# THE GLEANER COMPANY LIMITED

## CONSOLIDATED TWELVE MONTHS FINANCIAL REPORT

## DECEMBER 31, 2003

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### Balance Sheets

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | $'000 | $'000 | $'000 | $'000 |
| | | (Restated) | | (Restated) |
| **Non-current assets** | | | | |
| Property, plant and equipment | 524,197 | 376,461 | 423,363 | 277,768 |
| Goodwill | 10,728 | - | - | - |
| Employees benefit asset | 159,000 | 93,900 | 159,000 | 93,900 |
| Long-term receivables | 3,964 | 3,550 | 322 | 79 |
| Investment in subsidiaries | - | - | 14,959 | 14,959 |
| Investment in associates | 150 | 1,241 | - | - |
| Investments | 141,559 | 145,980 | 139,911 | 144,748 |
| Deferred tax assets | 1,255 | - | - | - |
| | 840,853 | 621,132 | 737,555 | 531,454 |
| **Current assets** | | | | |
| Cash resources | 36,501 | 221,483 | 1,982 | 191,631 |
| Trade and other receivables | 518,822 | 445,776 | 557,266 | 409,318 |

| | | | | |
|---|---|---|---|---|
| Prepayments | 25,092 | 26,044 | 17,949 | 16,733 |
| Taxation recoverable | 9,048 | - | 8,681 | - |
| Inventories and goods- in-transit | 241,932 | 186,891 | 97,605 | 39,267 |
| Securities purchased under agreements for resale | 559,103 | 413,605 | 497,852 | 359,595 |
| | 1,390,498 | 1,293,799 | 1,181,335 | 1,016,544 |
| **Current liabilities** | | | | |
| Bank overdraft | 4,376 | 4,680 | - | - |
| Trade and other payables | 311,336 | 281,136 | 258,406 | 199,056 |
| Taxation | - | 33,876 | - | 27,955 |
| Current portion of long-term liabilities | 9,297 | 7,524 | 71,721 | 6,864 |
| Deferred income | 4,972 | 4,489 | - | - |
| | 329,981 | 331,705 | 266,127 | 233,875 |
| Working capital | **1,060,517** | **962,094** | **915,208** | **782,669** |
| **Net assets** | **1,901,370** | **1,583,226** | **1,652,763** | **1,314,123** |
| **Financed by:** | | | | |
| Stockholders' equity | | | | |
| Share capital | 605,622 | 512,449 | 605,622 | 512,449 |
| Capital reserves | 338,560 | 212,207 | 217,362 | 125,167 |
| Fair value reserve | 46,393 | 61,535 | 71,279 | 60,989 |
| Retained profits | 665,015 | 627,249 | 534,678 | 476,026 |
| | 1,655,590 | 1,413,440 | 1,428,941 | 1,174,631 |
| **Minority interests** | 19,015 | 21,299 | - | - |
| **Non-current liabilities** | | | | |
| Long-term liabilities | 14,871 | 20,032 | 14,549 | 14,877 |
| Employees benefit obligation | 30,100 | 25,100 | 30,100 | 25,100 |
| Deferred tax liabilities | 181,794 | 103,355 | 179,173 | 99,515 |
| | **226,765** | **148,487** | **223,822** | **139,492** |
| | **1,901,370** | **1,583,226** | **1,652,763** | **1,314,123** |

# Group Profit and Loss Account

| | 2003 $'000 | 2002 $'000 (Restated) |
|---|---|---|
| **Revenue** | 2,546,707 | 2,273,720 |
| Cost of sales | (1,423,432) | (1,272,068) |
| Gross profit | 1,123,275 | 1,001,652 |
| Other operating income | 219,009 | 137,937 |
| | 1,342,284 | 1,139,589 |
| Distribution costs | ( 355,863) | ( 328,721) |
| Administration expenses | ( 395,119) | ( 278,751) |
| Other operating expenses | ( 276,306) | ( 241,130) |
| | (1,027,288) | ( 848,602) |
| **Profit from operations** | **314,996** | **290,987** |
| Finance costs | ( 40,846) | ( 32,835) |
| Share of results in associated companies | - | ( 1,091) |
| Exceptional items | 40,140 | 24,815 |
| **Profit before taxation** | **314,290** | **281,876** |
| Taxation | ( 80,736) | ( 74,978) |
| | 233,554 | 206,898 |
| Minority interest | ( 2,535) | ( 5,259) |
| **Net profit attributable to stockholders of the company** | **231,019** | **201,639** |
| Dealt with in the financial statements of: | | |
| Company | 247,256 | 171,475 |

| | | |
|---|---|---|
| Subsidiary companies | ( 16,237) | 31,255 |
| Associated companies | - | ( 1,091) |
| | ========= | ========= |
| Earnings per stock unit on profit after taxation attributable to stockholders of the company (see note 7) | 19.05c | 16.65c |

## Group Statement of Changes in Stockholders' Equity

| | Share Capital $'000 | Capital Reserves $'000 | Fair value Reserves $'000 | Retained Profits $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balances at December 31, 2001: as previously reported | 427,041 | 241,133 | - | 583,146 | 1,251,320 |
| Effect of first-time adoption of IFRS [note 8(i)]: | - | ( 60,499) | 30,358 | 27,769 | ( 2,372) |
| Balances at December 31, 2001, as restated | 427,041 | 180,634 | 30,358 | 610,915 | 1,248,948 |
| Restated net profit for the year 2002 [note 8(ii)] | - | - | - | 201,639 | 201,639* |
| Issue of bonus shares | 85,408 | - | - | (85,408) | - |
| Appropriation in respect of bonus shares issued in Subsidiary | - | 20,670 | - | (20,670) | - |
| Dividend paid (gross) | - | - | - | (59,786) | ( 59,786) |
| Adjustment arising from consolidation of subsidiary | - | ( 4,836) | | - | ( 4,836) |

| | | | | | |
|---|---|---|---|---|---|
| Gain on disposal of property, plant, and equipment transferred | - | 24,815 | - | (24,815) | |
| Prior year adjustment by subsidiary | - | - | - | 5,374 | 5,374* |
| Adjustment to revaluation reserve | - | 1,210 | | | 1,210* |
| Change in fair value of investments | - | ( 8,986) | 31,177 | - | 22,191* |
| Currency translation differences on foreign subsidiaries | - | ( 1,300) | - | - | ( 1,300)* |
| Balances at December 31, 2002, as restated | 512,449 | 212,207 | 61,535 | 627,249 | 1,413,440 |
| Net profit for the year | - | - | - | 231,019 | 231,019* |
| Issue of bonus shares | 93,173 | - | - | (93,173) | - |
| Appropriation in respect of Bonus shares issued in Subsidiary | - | 17,743 | - | (17,743) | - |
| Dividend paid (gross) | - | - | - | (70,062) | ( 70,062) |
| Adjustment arising from consolidation of subsidiary | - | ( 11,714) | - | - | ( 11,714) |
| Gain on disposal of property, plant, and equipment transferred | - | 3,233 | - | ( 3,233) | - |
| Appropriation in respect of Bonus shares in associated companies | - | 1,100 | - | ( 1,100) | - |
| Prior year adjustment by subsidiary companies | - | - | - | 3,363 | 3,363* |
| Change in fair value of investments | - | - | ( 15,142) | - | ( 15,142) |

| | | | | | |
|---|---|---|---|---|---|
| Gain on sale of loan | | 11,305 | - | (11,305) | |
| Deffered tax on revaluation of building | | ( 7,950) | - | - | ( 7,590)* |
| Gain on revaluation of buildings | - | 112,636 | - | - | 112,636* |
| Balances at December 31, 2003 | 605,622 | 338,560 | 46,393 | 665,015 | 1,655,590 |
| | ======== | ======= | ======= | ======= | ========= |

*- Total gains recognised for the year amounted to $323,926 (2002: $229,114).

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## Group Statement of Cash Flows

| | **2003 $'000** | **2002 $'000 (Restated*)** |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit attributable to stockholders | 231,019 | 201,639 |
| Adjustments to reconcile profit to net cash provided by operating activities: | | |
| Depreciation and amortisation | 64,088 | 60,807 |
| Deferred taxation, net | 69,234 | ( 8,444) |
| Share of loss in associated companies | - | 1,091 |
| Employees benefit asset, net | ( 60,100) | ( 6,300) |
| Gain on disposal of assets | ( 14,538) | ( 24,701) |
| Net unrealised exchange gains | ( 55,406) | ( 16,855) |
| Gain on disposal of investments | ( 25,603) | - |
| Minority interests share of (profit) | ( 2,535) | ( 5,529) |

| | | |
|---|---|---|
| | 206,159 | 201,978 |
| (Increase)/decrease in current assets: | | |
| Trade and other receivables | ( 73,046) | ( 51,834) |
| Prepayments | 952 | ( 13,603) |
| Taxation recoverable | ( 9,048) | - |
| Inventories | ( 55,041) | 21,358 |
| Securities purchased under agreements for resale | (145,498) | (228,455) |
| (Increase)/decrease in current liabilities: | | |
| Trade and other payables | 30,200 | ( 1,121) |
| Taxation | ( 33,876) | 22,164 |
| Deferred income | 483 | ( 301) |
| Net cash used by operating activities | ( 78,715) | ( 49,814) |
| **Cash flows from investing activities** | | |
| Exchange (gain)/loss on investments and fixed assets | ( 10,228) | 8,109 |
| Addition to fixed assets | ( 57,623) | ( 87,640) |
| Purchase of goodwill | ( 10,728) | - |
| Proceeds from disposal of assets | 39,889 | 33,557 |
| Investments | 5,512 | ( 2,229) |
| Minority interest | 251 | 11,241 |
| Net cash used by investing activities | **( 32,927)** | **( 36,962)** |
| **Cash flows from financing activities** | | |
| Bank overdraft | ( 304) | 2,708 |
| Long-term receivable | 414 | 4,139 |
| Long-term liabilities | ( 3,388) | 1,713 |
| Dividends paid | ( 70,062) | ( 59,786) |
| Net cash used by financing activities | **( 73,340)** | **( 51,226)** |
| Net decrease in cash resources | **(184,982)** | **(138,002)** |
| Cash resources at beginning of the year | 221,483 | 359,485 |
| Cash resources at end of the year | **36,501** | **221,483** |
| | ======= | ======= |

## Segment reporting

### Business segments

The main business segments of the Group comprise:

| | 2003 | | | |
|---|---|---|---|---|
| | Media Service $'000 | Books and Stationery $'000 | Other $'000 | Total $'000 |
| Revenue | 1,985,802 | 541,969 | 18,936 | 2,546,707 |
| Profit from operations | 79,735 | 19,681 | (3,429) | 95,987 |
| Other income | 154,173 | 5,561 | 3,869 | 163,603 |
| Foreign exchange gains | 55,406 | - | - | 55,406 |
| Interest expense | (35,498) | (5,107) | (241) | (40,846) |
| Exceptional items | 26,249 | 1,966 | 11,925 | 40,140 |
| Profit before taxation | 280,065 | 22,101 | 12,124 | 314,290 |
| Taxation | (74,170) | (5,043) | (1,523) | (80,736) |
| Segment Results | 205,895 | 17,058 | 10,601 | 233,554 |

| | | | | |
|---|---|---|---|---|
| Minority interest | | | | ( 2,535) |
| Net profit attributable to stockholders of the company | | | | 231,019 |
| Segment net assets | 1,389,956 | 203,793 | 61,841 | 1,655,590 |
| Segment liabilities | 421,265 | 125,002 | 9,224 | 555,491 |
| Capital expenditure | 52,252 | 5,001 | - | 57,253 |
| Depreciation | 55,979 | 8,089 | 11 | 64,088 |

2002

| | | | | |
|---|---|---|---|---|
| Revenue | 1,800,776 | 45,770 | 21,174 | 2,273,720 |
| Profit from operations | 142,307 | 7,312 | 3,431 | 153,050 |
| Other income | 103,554 | 10,816 | 6,712 | 121,082 |
| Foreign exchange gains | 16,855 | - | - | 16,855 |
| Interest expense | ( 30,682) | (1,865) | ( 288) | ( 32,835) |
| Share of results in associated companies | - | - | ( 1,091) | ( 1,091) |
| Exceptional items | 9,546 | 1,966 | 13,303 | 24,815 |
| Profit before taxation | 241,580 | 18,229 | 22,067 | 281,876 |
| Taxation | ( 66,663) | (5,768) | (2,547) | (74,978) |
| Net profit for the year | 174,917 | 12,461 | 19,520 | 206,898 |
| Minority interest | | | | ( 5,259) |
| Net profit attributable to stockholders of the company | | | | 201,639 |
| Segment net assets | 1,336,409 | 18,712 | 58,319 | 1,413,440 |

| | | | | |
|---|---|---|---|---|
| Segment liabilities | 352,138 | 117,425 | 10,629 | 480,192 |
| Capital expenditure | 55,997 | 31,583 | 60 | 87,640 |
| Depreciation | 52,252 | 8,023 | 11 | 60,807 |

## Notes to Financial Report

We hereby present the Report of the Group as of and for the year ended December 31, 2003.

1. The Group Financial statements for the year ended December 31, 2003, show, before taxation a profit of approximately $314M, compared to profit of approximately $282M for the same period for 2002.

2. The Group Profit, after taxation and minority interest, for the year of 2003 was approximately $231M compared with a profit of approximately $202M for the same period for 2002, an increase of 15%. This increase was largely attributable to an increase in sales - particularly advertising which increased by 14%, and gain on sale of investments shown under Exceptional Items.

3. In comparing the profits for the year period ended December 31, 2003, with those of the previous year, the following should be considered:

   (a) Independent Radio Company had another profitable year. The Station introduced new talk shows including "Laing and Company" and "Dear Pastor", which have shown healthy listenership growth. The streaming of Power 106 FM live on the internet via the Gleaners website (www.go-jamaica.com ) has encouraged tremendous overseas listener participation and a high stream of e-mails to the various programmes.

a. Sangster's financial results in 2003 showed improvement over the previous year. For 2004, further improvement is expected as even greater attention is focused on customer service and tighter inventory controls.

b. The expected return to viability of the three overseas companies did not materialise in 2003, primarily as a result of the continued high cost of producing the weekly free publication (no cover cost) "Extra" in the three overseas markets. Greater interest in advertising in this publication has been noted in 2004. The future of this publication in the three markets, however, will be reviewed later this year.

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

5. The Group Financial Statements for the year ended December 31, 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.

6. The revenue represents sales by the Group before commission payable but excluding returns.

7. The calculation of earnings per stock unit for 2003 and 2002 is arrived at by dividing profit after taxation attributable to stock holders of the company of $231,019,000 (2002: $201,639,00) by 1,211,243,827 stock units, the number of stock units in issue at December 31, 2003. The 2002 figure has been restated to give effect to the bonus issue made in May 2003.

8. The financial statements are prepared in accordance International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretation Committee of the IASB, and comply with the provisions of the Companies Act.

   These are the company's first annual financial statements prepared in accordance with IFRS. Consequently, there have been significant changes in the accounting policies followed in the financial statements compared with the policies followed in previous years. Accordingly, comparative figures have been restated to conform to the provisions of IFRS and the significant accounting policies given below: -

   IAS 2 - Inventories

All inventories have been valued at the lower of Average Cost or Net Realisable Value [see (a) below].

Deferred income tax is provided in full, using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. (See (b) below)

IAS 19 - Employees benefit:

The group participates in a defined benefit pension plan. The asset in respect of the plan is the fair value of plan assets at the balance sheet date minus the present value of the defined benefit obligation. (See (c) below)

IAS 39 - Financial Instruments

Investments available for sale are stated at fair value with any resulting gain or loss included in Investment Revaluation Reserve. (See (d) below)

**Effect of first-time adoption of IFRS**

The effects of the transition from Jamaica generally accepted accounting principles (JGAAP) to IFRS on the company's equity and results of operations are set out in the following tables and the notes thereto.

(i) 2001: Reconciliation of equity

| | Share capital $'000 | Capital reserve $'000 | Fair value Reserve $'000 | Retained profits $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balances at December 31, 2001: | | | | | |
| As previously reported | 427,041 | 241,133 | - | 583,146 | 1,251,320 |
| Effect of first-time adoption of IFRS | | | | | |
| IAS 2 - Inventories | - | - | - | 4,419 | 4,419 |
| IAS 12 - Income taxes (deferred taxation) | - | ( 60,499) | - | (39,150) | (99,649) |

| | | | | | |
|---|---|---|---|---|---|
| IAS 19 - Employee benefits | - | - | - | 62,500 | 62,500 |
| IAS 39 - Financial instruments - recognition and measurement | - | - | 30,358 | - | 30,358 |
| Total effect of first-time adoption of IFRS | - | ( 60,499) | 30,358 | 27,769 | ( 2,372) |
| As restated | 427,041 | 180,634 | 30,358 | 610,915 | 1,248,948 |
| | ======= | ======= | ====== | ======= | ========= |

(ii) 2002: Reconciliation of net profit

| | |
|---|---|
| | $'000 |
| Net profit for year: | |
| As previously reported | 192,379 |
| Effect of first-time adoption of IFRS (See note 8) | |
| IAS 2 - Inventories | ( 1,538) |
| IAS 12 - Income taxes (deferred taxation) | 4,498 |
| IAS 19 - Employee benefits | 6,300 |
| Total effect of first-time adoption of IFRS | 9,260 |
| Restated net profit | 201,639 |
| | ======= |

(a) The difference in Inventory value arose due to the valuation of Newsprint at LIFO instead of average cost in 2002.

(b) The deferred taxation liability arose primarily on the surplus on revaluation of certain fixed assets which were not accounted for under Jamaican GAAP.

(c) Employees benefit asset for defined benefit schemes net of obligation for post retirement medical benefits which was not recognised under Jamaican GAAP is now being recognised under IFRS.

(d) Investments classified as available for sale are measured at fair value. These were previously measured at the lower of cost and net realisable value under Jamaican GAAP.

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.

A second interim Ordinary Dividend of 2.75 cents per stock unit was paid to stockholders on record as at September 1, 2003 on September 12, 2003.

## Bonus Issue

At an Extraordinary General Meeting held on May 26, 2003, approval was given for the issue of two bonus shares for every eleven stock units held by stockholders at the close of business on May 26, 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.

On behalf of the Board

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

C.S. Roberts
Deputy Managing Director