

# The Gleaner Company Ltd

## CONSOLIDATED SIX MONTHS INTERIM FINANCIAL REPORT

JUNE 30, 2003 (UNAUDITED)

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### Group Profit & Loss Account

	(Unaudited) Three Months June 2003 \$000's	(Unaudited) Three Months June 2002 \$000's	(Unaudited) Six Months June 30, 2003 \$000's	(Unaudited) Six Months June 30, 2002 \$000's	(Audited) Twelve Months December 31, 2002 \$000's
Revenue	614,337	513,255	1,126,810	983,262	2,273,720
Cost of sales	(330,493)	(270,122)	(603,554)	(520,891)	(1,270,530)
Gross Profit	283,844	243,133	523,256	462,371	1,003,190
Other operating income	10,314	18,845	66,084	47,707	137,937
	294,158	261,978	589,340	510,078	1,141,127
Distribution costs	(93,141)	(81,278)	(181,637)	(158,160)	(328,721)
Administrative expenses	(93,215)	(67,240)	(163,704)	(125,782)	(285,051)

Other operating expenses	(77,620)	(63,439)	(172,025)	(134,331)	(241,130)
	<u>(263,976)</u>	<u>(211,957)</u>	<u>(17,366)</u>	<u>(418,273)</u>	<u>(854,902)</u>
Profit from operations	30,182	50,021	71,974	91,805	286,225
Finance cost	(9,640)	(10,051)	(16,234)	(17,968)	(32,835)
Share of loss in associated companies	-	-	-	-	(1,091)
Exceptional item	12,200	1,482	38,125	1,482	24,815
<b>Profit before taxation</b>	32,742	41,452	93,865	75,319	277,114
Taxation	<u>(12,025)</u>	<u>(13,181)</u>	<u>(30,975)</u>	<u>(22,291)</u>	<u>(79,476)</u>
	20,717	28,271	62,890	53,028	197,638
<b>Minority Interest</b>	<u>(2,075)</u>	<u>(255)</u>	<u>1,903</u>	<u>(172)</u>	<u>(5,259)</u>
<b>Profit after tax attributable to stockholders of parent company</b>	<b>18,642</b>	<b>28,016</b>	<b>64,793</b>	<b>52,856</b>	<b>192,379</b>
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Earnings per stock unit restated to 2003 stock units in issue (in cents)	<b>1.8</b>	<b>2.3</b>	<b>5.2</b>	<b>4.4</b>	<b>16.3</b>

## Consolidated Balance Sheet as at June 30, 2003

	(Unaudited) Six Months June 30, 2003 \$000's	(Unaudited) Six Months June 30, 2002 \$000's	(Audited) Twelve Months December 31, 2002 \$000's
<b>Non-Current assets</b>			
Property, plant and equipment	369,130	356,972	374,866
Long-term receivables	1,283	11,552	3,550
Investments	149,655	92,443	94,672
	<u>520,068</u>	<u>460,967</u>	<u>473,088</u>
<b>Current assets</b>			
Cash Resources	282,496	326,446	221,483
Trade and other receivables	408,111	403,328	447,371
Prepayments	56,835	37,108	26,044
Inventories and goods in-transit	309,658	271,070	184,010
Taxation Recoverable	973	-	-
Securities purchased under agreements for resale	325,157	197,546	413,605
	<u>1,383,230</u>	<u>1,235,498</u>	<u>1,292,513</u>
<b>Current liabilities</b>			
Bank overdraft	-	-	4,680
Trade and other payables	410,338	364,394	281,136
Taxation	15,244	3,577	33,876
Current portion of long-term liabilities	11,811	11,364	7,524
Deferred income	8,322	2,981	4,489
	<u>445,715</u>	<u>382,316</u>	<u>331,705</u>
<b>Working Capital</b>	<u>937,515</u>	<u>853,182</u>	<u>960,808</u>
<b>Net Assets</b>	<u>1,457,583</u>	<u>1,314,149</u>	<u>1,433,896</u>
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**EQUITY AND LIABILITIES****Capital and reserves**

Share capital	605,622	427,041	512,449
Capital reserves	340,791	242,652	280,482
Retained profits	463,421	606,109	590,220
	<u>1,409,834</u>	<u>1,275,802</u>	<u>1,383,151</u>

**Non-current liabilities**

Minority interest	19,396	15,690	21,299
Long-term liabilities	18,939	9,297	20,032
Deferred taxation	9,414	13,360	9,414
	<u>47,749</u>	<u>38,347</u>	<u>50,745</u>
	<u>1,457,583</u>	<u>1,314,149</u>	<u>1,433,896</u>
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**Stockholders' funds per ordinary  
stock unit**

<b>116.4</b>	<b>153.9</b>	<b>135.0</b>
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**Restated to 2003 stock issue**

<b>116.4</b>	<b>105.4</b>	<b>114.2</b>
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**GROUP STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY****Period ended June 30, 2003**

<b>Share Capital</b>	<b>Capital Reserves</b>	<b>Retained Profits</b>	<b>Total</b>
<b>\$ (000)</b>	<b>\$ (000)</b>	<b>\$ (000)</b>	<b>\$ (000)</b>

<b>Balances at December 31, 2001</b>	427,041	241,133	583,146	1,251,320
Net profit for the period	-	-	52,856	52,856
Dividend	-	-	(29,893)	(29,893)
Prior year adjustment by subsidiary company	-	-	-	-
Currency translation difference on foreign subsidiaries	-	37	-	37
Profit on sale of fixed assets	-	1,482	-	1,482
<b>Balances at June 30, 2002</b>	<u>427,041</u>	<u>242,652</u>	<u>606,109</u>	<u>1,275,802</u>
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<b>Balances at December 31, 2002</b>	512,449	280,482	590,220	1,383,151
Net profit for the period	-	-	64,793	64,793
Issue of bonus shares	93,173	-	(93,173)	-
Appropriation in respect of bonus shares issued in subsidiaries	-	24,423	(24,423)	-
Dividend	-	-	(35,871)	(35,871)
Currency translation difference on foreign subsidiaries	-	(2,239)	-	(2,239)
Profit on sale of fixed assets	-	38,125	(38,125)	-
<b>Balances at June 30, 2003</b>	<u>605,622</u>	<u>340,791</u>	<u>463,421</u>	<u>1,409,834</u>
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## CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six Months June 30, 2003 \$000's	(Unaudited) Six Months June 30, 2002 \$000's	(Audited) Twelve Months December 31, 2002 \$000's
<b>Group Net Profit after Taxation</b>	64,793	52,856	192,379
Adjustment for non-cash items	<u>18,508</u>	<u>26,093</u>	<u>27,992</u>
	83,301	78,949	220,371
<b>Change in working capital</b>	<u>23293</u>	<u>(39,902)</u>	<u>(253330)</u>
Net cash generated by/ (used in)			
operating activities	106,594	39,047	(32,959)
<b>Net cash used in investing activities</b>	(54,983)	(31,176)	(53,817)
Net cash generated by/ (used in)			
financing activities	<u>9,402</u>	<u>(40,910)</u>	<u>(51,226)</u>
Net Increase/(Decrease) in cash			
resources	<u>61,013</u>	<u>(33,039)</u>	<u>(138,002)</u>
Cash and short term funds			
beginning of period	<u>221,483</u>	<u>359,485</u>	<u>359,485</u>
Cash and short term funds - end			
of period	282,496	326,446	221,483

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## **Notes to the Interim Financial Report**

We hereby present the Report of the Group for the six months ended June 30, 2003.

1. The Group Financial statements for the six months ended June 30, 2003, show, before taxation a profit of approximately \$94M, compared to profit of approximately \$75M for the same period for 2002, an increase of approximately 25%.
2. In comparing the profits for the six-month period ended June 30, 2003, with those of the previous year, the following should be considered:
  - a. The revenue for the six months of 2003 has increased by 15% over 2002, mainly as a result of increased advertising and circulation.
  - b. Exceptional gains for 2003 amounted to \$38M while for 2002 the comparable amount was \$1.5M. These exceptional gains for 2003 arose from the sale of investments.
  - c. The three overseas companies (in the USA, Canada and UK) continued to incur losses as a result of their free (no cover price) publication "Extra" which targets the "younger" Caribbean readers. It is expected that the companies will return to profitability in the foreseeable future with increased advertising now being generated in Extra. The Weekly Gleaners produced in all of these overseas companies are still popular and profitable.
  - d. Sangster's Book Stores Limited also incurred losses during the first six months of this

year due to a falling off in retail sales as a result of increases in the selling prices of books, caused primarily by the devaluation of the dollar and the imposition of General Consumption Tax (GCT). It is expected that for the second half of the year sales will pick up considerably with special orders for text books and the removal of GCT on books and magazines. It is expected that the Company will finish the year in a profitable position.

There were no other significant changes to the Group's operations for the period under review.

3. The Group Financial Statements for the six months ended June 30, 2003, include the Company's ten (2002: ten) subsidiaries - Associated Enterprise Limited, Popular Printers Limited, Sangster's Book Stores Limited, The Book Shop Limited, The Gleaner Online Limited, Selectco Publications Limited, Independent Radio Company Limited and overseas subsidiaries, The Gleaner Company (NA) Limited, The Gleaner Company (NA) Incorporated, The Gleaner Company (UK) Limited.
4. The revenue represents sales by the Group before commission payable but excluding returns.
5. The calculation of earnings for 2003 and 2002 per stock unit is arrived at by dividing profit after taxation by 1,211,243,000 stock units being the number of stock units in issue at June 30, 2003.
6. The calculation of stockholders' funds per ordinary stock unit for 2003 and 2002 are arrived at by dividing capital and reserves by 1,211,243,000 stock units.
7. The same accounting policies and methods of computation are followed as those used for the December 31, 2002 audited financial statements.

#### **Dividends**

An interim Ordinary Dividend of 3.5 cents per stock unit was paid on March 6, 2003, to shareholders on record at the close of business on February 21, 2003.

Your Directors have approved a second interim Ordinary Dividend of 2.75 cents per stock unit to stockholders on record as at September 1, 2003. Payment will be made on September 12, 2003.



### **Libel Cases**

The Company's lawyers advised that they are of the opinion that the provision made in the Company's accounts is a reasonable provision for the purpose of covering all reasonable and probable judgements and costs for existing libel actions against the Company.

Although all legal costs for Abrahams' case are not yet fully determined the company believes that it has, on current information, made adequate provision.

**On behalf of the Board**

**Hon. O. F. Clarke, O.J.**  
**Chairman and Managing Director**

**C. S. Roberts**  
**Financial Director**

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