,000	180,000
Week-end Star	384,000	573,000
X-News	361,000	369,000
Daily Star	421,000	283,000

(b) Libel

There were no new libel cases in 1998.

The Appeal Court, in 1998, ruled in favour of your Company in the libel case involving the \$23M awarded against it in 1995 by paving the way for the Gleaner to proceed with its defence of this case.

The appeal against the \$80M awarded against your Company in 1996 should be heard in 1999.

(c) Human Resource Development

This department continued to focus on training during the year.
The Company spent over \$4M on staff training.

(d) Information Systems

In January 1998 the Information Systems Department was created. The staff was made up of persons previously employed in the Editorial (Library) and Circulation (Archives) Departments.

The mission of this department is to preserve in electronic, paper and microfilm form a complete record of all Gleaner Company publications and to provide information and services in support of its primary customers (Editors and Reporters) as well as other interested persons both within and outside the Company.

The Library is open to the public by appointment on Tuesday and Wednesday. Services provided to the public include research assistance and the purchase of photographic reprints. In addition the department is responsible for dealing with all copyright related requests for permission to reproduce Gleaner material.

In 1999 the department aims to increase its efficiency by exploring new ways of providing information delivery to the Company's customers.

(e) Editorial Coverage

The two most significant news events in 1998 were the Reggae Boys' qualifying for the World Cup in France and the Gleaner Spelling Bee Champion Jodi Anne Maxwell of Ardenne High School triumph in the USA Scripps Howard Spelling Bee Championship.

Two reporters were sent to the World Cup in France. The Company's coverage was adjudged to have been very good and earned an award from the Press Association of Jamaica.

Jodi Ann Maxwell received a Merit Award at The Gleaner Honour Award Function held in January 1999 (see 5 below). Scripps Howard changed the qualifying rules after Jodi Ann's victory which would preclude future Spelling Bee Champions entering unless our Company changes the date of its national Spelling Bee championship. This is being considered.

The Cornwall Feature which gives front-page coverage to five parishes in that region was one

of the innovations for 1998. The response has been positive and the Gleaner again earned a special community award for this feature from the Press Association of Jamaica.

The newest feature page, "Senior Life", focuses on retirement issues and seeks to prepare people for retirement. This has been well received.

New ground was broken when the Company's reporter Claude Mills and photographer Rudolph Brown became a part of the US Air Force reconnaissance team which flew into the eye of Hurricane Georges. They produced a good report on this experience.

Once again the Gleaner won the highest number of Press Association of Jamaica honours at its annual awards function - eight awards and eight certificates of merit.

(ii) Overseas Companies

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

The Miami office was closed and the operations consolidated with the New York Office. A sales representative was appointed to service the Miami area.

(iii) Sangster's Book Stores Limited

Sales showed a modest increase over 1997 despite the expansion by the Government of its book Rental Scheme. This resulted in a flat operating profit compared to 1997.

The Book Shop Limited, which specializes in general books, had a very successful first full year of operations with sales increasing significantly over 1997 resulting in a much improved profit position.

(iv) Independent Radio Company Limited - Power 106

Despite the downturn in advertising sales to traditional clients, the Company ended the year in a profit position. This was largely due to the implementation of the new sales thrust to smaller businesses together with a marketing strategy which emphasized the value of advertising.

An important factor that has contributed greatly to advertising revenue has been the outside broadcasting activities which provided increased revenue and has enabled the station to increase the information content of its programming.

The results of the All Media Research during the year have revealed:

- (a) "Independent Talk" continues to be the leading Morning Talk Show
- (b) All the music segments have shown substantial increase in the number of individual persons listening to each segment.

For 1999, the station will continue to refine its music format to further increase listener appeal while continuing its drive for increased advertising revenue.

- (v) Gleaner Online - www.jamaica-gleaner.com

The Company's Web Site will begin its third year of operation in February 1999. Usage has increased tenfold since the previous report. The Site now claims a readership in excess of one-half million people a month. Clearly a success, our readership continues to grow inspite of the recent addition of other Internet news sources for the island.

Because of this high level of readership, Gleaner Online was able to establish contracts with two ad placement agencies in the USA. This should prove to be a good source of revenue for the site in the near future.

During the last 12 months, Gleaner Online has kept pace with the demands of this emerging market. It launched Jamaica's first "e-commerce" web site, began offering web site construction and management services to outside companies; for example, Jamaica Lottery Company and radically restructured the Gleaner Online's advertising delivery system so as to accommodate smaller ad budgets. Gleaner Online recently won the bid to produce the Ministry of Commerce and Technology's web site.

- (vi) Property Companies

The performance of the property companies in which the Group has an interest recorded mixed results during the year.

3. DIVIDENDS, BONUS ISSUE & STOCK PRICES

The Company paid three interim Capital Distributions (less transfer tax of 7 1/2%) in 1998:

Amount	Record	Payment
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	(Cents)	Date	Date
Capital	5	06/03/98	31/03/98
Capital	2.5	07/08/98	24/08/98
Capital	1	27/11/98	11/12/98

No final dividend is recommended.

Your Directors, at an Extraordinary General Meeting of the Company held on December 10, 1998, were authorized to issue to stockholders on record at the close of business on December 31, 1998, one bonus stock unit for every three stock units held. This increased the number of issued stock units to 349 million.

The stock unit price on the Stock Exchange, adjusted for the bonus issue, closed the year at \$1.15. This was 28% higher than the opening price of \$0.90 in January 1998.

4. OUTREACH

(a) Primary School Textbook Project

The Company was awarded the contract by the Ministry of Education for the production and distribution of the textbooks for the primary and all age schools throughout the island for 1998/99.

(b) PALS Jamaica Textbooks

1998 was a difficult year for PALS as funding received by the organization was far less than in earlier years. To keep in touch with schools, PALS sent out a Newsletter which featured curriculum tips for teachers and activities for students and parent-teacher meetings.

PALS undertook to carry out a SUPERPALS type project - a project which features intense curriculum implementation, community and parent outreach - in 14 schools selected from St. Ann, St. Mary and Trelawny. The project, called SUPERPALS 11, is funded by the Ministry of Tourism.

Work in the SUPERPALS 1 project - a project comprising 11 inner city schools and communities - continued. PALS trained 200 students in mediation techniques and several schools created PALS murals. There were also some successes in parent and community outreach with some community persons receiving certification in Conflict Resolution training.

PALS and Nestle Jamaica collaborated to produce a publication, "Young Achievers", featuring young persons who have excelled in various fields of endeavour- in the majority of cases, despite very disadvantaged circumstances.

The publication features 40 young people between the ages of 10-30 years.

In the last quarter of 1998, PALS launched an aggressive fund-raising drive that included innovative strategies for mobilizing financial resources.

Notwithstanding the severity of the funding problems that PALS will face in 1999, the organization looks forward to re-motivating teachers through its island-wide training programme, to completing the work in the SUPERPALS 1 and 11 projects and to creating an awareness amongst the public of the need for a programme that seeks to create a gentler society.

(c) Sponsorships

Your Company is proud of its history of public service and is committed to the development of the nation through its corporate projects. Some of these include:

- i. The Spelling Bee Championship sponsored by the Children's Own Newspaper
- ii. The Gleaner Honour Award, an annual recognition of the individual or body who has contributed significantly to improving Jamaica's quality of life.
- iii. The Governor General's Achievement Award, co-sponsored by your Company in association with The Building Societies Association of Jamaica and The Jamaica National Building Society, gives national exposure to the ordinary Jamaican who is an 'unsung hero' in his/her community.
- iv. Newspaper in Education, a programme that distributes Gleaner newspapers to 100 schools each year.

5. GLEANER HONOUR AWARD

The Selection Committee met on December 1, 1998, to consider the nominations for the 1998 Gleaner Honour Award.

The awards made were as follows:

Honour Award	-	Jamaica Library Service
Special Award	-	CAFFE
Merit Award	-	Jody-Anne Maxwell

The Award Banquet was held on January 22, 1999, at the Hilton Kingston Hotel. Guest Speaker was Professor The Hon. Rex Nettleford, O.M., Vice Chancellor, University of the West Indies.

6. STAFF AND BOARD NEWS

(a) Industrial Relations

The second year Wages and Fringe Benefits agreed on between the Company and the unions are to be implemented effective March 1, 1999, and April 15, 1999. The minimum rates for each grade are set to be increased by 10%.

The contract between the Company and the Newspaper Delivery Contractors' Association comes up for renewal in January 1999.

We continue to assist staff who acquire houses through the National Housing Trust by assisting them with the deposit on these houses.

(b) Long Service Awards

The Company's Long Service Awards Luncheon was held on September 15, 1998, at The Alhambra Inn. Employees received awards as follows: 7 for 10 years service, 3 for 15 years, 5 for 20 years, 7 for 25 years, 2 for 30 years, 3 for 35 years and 1 (Mr. Junior Dowie) for 45 years.

Guest Speaker was Dr. Errol Miller, Professor of Teacher Education at the University of the West Indies, Mona campus.

(c) Directors

The Directors retiring by rotation at this year's Annual General Meeting are the Hon. Maurice Facey, O.J., Mr. Joseph M. Matalon and Mrs. M.T.A. Payne who are all eligible and willing to continue to serve.

7. STOCKHOLDERS' BENEFITS

The Company is pleased to continue to make available to stockholders, on request, discounts on classified advertisements and books bought from Sangster's Book Stores Limited.

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

8. AUDITORS FOR THE COMPANY

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

9. LOOKING FORWARD

Circulation continued to show an upward trend in 1998 and revenue increased by some 15% over the previous year. For 1999 it is expected that this upward trend will probably continue although to a lesser extent.

Unfortunately, advertising had another challenging year due to the state of the economy. Your Company's 1998 advertising revenue fell by 5%. While this was probably a smaller reduction in percentage terms than other media organizations, it is of particular concern as the major part of your Company's revenue comes from this source. New and creative ideas to attract advertising are being pursued with particular emphasis on trying to bring in new advertisers from small businesses who in these depressed times can benefit from advertising. For 1999 every effort is being made to reverse the downward trend.

The Group's efforts to reduce wastage continue to be beneficial. Again, the major area has been in newsprint wastage where further reductions in wastage is being achieved.

While there were increases in newsprint prices in early 1998, these tended to level off during the latter part of the year. It is expected that 1999 will not see any major increase in the price of this commodity.

Of particular pleasure is the continued improvement in the results of the Sangster's group of companies. The Group continued in 1998 to show improved profitability despite the depressed economy.

For the Company to achieve reasonable profits on its core business (i.e newspaper operations), it is important that productivity be improved at all levels. This will be a focal point for 1999.

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 11, 1999
