170 YEARS SERVICE

The Gleaner Company Limited.

7 North Street, Kingston
Jamaica, West Indies

Established 1834
Incorporated 1897


# REPORT 2004

ONE HUNDRED AND EIGHTH ANNUAL REPORT

# THE GLEANER...

committed to being the source
for accurate, independent information.

## COMMITTED TO PROVIDING OUR

### CUSTOMERS
with quality Products and Service delivered in courteous, timely and efficient manner

### SHAREHOLDERS
with a profitable return on their investment

### EMPLOYEES
with a work environment that is safe, innovative, dynamic and rewarding

### COMMUNITY
with corporate citizenship that is socially active and environmentally responsible

### SUPPLIERS
with a harmonious and mutually beneficial business relationship

✓ INFORMATION ✓ CREDIBILITY ✓ INDEPENDENCE

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## DIRECTORS

The Hon. O. F. Clarke, O.J., J.P., B.Sc. (Econ), F.C.A. - Chairman/Managing Director
The Hon. J. J. Issa, O.J., C.D., J.P., B.Sc., LLD (Hons.) - Vice-Chairman
C. S. Roberts, J.P., C.A.,
J. M. Matalon, B.Sc. (Hons.) Econ.
D. R. Orane, C.D., B.Sc. (Hons.), M.B.A.,
Prof. The Hon. G. C. Lalor, O.J., C.D., B.Sc., M.Sc., Ph.D.
B. W. Young, F.C.A. (Resigned February 13, 2004)
M. M. Seymour, B.Sc., M.B.A, F.L.M.I.
L. G. Johnston (Mrs.), M.A., B.A.
Dr. C. D. Archer, Ph.D.
H. W. R. Dear, C.L.S., J.P. (Appointed April 8, 2004)

## HONORARY CHAIRMAN

R. G. Ashenheim, C.D., M.A., B.C.L.

## MANAGEMENT AND KEY OFFICERS

| | |
|---|---|
| Ken Allen, C.D. | Editor, Opinion Page |
| Mavis Belasse | Information Systems Manager |
| Jennifer Campbell | Managing Editor |
| Collin R. Bourne | Company Secretary |
| Claire Clarke-Grant | Editor, Daily/Weekend Star |
| The Hon. Oliver F. Clarke, O.J. | Managing Director |
| Karin E. Daley-Cooper | Corporate Affairs Manager |
| Marlene Davis | Managing Director, Gleaner On-Line Limited |
| Mary Dick | Training Manager |
| Michael Gallow | Maintenance Manager |
| Garfield Grandison | Editor-in-Chief |
| Locksley Henry | Managing Director, Sangster’s Book Stores Ltd. |
| John Hudson | Special Projects/Overseas Publications Manager |
| Errol Knight | Technology Manager |
| Norman Marshall | Operations/Circulation Manager |
| Anthony O’Gilvie | Industrial Relations/Personnel Manager |
| Christopher Roberts | Deputy Managing Director (Retired February 28, 2005) |
| Ian R. Roxburgh | Print Manager |
| Yvonne Senior | Advertising/Marketing Manager |
| Rudolph A. Speid | Chief Accountant |
| Colin Steer | Associate Editor, Opinion |

## BRANCH OFFICES

Shernett Robinson - Western Bureau
Branch Manager
Montego Bay
Ph: 876-952-2822

Moveta Munroe - The Gleaner Co. (USA) Ltd.
General Manager
New York
Ph: 718-657-0788

Ms. Stephanie Abrahams - The Gleaner Co. (Can.) Inc.
Operations Manager
Ontario
Ph: 416-784-3002

George Ruddock - The Gleaner Co. (UK) Ltd.
Deputy Managing Director
London
Ph: 207-737-7377

## AUDITORS

KPMG PEAT MARWICK
Chartered Accountants
6 Duke Street, Kingston

## REGISTRAR FOR THE COMPANY

SCOTIA JAMAICA INVESTMENT MANAGEMENT LIMITED
Scotia Centre, Kingston

## BANKERS

THE BANK OF NOVA SCOTIA (JAMAICA) LIMITED
Scotia Bank Centre,
Kingston, Jamaica

THE BANK OF NOVA SCOTIA
London & New York

## ATTORNEYS

DUNNCOX
48 Duke Street
Kingston

7 North Street
P.O. Box 40
Kingston
Phone: 922-3400
Email: admin@gleanerjm.com
Fax: (876) 922-6297/2058

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Stockholders of the Company will be held at the registered office of the Company, 7 North Street, Kingston, Jamaica, on Thursday, June 9, 2005 at 9:30 a.m. for the following purposes:

1. To receive the Directors' and Auditors' Reports and the Audited Financial Statements for the year ended December 31, 2004.

2. To elect Directors

3. To fix the remuneration of the Directors

4. That the retiring auditors, KPMG Peat Marwick, Chartered Accountants, having expressed their willingness to continue as auditors of the Company until the conclusion of the next Annual General Meeting, the Directors be authorised to fix their remuneration.

5. To transact any other business which may be transacted at an Ordinary General Meeting.

By order of the Board
C. R. Bourne
Secretary

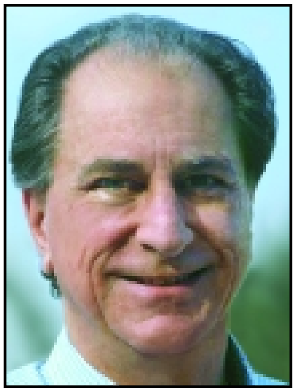
May 2, 2005

**Note:** In accordance with Section 131 of the Companies Act, 2004, a member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him, and such proxy need not also be a member. A proxy form is included at page 51.

**Hon. Oliver F. Clarke,**
O.J., J.P., B.Sc. (Econ) F.C.A.
Chairman/Managing Director

**Dr. Carol D. Archer,**
Ph.D.

**H. Winston Dear,**
C.L.S., J.P.



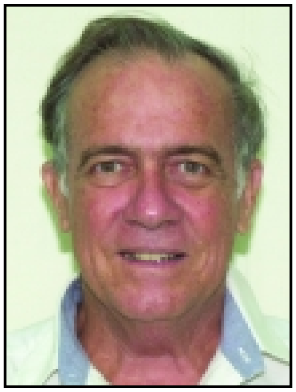
**Hon. John J. Issa,**
O.J., C.D., J.P., LLD (Hons.),
Vice Chairman

**Lisa G. Johnston,**
M.A., B.A.

**Prof. the Hon. Gerald C. Lalor,**
O.J., C.D., B.Sc., M.Sc., Ph.D.

**Joseph M. Matalon,**
B.Sc. (Hons.) Econ

**Douglas Orane,**
C.D., B.Sc. (Hons.), M.B.A.



**Christopher Roberts,**
J.P., C.A.

**Morin M. Seymour,**
J.P. B.Sc., M.B.A., F.L.M.I.

**Richard Ashenheim,**
C.D., M.A., B.C.L.
Honorary Chairman

1. **Hon. Oliver F. Clarke, O.J., J.P. - Managing Director (Since May, 1976), appointed Chairman (April, 1979)**

He serves as Chairman of Jamaica National Building Society and Sangster's Book Stores Limited. He is President of the Commonwealth Press Union. He is a Board Member of a number of companies, including, Tools for Development Jamaica Limited, Independent Radio Company Limited, Caribbean News Agency, Caribbean Media Corporation, Peace Education Foundation in Miami and PALS Jamaica. He is a member of the Police Services Commission. Mr. Clarke was President of the Inter American Press Association (1997/1998) and the Private Sector Organisation of Jamaica (2002/2003). He received the Americas Award 1990 from the Americas Foundation, has been inducted into the Hall of Fame of the Private Sector Organisation of Jamaica and was selected as a 2004 Caribbean Luminary by the American Foundation for the University of the West Indies. He is a Chartered Accountant and a Justice of the Peace.

2. **Hon. John J. Issa, O.J., C.D., J.P., LLD (Hons.) - Director (February, 1975 - June, 2003) and Vice Chairman (Since July, 2003)**

He serves as Chairman of SuperClubs International Limited and its subsidiaries and the Pegasus Hotels of Jamaica Limited. Other Boards on which he serves include Grace, Kennedy & Company Limited and Globe Insurance Company of Jamaica Limited.

3. **Mr. Christopher S. Roberts, J.P. - Financial Manager/Director (February, 1975 to June, 2003), Deputy Managing Director (Since July 2003)**

He serves as a member of other Boards including Independent Radio Company Limited, the Media Association Jamaica Limited and Sangster's Book Stores Limited. Mr. Roberts is a Chartered Accountant and a Justice of the Peace.

4. **Mr. Joseph M. Matalon - Director (Since October, 1987)**

He is Chairman and Chief Executive Officer of ICD Group Limited. He is also Chairman of The CGM Group, Prime Life Assurance Company Limited, Industrial Finance Holdings Limited and its subsidiary British Caribbean Insurance Company Limited. He holds directorships on a number of boards including Commodity Service Company Limited, West Indies Home Contractors Limited and Jamaica Conference Board. He is a Trustee of the pension funds of ICD Group Limited and The Bank of Nova Scotia Jamaica Limited and serves as Honorary Chairman of the St. Patrick's Foundation, which supports charitable activities for the development of inner-city communities. In addition, he has served as Vice President of the Private Sector Organisation of Jamaica (PSOJ) and has been involved with a number of Special Committees to advise the Government on financial and economic matters and on addressing community problems. He also worked as Financial Controller of the Imported Products Division of the Aluminum Company of America, Droitwich, England and as a Financial Analyst (Brazilian Operations) at Aluminium Company of America.

5. **Mr. Douglas R. Orane, C.D. - Director (Since May, 1988)**

He is Chairman and the Chief Executive Officer/Managing Director of Grace, Kennedy & Company Limited. He is Chairman of Hardware and Lumber Limited and is a member of other Boards. He served as President of the Private Sector Organisation of Jamaica from December 1992 to December 1994 and as Vice President from December 2001 to February 2003. Mr. Orane served as an Independent Senator in the Senate from 1998 to 2002. He is also an Industrial Engineer.

6. **Prof. the Hon. Gerald C. Lalor, O.J. C.D. - Director (Since March, 1990)**

A scientist by profession, he is a former Pro-Vice Chancellor of the University of the West Indies and Principal of the Mona Campus and is at present Director General of the International Centre for Environmental and Nuclear Sciences. He is a Fellow of the Third World Academy of Sciences and a member of several scientific organizations. He is a Director of the Insurance Company of the West Indies Group, a member of the National Commission on Science and Technology and of editorial boards of several scientific journals.

7. **Mr. H. Winston R. Dear, C.L.S., J.P. - Director (Since April, 2004)**

He currently serves as Chairman of Windear Limited and Dearing Limited; Director of Barnett Limited, and Margaritaville Limited and a partner in Dear Kindness and Partners (Commissioned Land Surveyors). Mr. Dear is also President of the Montego Bay Chamber of Commerce & Industry. He is a Commissioned Land Surveyor.

8. **Mr. Morin M. Seymour, J.P. - Director (Since April, 2000)**

He is Executive Director of the Kingston Restoration Company Limited and Chairman of PALS Jamaica as well as a member of other Boards, including Excelsior Education Centre, General Purposes Committee of the Jamaica Methodist District, International Advisory Council of Eisenhower Exchange Fellowships, Philadelphia USA. In 1979 he obtained the designation Fellow of the Life Management Institute from LOMA, USA; 1983 received Certificate in Public Enterprise Policy for developing countries from Harvard University; 1995 designated an Eisenhower Fellow; 1999 the Governor General's Achievement Award for Surrey, Jamaica; 2003 the Prime Minister's Appreciation Award for Community Development and Honorary visiting Fellow Joseph C. Cornwall Centre for Metropolitan Studies at Rutgers the State University of New Jersey. In 2004, he received the Prestigious Alumnus Award from the Graziadio School of Business and Management, Pepperdine University, California.

9. **Mrs. Lisa Johnston - Director (Since April, 2000)**

She is the Corporate Affairs Manager at the Jamaica Producers Group Limited and a member of the Jamaica Trade and Adjustment Team in the Ministry of Foreign Affairs and Foreign Trade, as well as of the Trade Policy Committee at the Private Sector Organisation of Jamaica. She also serves as a member of the Board of the Nature Preservation Foundation. Mrs. Johnston was a former Galo Plaza Fellow at the Inter-American Dialogue in Washington D.C.

10. **Dr. Carol D. Archer (Director since December, 2001)**

She is the Head of School of Building and Land Management at the University of Technology and a member of other Boards including Scotia Jamaica Building Society, Statistical Institute of Jamaica, University Council of Jamaica, Town & Country Planning Authority, National Investment Bank of Jamaica and Water Resources Authority and the Rural Electrification Programme. Dr. Archer has worked as Research Director for the Center for Law and Social Justice at Medgar Evers College of the City University of New York and also as Consultant with the New York City's Municipal Government on issues related to local government reform and inner-city poverty alleviation. She has served as political advisor to New Yorker Una Clarke, the first Jamaican Woman to run for a seat in the United States Congress.

## CONSULTANT TO THE BOARD

11. **Mr. Richard Ashenheim C.D. - Director (Since May, 1967), appointed Vice-Chairman (April, 1973 - August, 2002), Director Emeritus (September, 2002 - February, 2003) and Honorary Chairman (Since March, 2003)**

He serves as a Director of Lascelles deMercado & Company Limited. Mr. Ashenheim is a retired Attorney-at-Law. He is a member of the Court of Arbitration for Sport based in Switzerland and a member of the Arbitration Panel of the International Amateur Athletics Federation (IAAF) based in Monte Carlo. He is also a member of the United States Anti-doping Agency, Carreras Sports Foundation and the Association of Track and Field Statisticians. Mr. Ashenheim is also a member of the Hall of Fame, Central American and Caribbean Athletics Confederation.


**Hon. Oliver F. Clarke, O.J., J.P.**

The Directors have pleasure in presenting the 108th Annual Report and Audited Financial Statements for the year ended December 31, 2004.

The Group Financial Statements for the year 2004, as for 2003, were prepared under the International Financial Reporting Standards (IFRS). Under the IFRS, employees benefit asset of $224M (2003 - $63M) in respect of a portion of the surplus in the pension scheme has been credited to the Profit & Loss Account. This surplus, however, is not available to the Group as it represents future economic benefits to be derived from a reduction in the Company's contribution to the pension scheme.

Were it not for the employee benefit asset surplus of $224M, the Group's Net Profit, after tax, for the year would be $217M instead of the reported $366M.

The net profit after tax from core media operations amounted to $25M (2003 - $17M). This was adversely affected by the performance of the overseas subsidiaries which all recorded losses. Your Directors have taken the necessary steps to restructure these companies including the cessation of the free publication, Extra in New York and London in August and December 2004 respectively.

## GROUP FINANCIAL HIGHLIGHTS

| | 2004 $Million | 2003 $Million |
|---|---|---|
| Group turnover | 2,936 | 2,547 |
| Group profit after taxation | 366 | 231 |
| Working capital | 835 | 1,061 |
| Dividends paid | 73 | 70 |
| Net Worth | 2,033 | 1,656 |
| | | |
| Number of 50 cents Stock Units | | |
| Issued – thousands | 1,211,244 | 1,211,244 |
| Bonus Shares issued in year | - | 186,345 |
| Earnings per Stock Unit | 30¢ | 19¢ |
| Net Worth per Stock Unit | 157¢ | 137¢ |
| Dividends per Stock Unit | 6¢ | 6.25¢ |

## MEDIA SERVICES

(a) (i) **Revenue and Readership**

The profit after taxation from Media Services (newspapers and radio) amounted to $346M (2003 - $206M)

The profit after taxation for your parent company is $389M (2003 - $247M). This was another good year for the parent company.

The Company's advertising revenue increased by 21% moving from $1.4B to $1.7B for 2004. This was largely due to a volume increase as there was only a 5% increase in some of the rates for 2004.

The revenue from the sale of the publications was up by 13% over 2003. The revenue increased from $605M to $682M in 2004.

(ii) **Human Resource Development**

The Human Resource Department of your company continued to focus on assisting staff through training to take on new challenges, especially in the fields of technology, business, journalism and healthy lifestyles.

An objective-based performance management and staff appraisal scheme was implemented in an effort to make your Company more performance-oriented.

The cost of training for 2004 amounted to $2.8M.

(iii) **Editorial Coverage**

The year 2004 was a good one for the Editorial Department. New features and products were introduced.

The editorial focus of the Gleaner was on education and through our education articles we were able to influence and initiate positive changes at various levels. Our prestigious Editors' Forum series continued to make and break news throughout the year, bringing to national attention important issues and giving a voice to many key players in a variety of sectors and industries.

The full-coverage of Hurricane Ivan across all publications stood the Gleaner out as a key source of credible news nationally and internationally.

Among the new publications introduced last year were Top of the Class - a supplement featuring 100 of the island's achievers in education. Gleaner Cayman was published for five weeks after Hurricane Ivan ravaged the Cayman Islands. Your Company, under a contractual arrangement, also printed for eight weeks the Cayman Compass all of which assisted in the restoration process by keeping Caymanians informed.

GiltEdge, the financial magazine (produced in conjunction with the Mona School of Business) ranking listed companies, saw its second year of publication to the delight of many in the business sector, and the health feature now called 'Your Health' was revamped.

There were many awards to celebrate last year. Among them were the Pan American Health Organisation award for our continued work on HIV/AIDS and the UNFPA award for health coverage. Our senior reporter Claude Mills won a Gordon Fischer Fellowship and is now studying journalism in Canada.

Our Editorial Department embarked on a new journey, a new milestone in January with the creation of a radio unit. This unit is responsible for producing news for Power 106 and Music 99 FM on a daily basis.

As we continue to grow readership, you can also expect a series of specialized features in our morning and afternoon publications during the coming year.

(iv) **Libel**

At the end of December 2004, the Company had a total of twelve outstanding libel cases – two more than the number of cases at December 2003. Two of these cases have had decisions in favour of the Gleaner but the litigants have appealed the decisions thus preventing us from removing them from the list.

The Petition filed by the former Editor-in-Chief, Dr. Dudley Stokes, with the Inter American Commission on Human Rights against the Jamaican Government, seeking a ruling that the huge award in the Abrahams case breached the American Convention On Human Rights with regards to Freedom of Expression was considered by the Commission.

The Commission, while agreeing that there is a case to be heard by them, has proposed that both parties try to settle this matter before a hearing date is set by them.

The Government of Jamaica has responded to the Executive Secretariat of the Commission and has advised that it will avail itself of the 'Friendly Settlement' discussed pursuant to Article 48 (1) (f) of the American Convention on Human Rights.

Your Company continues to take steps to reduce the number of new libel cases brought against it.

**(b) Overseas Companies**

The five overseas companies incurred losses during 2004 including the Voice Group which we acquired in May 2004. The losses of the original three overseas companies were greatly reduced particularly by the cessation of the unprofitable publication of Extra in London and New York.

Extra is still being published in Miami and Toronto. The publication, Black Pages Directory, continues to show a profit.

The Voice Group showed a loss for 2004 but this was mainly due to reorganization charges which were expensed.

We believe that the necessary steps have now been taken to ensure the profitability of our overseas companies.

**(c) Independent Radio Company - Power 106FM**

Independent Radio Company experienced its most profitable year since its inception. There has been steady progress in completing the 24/7-talk format for POWER 106 FM. POWER 106 FM talk shows – Perkins Online, Dear Pastor, Laing & Company and Independent Talk are all among the top five talk shows in Jamaica in terms of listenership, dominating the talk radio segments from 5:30 am to midnight weekdays.

MUSIC 99 FM has shown strong improvement in both listenership and advertising revenue. The results of an OMNIBUS research done in November/ December 2004 reveals that MUSIC 99 FM is among the top five radio stations in Jamaica in terms of listenership with the highest proportion of listeners in the ABC1 Socio-economic category.

The company expanded its transmission coverage by the addition of three new sites for both MUSIC 99 FM and POWER 106 FM which now gives the stations in excess of 98% coverage of the island.

POWER 106 FM in August 2004, began the design of a replacement programme for Nationwide which was scheduled to go to a new home in January 2005. The new programme titled **'Good Evening Jamaica'**, departs from the format of the previous show in that it has an international magazine format designed to form a bridge between Jamaicans at home and Jamaicans abroad. The selection for the anchors for the show reflects this objective. The public and advertising response to this new programme have been extremely positive.

Your Group in April 2005 acquired an additional 1M shares in Independent Radio Company Limited. This increased the Group's shareholding in the Company to approximately 61%.

**(d) Gleaner Online - www.jamaica-gleaner.com**

Go-Jamaica will celebrate its 8th year of operation in 2005. It is the leading website in Jamaica. Go-Jamaica recorded over **120 million hits** per month.

Go-Jamaica broadcasts Power 106 FM with a capacity of over 500 concurrent streams. Feedback continues to be positive.

Go-Local Jamaica also provides information on local events, entertainment and community activities across the island as well as dynamic parish specific photographic galleries. A relationship has been established with the Ministry of Education and Culture to encourage all school children (Grades 7 and 8) studying social sciences to complete certain projects online using the Schools' gateway provided through the Go-Local Jamaica website. So far, 55 schools are registered.

## BOOKS AND STATIONERY

Sangsters Book Stores Limited profit before taxation, amounted to $28M (2003 - $23M). This Company was able to improve its profit position despite a reduction in the Ministry of Education Textbook project. The 2004 contract was completed, as customarily, in a timely and satisfactory manner.

The company had the benefit of the full year of operation from all eleven (11) branches and saw expansion at two branches – New Kingston and Spanish Town.

For 2005, your Directors have approved the acquisition of a new computer point-of-sale and inventory control system for this company which should improve its sales and inventory management.

## OTHER

The other activities in which your company continued to be engaged include properties, publication of a racing guide, "Track & Pools", and books including The Jamaican Directory of Personalities and Quick Directory.

i. **Property Companies**

Your Company through a 100% subsidiary company, Selectco Publications Limited, has for some years owned 33⅓% of a property company, Jamaica Joint Venture Investment Company Limited.

Jamaica Joint Venture, through its two subsidiaries, Manhart Properties Limited and City Properties Limited, owns a couple of properties on Duke Street. These companies have, despite the continued poor real estate market in down town, Kingston, begun to generate surpluses and their total net worth now stands at approximately $31M. The investment originally made by your Company in Jamaica Joint Venture was $150,000 in 1981.

During 2004 your Company signed an agreement to sell its shares in Jamaica Popular Investment Company Limited, a property company it owned jointly with Jamaica National Building Society through its subsidiary, Popular Printers Limited. Profit of $4M from the sale was included in the results for 2004 and a further $13M is expected when the sale of certain assets are finalised.

ii. **The Jamaica Directory of Personalities 2004-2005**

In February 2005, a subsidiary company Selectco Publications Limited commenced delivery to various Sangster's Book Stores' outlets copies of the eighth edition of the Jamaica Directory of Personalities. The sale of this book has gone well. There are still copies of this book available from our North Street Offices or from Sangster's Book Stores island wide.

## DIVIDENDS & STOCK PRICES

The following Interim Ordinary Dividends were paid during the year:-

| Dividends Declared | Amount (Cents) | Record Date | Payment Date | Amount Paid |
|---|---|---|---|---|
| 1st Interim Revenue (per stock unit) | 3 cents | 27.02.04 | 12.03.04 | $36.337M |
| 2nd Interim Revenue (per stock unit) | 3 cents | 31.08.04 | 14.09.04 | $36.337M |

No final dividend is recommended for the year.

The Company's stock unit price on the Jamaica Stock Exchange closed the year at $2.61. This was 109% higher than the opening price of $1.25 in January 2004.

For 2005 your Directors approved the payment of an Interim Ordinary Dividend of 3.5 cents per stock unit, payable to stockholders on record at February 28, 2005. Payment was made on March 11, 2005.

## OUTREACH

(a) **Primary School Textbook Project**

The company submitted a bid to print and distribute books on behalf of the Ministry of Education for 2005. The contract is yet to be awarded.

(b) **PALS Jamaica**

Your Company is proud to continue to be associated with the PALS project. During the 2003-2004 school year, PALS took a decision to focus on concentrating its efforts into fewer schools with a view to making sure that the programme will be sustained after the PALS intervention.

PALS continued its work as a partner in the CIDA-funded selected schools; namely, the Trench Town Primary and the Charlie Smith High as well as partnership with the Inter-American Development Bank/GOJ Citizens, Security and Justice Project which provided funding for the Denham Town Primary and the Penwood High schools. These internationally funded schools have been realizing the benefits of the programme, mainly because the programme can be implemented in the schools continuously over a longer period of time. It has been recognized that there is no quick-fix to changing behaviour, especially when such behaviour is wide spread in the community at large, and a long term programme is therefore desirable.

Schools across the island celebrated Peace Day on March 2, 2005.

(c) **Sponsorships**

(i) The **Spelling Bee** Championship sponsored by the Children's Own Newspaper is in its 46th year. The 2005 Spelling Bee Champion is Stacey-Ann Pearson of Ardenne High School. She will participate in the Scripps Howard Spelling Bee Competition in Washington D.C. in June 2005.

The 2004 Champion, Cornel Grey represented Jamaica in the Scripps Howard Spelling Bee Competition in May 2004.

(ii) **The Governor General's Achievement Award**, co-sponsored by your company in association with the Jamaica National Building Society and a number of Building Societies, continues to give exposure to the ordinary Jamaican who is an "unsung hero" in his her/her community.

Three county functions were held across the island. The presentation of the pins to the award recipients for 2004 was carried out by Lady Cooke at Kings House on November 10, 2004.

(iii) **Gleaner Honour Award**

**The Gleaner Honour Award** is an annual recognition of individuals or organizations which have contributed significantly to improving Jamaica's quality of life.

The Selection Committee chaired by Prof. The Hon. Gerald Lalor, O.J. met on Tuesday, December 7, 2004 to consider the nominations for the 2004 Gleaner Honour Award.

**For this the 25th year, the following were the award recipients:-**

| | | | |
|---|---|---|---|
| 1. | The National Gallery of Jamaica | - | Arts & Culture |
| 2. | Walkerswood Caribbean Foods Limited | - | Business |
| 3. | Hon. Kingsley Charles Thomas | - | Public Service |
| 4. | Ian McKnight & The Jamaica Aids Support | - | Health & Wellness |
| 5. | Veronica Campbell | - | Sports |
| 6. | Scientific Research Council | - | Science & Technology |
| 7. | Missionaries of the Poor | - | Voluntary Service |
| 8. | No Award was given in this category | - | Entertainment |

**Merit Award Recipients**

| | | | |
|---|---|---|---|
| 1. | Environmental Foundation of Jamaica | - | Science & Technology |
| 2. | Jamaica Women's Sprint Relay Team | - | Sports |
| 3. | Alphanso Cunningham | - | Spelling Bee Champion |

**The Gleaner's Youth Honour Award for Excellence in Education**

| | | | |
|---|---|---|---|
| 1. | Christina Thompson | - | Top GSAT performer in 2004 |
| 2. | Daniel Thomas | - | Top Caribbean Science student in the CXC Examinations in 2004 |
| 3. | Gayrol Taylor | - | The highest placed Jamaican in GCE A'Levels in 2004 |
| 4. | Cornel Grey | - | The Gleaner's Children's Own Spelling Bee 2004 Champion |
| 5. | Ramon Arscott | - | Rhodes Scholar – UWI |

**The Hon. Kingsley Charles Thomas, O.J. received the 'Man of the Year Award'.**

(iv) **Newspaper in Education**

As part of our continued contribution to improving general knowledge and literacy, your company distributed the Daily Gleaner to approximately 100 schools throughout the island free of cost.

We remain committed to training students to use the newspaper as an educational tool.

## STAFF AND BOARD NEWS

**(a) Industrial Relations**

The third year of the 3 Yr. Collective Agreement between the Company and the Bustamante Industrial Trade Union (B.I.T.U.), University & Allied Workers Union (U.A.W.U) and Union of Technical Administrative & Supervisory Personnel (U.T.A.S.P.) was implemented.

The second year of a 3 Yr. Agreement between the Company and the Newspaper Delivery Contractors' Association (N.D.C.A.) was also implemented.

The year was characterised by a stable industrial relations climate with no work stoppages or incidents resulting in financial loss to the Company.

**(b) Long Service Awards**

The Annual Long Service Awards Luncheon was held on September 21, 2004. Twenty (20) employees from various departments received awards for services ranging from ten to thirty-five years.

Mrs. Margaret Nembhard, from the Circulation Department, received an award for thirty-five years service while Mr. Christopher Roberts and Miss Olive Green, from the Accounts Department, received awards for thirty years service.

**(c) Directors**

During the year, there were changes to the Board. Mr. Brian Young resigned in February 2004 after seven years as a Director while Mr. Winston Dear (from Montego Bay) was appointed in April 2004.

The Directors wish to thank Mr. Young for his valuable services to the Board and for agreeing to continue as Chairman of the Company's Finance Committee.

Mr. Christopher Roberts, Deputy Managing Director, who has worked with the Company since 1974, retired in February 2005 but has agreed to continue as a Director of the Company.

The Directors wish to place on record their sincere thanks and appreciation to Mr. Roberts for his outstanding contribution to the Company over the years and to wish him a long and happy retirement.

The Directors retiring by rotation at this year's Annual General Meeting are Messrs. Morin Seymour and Joseph M. Matalon and Mrs. Lisa Johnston. All have played important roles on the Board and, being eligible, offer themselves for re-election.

**(d) The Companies Act 2004**

The Companies Act 2004 permits companies to purchase and maintain insurance for the benefit of persons entitled to indemnity against any liability incurred by him in his capacity as a Director or Officer of the Company other than liability for fraud.

The Companies Act of 2004 and Article 140 of your Company's Articles of Association also provide for the indemnification of Directors against all costs, charges and expenses reasonably incurred by him in respect of any civil, criminal, administrative action or proceeding to which he is made a party by reason of being or having been a Director or Officer of the Company. The Director must, however, have acted honestly and in good faith with a view to the best interest of the Company.

Your Company has accordingly purchased the necessary insurance cover for its Directors and Officers and plans to have the Company indemnify its Directors and Officers in this regard.

## STOCKHOLDERS' BENEFITS

The Company continues to make available to stockholders, on request, discount on classified advertisements and gift vouchers of up to $1,000.00 per annum on books bought through Sangster's Book Stores Limited.

The Company Secretary is authorized to extend these benefits to stockholders and can be reached at 7 North Street, Kingston or by e-mail, **collin.bourne@gleanerjm.com**

## AUDITORS FOR THE COMPANY

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

## LOOKING FORWARD

The financial year 2004, was an exciting but challenging one for the Company. During the year the Company purchased the Voice Newspaper – the leading ethnic newspaper in the United Kingdom. With cutback in costs and restructuring of operations in 2004, the Voice is poised for improvement in 2005.

Your Company for the seventh consecutive year, in 2004, won the Advertising Agencies Association of Jamaica (AAAJ) Media of the Year Award and again saw your Company showing increased advertising and circulation volumes.

The installation of a new Editorial software system (SCOOP) will be completed in 2005 and will improve the management, production and storage of the pages.

During 2005, it is expected that an additional press unit will be added which will increase the press' capacity to print colour and reduce the number of press runs that would otherwise be required to meet the demand for additional colour.

For 2005, your Directors and Management have committed themselves to consolidate on the gains achieved in 2004. Attention will not only be focused on meeting the needs of our readers and advertisers but also on improving the financial strength of your Company through improvement in the efficiency of the Company's operations.

## OFFICERS AND STAFF

Your Directors are proud of the fact that some 268 staff members are shareholders of the Company and own approximately 17,639,221 units. 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, O.J., J.P.
Chairman & Managing Director

April 21, 2005

**Mavis Belasse**
Information Systems

**Collin R. Bourne**
Company Secretary

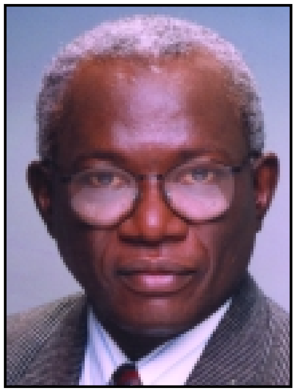
**Karin Cooper**
Corporate Affairs Manager

**Marlene Davis**
Managing Director
Gleaner On-Line Limited

**Garfield Grandison**
Editor-in-Chief

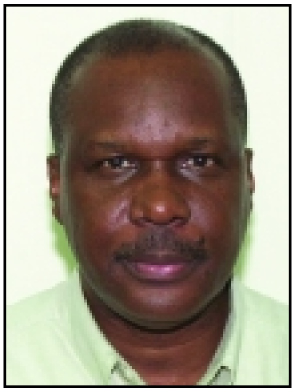
**Locksley Henry**
Managing Director
Sangster's Book Stores Ltd.

**John Hudson**
Special Projects /
Overseas Publications
Manager

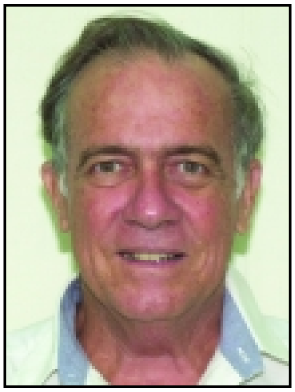


**Newton James**
Independent Radio

**Errol Knight**
Technology Manager



**Anthony O'Gilvie**
Industrial Relations / Personnel Manager



**Christopher Roberts**
Deputy Managing Director

**Ian Roxburgh**
Print Manager

**Yvonne Senior**
Advertising / Marketing Manager

**Rudolph Speid**
Chief Accountant

The 2004 Gleaner Honour Awardees

The Gleaner's 'Man of the Year 2004',
Kingsley Charles Thomas, O.J.

Sir Howard presents the Gleaner Honour Award for Sports
to Veronica Campbell.

The 2004 Spelling Bee Champion,
Cornel Grey

The 2005 Spelling Bee Champion,
Stacey-Ann Pearson

Gleaner wins Advertising Award

Gleaner Long Service Awards

**TO THE MEMBERS OF**
**THE GLEANER COMPANY LIMITED**

**AUDITORS' REPORT**

We have audited the financial statements of The Gleaner Company Limited (company or parent company) as of and for the year ended December 31, 2004, set out on pages 18 to 48, and have obtained all the information and explanations which we required. The financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the group and the company as at December 31, 2004, and of the results of operations and cash flows of the group for the year then ended, and comply with the provisions of the Companies Act, so far as concerns members of the company.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants

Kingston, Jamaica
April 14, 2005

| | NOTES | GROUP 2004 $'000 | GROUP 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 588,478 | 524,197 | 471,222 | 423,363 |
| Intangible assets | 5 | 463,794 | 10,728 | - | - |
| Employees benefit asset | 6(i)(a) | 385,432 | 159,000 | 376,500 | 159,000 |
| Long-term receivables | 7 | 94 | 3,964 | - | 322 |
| Investment in subsidiaries | 8 | - | - | 14,959 | 14,959 |
| Investment in associates | 9 | - | 150 | - | - |
| Investments | 10, 2(d) | 191,980 | 141,559 | 183,762 | 139,911 |
| Deferred tax assets | 17 | 29,762 | 1,255 | - | - |
| | | 1,659,540 | 840,853 | 1,046,443 | 737,555 |
| **Current assets** | | | | | |
| Cash | | 67,829 | 36,501 | 13,834 | 1,982 |
| Trade and other receivables | 11 | 608,651 | 518,822 | 862,875 | 557,266 |
| Prepayments | | 32,417 | 25,092 | 20,487 | 17,949 |
| Taxation recoverable | | 10,657 | 9,048 | - | 8,681 |
| Inventories and goods-in-transit | 12 | 241,219 | 241,932 | 89,610 | 97,605 |
| Securities purchased under agreements for resale | 2d(ii)[iii] | 538,940 | 559,103 | 459,160 | 497,852 |
| | | 1,499,713 | 1,390,498 | 1,445,966 | 1,181,335 |
| **Current liabilities** | | | | | |
| Bank overdraft | | 5,815 | 4,376 | - | - |
| Trade and other payables | 13 | 485,802 | 311,336 | 295,515 | 258,406 |
| Taxation | | 136,875 | - | 2,201 | - |
| Current portion of long-term liabilities | 14 | 25,595 | 9,297 | 23,566 | 7,721 |
| Deferred income | | 10,166 | 4,972 | - | - |
| | | 664,253 | 329,981 | 321,282 | 266,127 |
| Working capital | | **835,460** | **1,060,517** | **1,124,684** | **915,208** |
| **Net assets** | | **2,495,000** | **1,901,370** | **2,171,127** | **1,652,763** |
| **Financed by:** | | | | | |
| Stockholders' equity | | | | | |
| Share capital | 15 | 605,622 | 605,622 | 605,622 | 605,622 |
| Capital reserves | 16 | 387,328 | 338,560 | 241,592 | 217,362 |
| Fair value reserves | | 95,264 | 46,393 | 94,271 | 45,676 |
| Retained profits | | 945,181 | 665,015 | 876,143 | 560,281 |
| | | **2,033,395** | **1,655,590** | **1,817,628** | **1,428,941** |
| **Minority interest** | | **33,456** | **19,015** | **-** | **-** |
| **Non-current liabilities** | | | | | |
| Long-term liabilities | 14 | 116,125 | 14,871 | 63,819 | 14,549 |
| Employees benefit obligation | 6(ii)(b) | 41,300 | 30,100 | 41,300 | 30,100 |
| Deferred tax liabilities | 17,2 | 270,724 | 181,794 | 248,380 | 179,173 |
| | | **428,149** | **226,765** | **353,499** | **223,822** |
| | | **2,495,000** | **1,901,370** | **2,171,127** | **1,652,763** |

The financial statements on pages 18 to 48 were approved by the Board of Directors on April 14, 2005, and signed on its behalf by:

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

Director
C.S. Roberts

The accompanying notes form an integral part of the financial statements.

| | NOTES | 2004 $'000 | 2003 $'000 |
|---|---|---|---|
| **Revenue** | 18,19 | 2,936,137 | 2,546,707 |
| Cost of sales | | ( 1,605,910) | ( 1,423,432) |
| Gross profit | | 1,330,227 | 1,123,275 |
| Other operating income | | 168,027 | 219,009 |
| Employee benefit asset | 6(i)(c) | 224,146 | 62,800 |
| | | 1,722,400 | 1,405,084 |
| Distribution costs | | ( 388,192) | ( 355,863) |
| Administration expenses | | ( 513,535) | ( 454,282) |
| Other operating expenses | | ( 384,405) | ( 276,306) |
| Pension costs | | ( 2,313) | ( 3,637) |
| | | ( 1,288,445) | ( 1,090,088) |
| **Profit from operations** | **20** | **433,955** | **314,996** |
| Finance costs | | ( 25,899) | ( 40,846) |
| Gains on disposal of investments, loans, property, plant and equipment | | 130,116 | 40,140 |
| **Profit before taxation** | | **538,172** | **314,290** |
| Taxation | 21 | ( 164,173) | ( 80,736) |
| | | 373,999 | 233,554 |
| Minority interest | | ( 8,236) | ( 2,535) |
| **Net profit attributable to stockholders of parent company** | | **365,763** | **231,019** |
| Dealt with in the financial statements of: | | | |
| Parent company | | 388,536 | 247,256 |
| Subsidiary companies | | ( 22,773) | ( 16,237) |
| | | **365,763** | **231,019** |
| Earnings per stock unit on profit after taxation attributable to stockholders of parent company | 23 | 30.20¢ | 19.07¢ |

The accompanying notes form an integral part of the financial statements.

# GROUP STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

December 31, 2004

| | Share capital | Capital reserves | Fair value reserves | Retained profits | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balances at December 31, 2002 | 512,449 | 212,207 | 61,535 | 627,249 | 1,413,440 |
| Net profit attributable to stockholders | - | - | - | 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) | - |
| Dividends paid (gross)(note 22) | - | - | - | ( 70,062) | ( 70,062) |
| Adjustment arising from consolidation of subsidiary | - | ( 2,681) | - | - | ( 2,681)* |
| 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 | - | 877 | - | 3,363 | 4,240* |
| Currency translation difference on foreign subsidiaries | - | 2,243 | - | - | 2,243* |
| Change in fair value of investments | - | - | ( 15,142) | - | ( 15,142)* |
| Gain on sale of loan | - | 11,305 | - | ( 11,305) | - |
| Deferred tax on property, plant and equipment | - | ( 52,643) | - | - | ( 52,643)* |
| Gain on revaluation of buildings | - | 145,176 | - | - | 145,176* |
| Balances at December 31, 2003 | 605,622 | 338,560 | 46,393 | 665,015 | 1,655,590 |
| Balances at December 31, 2003 | 605,622 | 338,560 | 46,393 | 665,015 | 1,655,590 |
| Net profit attributable to stockholders | - | - | - | 365,763 | 365,763* |
| Appropriation in respect of acquisition of shares in subsidiary | - | 12,460 | - | ( 12,460) | - |
| Dividends paid (gross)(note 22) | - | - | - | ( 72,675) | ( 72,675) |
| Deferred tax on property, plant, and equipment | - | ( 607) | - | - | ( 607)* |
| Gain on disposal of property, plant, and equipment transferred | - | 462 | - | ( 462) | - |
| Transfer of reserve in subsidiary | - | 244 | ( 244) | - | - |
| Gain on revaluation of buildings | - | 27,240 | - | - | 27,240* |
| Change in fair value of investments | - | - | 49,115 | - | 49,115* |
| Currency translation differences on foreign subsidiaries | - | 8,969 | - | - | 8,969* |
| Balances at December 31, 2004 | 605,622 | 387,328 | 95,264 | 945,181 | 2,033,395 |
| Retained in the financial statements of: | | | | | |
| Parent company | 605,622 | 241,592 | 94,271 | 876,143 | 1,817,628 |
| Subsidiaries | - | 145,736 | 993 | 69,038 | 215,767 |
| Balances at December 31, 2004 | 605,622 | 387,328 | 95,264 | 945,181 | 2,033,395 |
| Parent company | 605,622 | 217,362 | 45,676 | 560,281 | 1,428,941 |
| Subsidiaries | - | 118,680 | 717 | 103,261 | 222,658 |
| Associates | - | 2,518 | - | 1,473 | 3,991 |
| Balances at December 31, 2003 | 605,622 | 338,560 | 46,393 | 665,015 | 1,655,590 |

* Total gains recognised for the year amounted to $450,480,000 (2003: $312,212,000) for the group and $461,363,000 (2003: $323,491,000) for the company.

The accompanying notes form an integral part of the financial statements.

| | 2004 $'000 | 2003 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net profit attributable to stockholders | 365,763 | 231,019 |
| Adjustments to reconcile profit to net cash provided/(used) by operating activities: | | |
| Depreciation and amortisation | 127,535 | 64,088 |
| Deferred taxation, net | 59,816 | 24,541 |
| Employees benefit asset, net | ( 215,232) | ( 60,100) |
| Gain on disposal of property, plant and equipment | ( 6,867) | ( 14,538) |
| Net unrealised exchange gains | ( 43,563) | ( 10,713) |
| Gain on disposal of investments | ( 119,740) | ( 25,603) |
| Minority interests share of profit | ( 8,236) | ( 2,535) |
| | 159,476 | 206,159 |
| (Increase)/decrease in current assets: | | |
| Trade and other receivables | ( 89,829) | ( 73,046) |
| Prepayments | ( 7,325) | 952 |
| Taxation recoverable | ( 1,609) | ( 9,048) |
| Inventories and goods-in-transit | 713 | ( 55,041) |
| Securities purchased under agreements for resale | 20,193 | ( 145,498) |
| (Increase)/decrease in current liabilities: | | |
| Trade and other payables | 174,466 | 30,200 |
| Taxation | 136,875 | ( 33,876) |
| Deferred income | 5,194 | 483 |
| Net cash provided/(used) by operating activities | **398,154** | **( 78,715)** |
| **Cash flows from investing activities** | | |
| Exchange gain on investments, goodwill and property, plant and equipment | ( 958) | ( 10,228) |
| Additions to property, plant and equipment | ( 145,755) | ( 57,623) |
| Property, plant equipment acquired on purchase of subsidiary | ( 16,854) | - |
| Intangible assets acquired on purchase of subsidiary | ( 434,834) | ( 164) |
| Goodwill arising on purchase of subsidiary | ( 18,424) | ( 10,564) |
| Proceeds from disposal of investments and property, plant and equipment | 149,705 | 39,889 |
| Investments | 35,667 | 5,512 |
| Minority interest | 14,441 | 251 |
| Net cash used by investing activities | **( 417,012)** | **( 32,927)** |
| **Cash flows from financing activities** | | |
| Bank overdraft | 1,439 | ( 304) |
| Long-term receivable | 3,870 | 414 |
| Long-term liabilities | 117,552 | ( 3,388) |
| Dividends paid | ( 72,675) | ( 70,062) |
| Net cash provided/(used) by financing activities | **50,186** | **( 73,340)** |
| Net increase/(decrease) in cash | **31,328** | **( 184,982)** |
| Cash at beginning of the year | 36,501 | 221,483 |
| Cash at end of the year | **67,829** | **36,501** |

The accompanying notes form an integral part of the financial statements.

## 1. Identification

The Gleaner Company Limited ("company" or "parent company") is incorporated under the laws of, and is domiciled in, Jamaica. The principal activities of the company and its subsidiaries are the publication and printing of newspapers and the sale of books. Its registered office is located at 7 North Street, Kingston.

The company, established in 1897, is the holding company of the following subsidiary companies:

| | | 2004 | 2003 |
|---|---|---|---|
| (a) Sangster's Book Stores Limited and its wholly-owned subsidiary, | | | |
| The Book Shop Limited | - | 100% | 100% |
| (b) Popular Printers Limited and its wholly-owned subsidiaries, | | | |
| Beckford's Auto Supplies Limited | - | 100% | - |
| Selectco Publications Limited and | | | |
| Associated Enterprise Limited | - | 100% | 100% |
| Selectco Publications Limited owns 33 1/3% of the shares in Jamaica Joint Venture Investment Company Limited, a property company. | | | |
| (c) Independent Radio Company Limited | - | 56% | 56% |
| (d) The Gleaner Company (UK) Limited | - | 100% | 100% |
| and its wholly-owned subsidiaries, | | | |
| The Voice Group Limited | - | 100% | - |
| Vee Tee Ay (Media Resources) Limited | - | 95% | - |
| (e) The Gleaner Company (NA) Inc. | - | 100% | 100% |
| and its wholly-owned subsidiary, | | | |
| The Gleaner Company (NA) Limited | - | 100% | 100% |

All these companies are incorporated under the laws of Jamaica with the exception of The Gleaner Company (UK) Limited and its subsidiaries, 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 parent company's shares are quoted on the Jamaica Stock Exchange.

## 2. Basis of preparation, compliance and significant accounting policies

(a) Basis of preparation:

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

The financial statements are presented in Jamaica dollars and are prepared on the historical cost basis, modified for buildings [note 4(c)] and available-for-sale investments (note 10) which are stated at fair value.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

(b) Basis of consolidation:

(i) The consolidated financial statements comprise the financial results of the company and its subsidiaries prepared to December 31, 2004. The principal operating subsidiaries are listed in note (1) and are referred to as "subsidiaries" or "subsidiary". The company and its subsidiaries are collectively referred to as the "Group". The results of associated companies are also included to the extent explained in note 2 (h).

(ii) Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Ordinary shares held by third parties in the company's subsidiaries are included in minority interests reported in the financial statements.

2. **Basis of preparation, compliance and significant accounting policies (cont'd)**

(c) Related parties:

Two parties are considered to be related when:

(i) one party is able to exercise control or significant influence over the other party; or

(ii) both parties are subject to common control or significant influence from the same source.

(d) Financial instruments:

(i) Classification of investments:

Management determines the classification of investments at the time of purchase and takes account of the purpose for which the investments are made. Investments are classified as originated loans and receivables, and available-for-sale ("AFS").

Originated loans and receivables are created by the company by providing money to a debtor other than those created with the intention of short-term profit taking. Originated loans and receivables are recognised on the day they are transferred to the company.

AFS investments are classified as current assets and are those that are not held for trading purposes, or originated by the company. Financial instruments are recognised on the settlement date.

(ii) Measurement:

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition, all AFS investments are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably determined, is stated at cost, including transaction costs, less impairment losses [see note 2 (e)].

All non-trading financial liabilities and originated loans and receivables are measured at amortised cost, less impairment losses [see note 2 (e)]. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Based on the above guidelines, the company's financial instruments are measured as follows:

[i] Government of Jamaica securities purchased on the primary market, securities purchased under resale agreements and interest-bearing deposits are stated at historical or amortised cost, less impairment losses [see note 2(e)].

[ii] Government of Jamaica securities purchased on the secondary market and equity securities are classified as available-for-sale and measured at fair value. Appreciation and diminution are carried to fair value reserve.

[iii] Securities purchased under resale agreements:

Reverse repurchase agreements ("Reverse repo") are short-term transactions whereby securities are bought with simultaneous agreements for reselling the securities on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending, and are carried at cost.

The difference between the purchase and resale considerations is recognised on an accrual basis over the period of the agreements, using the effective yield method, and is included in interest income.

[iv] Investment in subsidiaries:

Investment in subsidiaries in the company is stated at cost, less impairment losses [see note 2(e)].

2. **Basis of preparation, compliance and significant accounting policies (cont'd)**

(d) Financial instruments (cont'd):

(iii) Fair value measurement principles:

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flows or a generally accepted alternative method.

Where discounted cash flows are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

(iv) Gains and losses on subsequent measurement:

Unrealised gains and losses arising from a change in the fair value of available-for-sale investments are recognised directly in equity. When the financial assets are impaired, sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the Group profit and loss account.

(v) Trade and other payables:

Trade and other payables, including provisions, are stated at their cost. A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(vi) Cash resources, comprise cash and bank balances and include short-term deposits, with maturities ranging between one and twelve months from balance sheet date, are shown at cost.

(vii) Trade and other receivables:

These are stated at their cost, less impairment losses [see note 2 (e)].

(viii) Derecognition:

A financial asset is derecognised when the company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the company commits to sell the assets.

Originated loans and receivables are derecognised on the day they are transferred by the company.

(e) Impairment:

The carrying amounts of the group's and the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill arising on acquisition since March 31, 2004 and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the group profit and loss account.

(i) Calculation of recoverable amount:

The recoverable amount of the group's and the company's investments in originated securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

**2. Basis of preparation, compliance and significant accounting policies (cont'd)**

(e) Impairment (cont'd):

(i) Calculation of recoverable amount (cont'd):

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of an originated security or receivable is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(f) Property, plant and equipment:

(i) Owned assets:

Items of property, plant and equipment are stated at cost, or valuation, less accumulated depreciation and impairment losses [see note 2 (e)].

(ii) Leased assets:

Leases, the terms of which the group and the company assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leasing arrangements are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses [see note 2 (e)].

Lease payments are allocated between liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charge, are included in finance lease obligations. The interest portion of the finance charge is charged to the Group profit and loss account over the lease period.

(iii) Depreciation:

Property, plant and equipment, 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 [see note 4(c)] | - | 2 ½% and 5% |
| Machinery & equipment | - | 10%, 12 ½%, 20% and 25% |
| Fixtures and fittings | - | 10% and 20% |
| Motor vehicles & computer equipment | - | 20% and 25% |
| Press | - | 5% |
| Typesetting equipment | - | 33% |
| Leased assets [see note 4(d)] | - | over the period of the leases |

## 2. Basis of preparation, compliance and significant accounting policies (cont'd)

(g) Intangible assets:

(i) Goodwill:

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill arising on acquisition prior to March 31, 2004 is stated at cost, less accumulated amortisation (note 5) and impairment losses [note 2(e)]. Goodwill arising on acquisition since March 31, 2004 is stated at cost less accumulated impairment losses. It is allocated to cash generating units, is not amortised but is tested annually for impairment.

Amortisation is charged to the Group profit and loss account on the straight-line basis over the estimated useful lives of intangible assets. The estimated useful life for goodwill arising on acquisition prior to March 31, 2004 is 10 and 20 years.

(ii) Newspaper titles

Newspaper titles are stated at cost less impairment losses [note 2(e)] if any. The useful life is estimated to be indefinite.

(iii) Patents

Patents are stated at cost less accumulated amortisation and impairment losses [note 2(e)] and is being amortised over its estimated useful life.

(h) Associated companies:

Jamaica Joint Venture Investment Company Limited and its subsidiaries are associated companies. 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 Jamaica Joint Venture Investment Company Limited and its subsidiaries (see note 9).

(i) Inventories:

Inventories are stated at the lower of cost, determined principally on an average cost or first-in first-out (FIFO) basis and net realisable value.

(j) Revenue recognition:

(i) Revenue from the sale of goods and services is recognised in the Group profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised, if there are significant uncertainties regarding recovery of the consideration due, material associated costs or the possible return of goods.

(ii) Subscription revenue is recognised 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.

(iii) Other operating income:

Other operating income includes investment income on the accrual basis, taking into account the effective yield on the asset.

(k) Expenses:

(i) Finance costs:

Finance costs comprise material bank charges, interest payments on finance leases and bank loans and are recognised in the Group profit and loss account using the effective interest rate method.

(ii) Other expenses:

These are recorded on the accrual basis.

**2. Basis of preparation, compliance and significant accounting policies (cont'd)**

(l) Taxation:

(i) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Group profit and loss account, except to the extent that it relates to items recognised directly to equity, in which case, it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax:

Deferred tax is provided, using the balance sheet liability method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset in respect of tax losses carried forward is recognised only to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Foreign currencies:

Foreign currency balances outstanding at the balance sheet date are translated at the rates of exchange ruling on that date [US$1 = J$61.44 (2003: US$1 = J$60.63); £1= J$116.80 (2003: £1 = J$105.89); Can$1 = J$49.98 (2003: Can$1 = J$45.93). Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the Group profit and loss account. For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in the Group profit and loss account are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balances.

The reporting currencies of the foreign subsidiaries (see note 1) are also the currencies in which their economic decisions are formulated. For the purpose of the financial statements, revenues, expenses, gains and losses have been translated at the rates of exchange ruling on the date of the transactions; assets and liabilities have been translated at exchange rates ruling at the balance sheet date and net stockholders' equity has been translated at historical exchange rates.

Unrealised gains and losses arising on translation of net stockholders' equity in foreign subsidiaries are taken to equity on the Group balance sheet and added or deducted to reflect the underlying Group cash flows from operating activities on the Group statement of cash flows.

(n) Employee benefits:

Employee benefits comprising pensions and other post-employment benefit asset and obligation included in the financial statements are actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit asset and obligations as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

(i) Pension obligations:

The Group operates both defined benefit and defined contribution pension schemes (see note 6); the assets of the schemes are held separately from those of the Group.

**2. Basis of preparation, compliance and significant accounting policies (cont'd)**

(n) Employee benefits (cont'd):

(i) Pension obligations (cont'd):

(a) Defined benefit schemes

The Group's net obligation in respect of defined benefit pension scheme is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine the present value, and the fair value of any scheme assets is deducted. The discount rate is the yield at balance sheet date on long-term government instruments that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Group profit and loss account on the straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Group profit and loss account.

In calculating the Group's obligation in respect of a scheme, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in the Group profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

(b) Defined contribution schemes

Obligations for contributions to defined contribution plans are recognised as an expense in the Group profit and loss account as incurred.

(ii) Equity compensation benefits:

A share options scheme is operated by the parent company. Share options are granted to management and key employees of the company with more than three years of service. Options are granted at the market price of the shares on the date of the grant and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual option term of five years. The company does not make a charge to staff costs in connection with share options as the benefits are given out of the Gleaner Employee Investment Trust stock units. No options were outstanding at year-end.

(iii) Termination benefits:

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan, without possibility of withdrawal, or provision of termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(iv) Profit-sharing and bonus plans:

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or

- past practice has created a valid expectation by employees that they will receive a bonus/profit sharing and the amount can be determined before the time of issuing the financial statements.

**2. Basis of preparation, compliance and significant accounting policies (cont'd)**

(n) Employee benefits (cont'd):

(iv) Profit-sharing and bonus plans(cont'd):

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(o) Segment Reporting:

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

**3. Roles of the actuary and auditors**

The actuary has been appointed by the Board of Directors pursuant to the requirements of IAS 19. With respect to preparation of financial statements, the actuary is required to carry out an actuarial valuation of management's estimate of the company's medical and deferred benefit pension schemes and report thereon to the shareholders. The valuation is made in accordance with accepted actuarial practice. The actuary, in his verification of the management information provided by the company used in valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

The external auditors have been appointed by the shareholders pursuant to the Act to conduct an independent and objective audit of the financial statements of the company in accordance with International Standards on Auditing, and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the company's actuarially determined policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

## 4. Property Plant and equipment

(a) Group

| | Freehold land and buildings | Machinery and equipment | Fixtures and fittings | Motor vehicles and computer equipment | Press | Typesetting equipment | Leased assets | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***At cost or valuation*** | | | | | | | | |
| Balances at December 31, 2003 | 323,765 | 134,123 | 57,898 | 170,425 | 135,710 | 4,890 | 37,748 | 864,559 |
| Additions | 50 | 73,347 | 19,269 | 45,977 | - | - | 7,112 | 145,755 |
| Acquired on acquisition of subsidiaries | 10,746 | - | 35,792 | 3,594 | - | - | - | 50,132 |
| Disposals | - | ( 5,202) | ( 7) | ( 13,360) | - | - | ( 7,011) | ( 25,580) |
| Surplus on revaluation of building | 26,866 | - | - | - | - | - | - | 26,866 |
| Balances at December 31, 2004 | 361,427 | 202,268 | 112,952 | 206,636 | 135,710 | 4,890 | 37,849 | 1,061,732 |
| At cost | 32,417 | 202,268 | 112,952 | 206,636 | 135,710 | 4,890 | 37,849 | 737,722 |
| At valuation | 329,010 | - | - | - | - | - | - | 329,010 |
| | 361,427 | 202,268 | 112,952 | 206,636 | 135,710 | 4,890 | 37,849 | 1,061,732 |
| ***Depreciation and impairment Losses*** | | | | | | | | |
| Balances at December 31, 2003 | 17,001 | 76,540 | 34,745 | 131,623 | 66,543 | 4,890 | 11,120 | 342,462 |
| Acquired on acquisition of subsidiaries | 3,827 | 48,573 | 26,974 | 2,477 | - | - | - | 81,851 |
| Charge for the year | 8,305 | 25,763 | 3,468 | 24,791 | 6,785 | - | 8,700 | 77,812 |
| Eliminated on disposals/ revaluation | ( 4,450) | ( 1,105) | ( 7) | ( 13,436) | - | - | ( 7,011) | ( 26,009) |
| Balances at December 31, 2004 | 24,683 | 149,771 | 65,180 | 145,455 | 73,328 | 4,890 | 12,809 | 476,116 |
| ***Carrying amounts*** | | | | | | | | |
| December 31, 2004 | 336,744 | 52,497 | 47,772 | 61,181 | 62,382 | - | 25,040 | 585,616 |
| Construction-in-progress | | | | | | | | 2,862 |
| | | | | | | | | 588,478 |
| December 31, 2003 | 306,764 | 57,583 | 23,153 | 38,802 | 69,167 | - | 26,628 | 522,097 |
| Construction-in-progress | | | | | | | | 2,100 |
| | | | | | | | | 524,197 |

## 4. Property Plant and equipment (cont'd)

(b) Company

| | Freehold land and buildings | Machinery and equipment | Fixtures and fittings | Motor vehicles and computer equipment | Press | Typesetting equipment | Leased assets | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***At cost or valuation*** | | | | | | | | |
| Balances at December 31, 2003 | 268,304 | 82,633 | 11,290 | 113,018 | 135,710 | 4,890 | 37,748 | 653,593 |
| Additions | - | 738 | 18,771 | 43,619 | - | - | 6,682 | 69,810 |
| Disposals | - | - | ( 7) | ( 5,083) | - | - | ( 7,011) | ( 12,101) |
| Revaluation | 23,856 | - | - | - | - | - | - | 23,856 |
| Balances at December 31, 2004 | 292,160 | 83,371 | 30,054 | 151,554 | 135,710 | 4,890 | 37,419 | 735,158 |
| At cost | 4,760 | 83,371 | 30,054 | 151,554 | 135,710 | 4,890 | 37,419 | 447,758 |
| At valuation | 287,400 | - | - | - | - | - | - | 287,400 |
| | 292,160 | 83,371 | 30,054 | 151,554 | 135,710 | 4,890 | 37,419 | 735,158 |
| ***Depreciation and impairment Losses*** | | | | | | | | |
| Balances at December 31, 2003 | 4,622 | 42,741 | 7,380 | 92,934 | 66,543 | 4,890 | 11,120 | 230,230 |
| Charge for the year | 4,815 | 9,068 | 2,670 | 18,500 | 6,785 | - | 8,419 | 50,257 |
| Eliminated on disposals/ revaluation | ( 4,450) | - | ( 7) | ( 5,083) | - | - | ( 7,011) | ( 16,551) |
| Balances at December 31, 2004 | 4,987 | 51,809 | 10,043 | 106,351 | 73,328 | 4,890 | 12,528 | 263,936 |
| ***Carrying amounts*** | | | | | | | | |
| December 31, 2004 | 287,173 | 31,562 | 20,011 | 45,203 | 62,382 | - | 24,891 | 471,222 |
| December 31, 2003 | 263,682 | 39,892 | 3,910 | 20,084 | 69,167 | - | 26,628 | 423,363 |

(c) Freehold land and buildings:

The Company's building at 7 North Street was revalued at $283.6M (2003: $268M) and Harbour Street at $3.8M (2003: $3.5M) on a fair market value basis as an office and warehouse complex in September 2004 by Property Consultants Limited, Real Estate Brokers and Appraisers of Kingston, Jamaica. Sangster's Book Stores Limited's buildings were revalued in September 2004 at $41.6M (2003:$40M). The cost of the building is not readily available. The surplus arising on revaluation, inclusive of depreciation no longer required, has been included in capital reserves (see note 16).

(d) Assets at cost:

Except as mentioned in note 4(c) all property, plant and equipment are shown at cost.

## 5. Intangible Assets

| | Group | | | |
|---|---|---|---|---|
| | Newspaper Titles $'000 | Patents and Trademarks $'000 | Goodwill $'000 | Total $'000 |
| ***Cost*** | | | | |
| Balances at December 31, 2003 | - | 173 | 10,564 | 10,737 |
| Acquired on purchase of subsidiary | 434,834 | - | 18,424 | 453,258 |
| Balances at December 31, 2004 | 434,834 | 173 | 28,988 | 463,995 |
| ***Amortisation*** | | | | |
| Balances at December 31, 2003 | - | 9 | - | 9 |
| Charge for year | - | - | 1,150 | 1,150 |
| Effects of movements in foreign exchange | - | - | ( 958) | ( 958) |
| Balances at December 31, 2004 | - | 9 | 192 | 201 |
| ***Carrying amounts*** | | | | |
| December 31, 2004 | 434,834 | 164 | 28,796 | 463,794 |
| December 31, 2003 | - | 164 | 10,564 | 10,728 |

## 6. Employees benefit asset/obligation

The parent company operates a defined-benefit scheme which is self administered and managed by a Board of Management appointed by The Gleaner Company Limited. A defined-benefit scheme is a pension scheme that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The Scheme is subject to triennial actuarial valuations. The most recent valuation was done on the projected unit credit method, by the appointed actuaries, Duggan Consulting Limited of Kingston, Jamaica, as at December 31, 2004. This showed the scheme to be in surplus.

The parent company operates a post retirement benefit scheme which covers health and life insurance. The method of accounting and the frequency of valuations are similar to that used for the defined-benefit scheme.

The amounts recognised in the balance sheet in respect of employee benefits asset and obligations are as follows:

(i) Pension Scheme:

(a) Employee benefit asset recognised in the balance sheet: -

| | Group | | Company | |
|---|---|---|---|---|
| | **2004 $'000** | **2003 $'000** | **2004 $'000** | **2003 $'000** |
| Present value of funded obligations | ( 506,230) | ( 398,200) | ( 492,500) | ( 398,200) |
| Fair value of plan assets | 2,047,562 | 1,358,300 | 2,011,000 | 1,358,300 |
| Present value of net obligations | 1,541,332 | 960,100 | 1,518,500 | 960,100 |
| Actuarial gain to be recognised in future years | ( 563,913) | ( 96,600)* | ( 555,700) | ( 96,600)* |
| Economic benefit which remains in the pension scheme | ( 591,987) | ( 704,500)* | ( 586,300) | ( 704,500)* |
| Recognised in balance sheet | 385,432 | 159,000 | 376,500 | 159,000 |
| Economic benefit attributable to the Group | 949,345 | 255,600* | 932,200 | 255,600* |

*Reclassified to conform with 2004 presentation

## 6. Employees benefit asset/obligation (cont'd)

(b) Movements in the asset recognised in the balance sheet:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Net asset at January 1 | 159,000 | 93,900 | 159,000 | 93,900 |
| Contributions paid | 2,286 | 2,300 | 1,100 | 2,300 |
| Credit recognised in the group profit and loss account | 224,146 | 62,800 | 216,400 | 62,800 |
| Net asset at December 31 | 385,432 | 159,000 | 376,500 | 159,000* |

(c) Credit recognised in the Group profit and loss account:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Current and past service costs | 9,291 | 24,500 | 8,700 | 24,500 |
| Interest on obligation | 52,366 | 31,600 | 55,700 | 31,600 |
| Expected return on scheme assets | ( 165,939) | ( 122,300) | ( 162,600) | ( 122,300) |
| Non-vested benefits now recognised | - | 3,300 | - | 3,300 |
| Change in disallowed asset | ( 119,818) | 100 | ( 118,200) | 100 |
| Recognised gain/(loss) | ( 46) | - | - | - |
| | ( 224,146) | ( 62,800) | ( 216,400) | ( 62,800) |
| Actual return on scheme assets | 31.9% | 9.6% | 32.7% | 9.6% |

(d) Principal actuarial assumptions at the balance sheet date

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 % | 2003 % | 2004 % | 2003 % |
| Discount rate | 12.5 | 15.0 | 12.5 | 14.5 |
| Expected return on plan assets | 10.0 - 12.5 | 12.0 | 10.0 | 12.0 |
| Future salary increases | 10.0 | 10.0 | - | - |
| Future pension increases | 3.5 - 6.0 | 7.0 | 6.0 | 7.0 |

The pension scheme assets include the parent company's ordinary shares with a fair value of $127M (2003: $60.8M), building occupied by Group companies with fair values of $72.7M (2003: $66.1M) and finance lease receivables from parent company of $20.4M (2003: $22.3M).

Sangster's Book Stores Limited, a subsidiary, operates a defined-benefit pension scheme for all its employees, and those of 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, 2004, showed that the Scheme was adequately funded. Two subsidiary companies operate defined contribution pension schemes for their employees who satisfy certain minimum service requirements. The contribution charged to the Group profit and loss account for the year was $3.6m (2003: .98m).

*Reclassified to conform with 2004 presentation

### 6. Employees benefit asset/obligation (cont'd)

(ii) Group life and health plans:

(a) Employee benefit obligation recognised in the balance sheet: -

| | Group and Company | |
|---|---|---|
| | 2004 $'000 | 2003 $'000 |
| Present value of unfunded obligations | ( 51,100) | ( 50,000) |
| Unrecognised actuarial losses | 9,800 | 19,900 |
| Recognised in balance sheet | ( 41,300) | ( 30,100) |
| Economic benefit attributable to the group scheme | ( 51,100) | ( 50,000) |

(b) Movements in net obligation recognised in the balance sheet:

| | Group and Company | |
|---|---|---|
| | 2004 $'000 | 2003 $'000 |
| Net liability at Jan 1 | ( 30,100) | ( 25,100) |
| Contribution paid | 1,000 | 900 |
| Expense recognised in Group profit and loss account | ( 12,200) | ( 5,900) |
| Net liability at December 31 | ( 41,300) | ( 30,100) |

(c) Expense recognised in the Group profit and loss account:

| | Group and Company | |
|---|---|---|
| | 2004 $'000 | 2003 $'000 |
| Current service cost | 3,900 | 2,300 |
| Interest on obligation | 7,400 | 3,600 |
| Net actuarial losses recognised in the year | 900 | - |
| | 12,200 | 5,900 |

(d) Principal actuarial assumption at the balance sheet date:

| | 2004 % | 2003 % |
|---|---|---|
| Discount rate at December 31 | 12.5 | 15.0 |
| Rate of increase in medical premiums claims cost | 11.0 | 13.0 |

## 7. Long-term receivables

| | Group 2004 $'000 | Group 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| (i) Loan | - | 3,440 | - | - |
| (ii) Loan | - | 78 | - | - |
| (iii) General Consumption Tax (GCT) | 648 | 1,053 | - | 757 |
| | 648 | 4,571 | - | 757 |
| Less current portions [(included in other receivables – note (11)] | ( 554) | ( 607) | - | ( 435) |
| | 94 | 3,964 | - | 322 |

(i) This was an unsecured loan that bore interest at a rate equal to the yield of the most recent issue of twelve month treasury bills, determined as at the first day of April in each year the interest is payable. Interest was payable quarterly and commenced June 30, 2001. The actual interest rate for the year was 16.93%. The loan was repaid during the year.

(ii) This loan bore interest at 25% per annum and was repaid during the year.

(iii) GCT paid on purchase of fixed assets, which is recoverable in twenty-four equal monthly instalments from the date of purchase.

## 8. Investment in subsidiaries

| | Group 2004 $'000 | Group 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| Shares at cost, less impairment losses: | | | | |
| Popular Printers Limited | - | - | 426 | 426 |
| Sangster's Book Stores Limited | - | - | 2,650 | 2,650 |
| The Gleaner Company (UK) Limited | - | - | 1 | 1 |
| The Gleaner Company (N.A.) Limited | - | - | 687 | 687 |
| Independent Radio Company Limited | - | - | 11,195 | 11,195 |
| | - | - | 14,959 | 14,959 |

## 9. Investment in associates

| | Group 2004 $'000 | Group 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| Jamaica Joint Venture Investment Co. Ltd. [see notes 2(b) (i) and 2 (h)] | - | 150 | - | - |

(a) Selecto Publications Limited owned 33.3% of Jamaica Joint Venture Investment Company Limited.

## 10. Investments

| | Group 2004 $'000 | Group 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| Originated securities: | | | | |
| Government of Jamaica Securities | 5,051 | 2,151 | - | - |
| Debentures | 489 | 489 | 489 | 489 |
| Available-for-sale: | | | | |
| Quoted equities (Market Value) | 163,619 | 115,999 | 160,452 | 116,602 |
| Unquoted equities: | | | | |
| Ocho Rios Beach Limited | 22,568 | 22,568 | 22,568 | 22,568 |
| Other | 253 | 352 | 253 | 252 |
| | 191,980 | 141,559 | 183,762 | 139,911 |

Other unquoted equities include an interest in the Caribbean News Agency, Caribbean Financial Services Corporation and Stabroek News, Guyana.

## 11. Trade and other receivables

| | Group 2004 $'000 | Group 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| Trade receivables | 479,635 | 404,798 | 297,918 | 270,167 |
| Other receivables (see note 7) | 195,444 | 175,168 | 596,641 | 320,762 |
| | 675,079 | 579,966 | 894,559 | 590,929 |
| Less provision for doubtful debts | ( 66,428) | ( 61,144) | ( 31,684) | ( 33,663) |
| | 608,651 | 518,822 | 862,875 | 557,266 |

## 12. Inventories and goods-in-transit

| | Group 2004 $'000 | Group 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| Newsprint | 82,603 | 83,895 | 82,603 | 83,895 |
| Books, stationery and general supplies | 143,955 | 141,536 | - | - |
| Goods-in-transit | 7,654 | 2,791 | - | - |
| Consumable stores | 7,007 | 13,710 | 7,007 | 13,710 |
| | 241,219 | 241,932 | 89,610 | 97,605 |

## 13. Trade and other payables

| | Group 2004 $'000 | Group 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| Trade payables | 153,709 | 117,039 | 44,236 | 46,231 |
| Other payables | 332,093 | 194,297 | 251,279 | 212,175 |
| | 485,802 | 311,336 | 295,515 | 258,406 |

## 14. Long-term liabilities

| | Group 2004 $'000 | Group 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| Bank loan | 67,020 | - | 67,020 | - |
| Stockholders' loans [see (a) below] | 54,335 | 1,898 | - | - |
| Finance lease obligations [see (b) below] | 20,365 | 22,270 | 20,365 | 22,270 |
| | 141,720 | 24,168 | 87,385 | 22,270 |
| Less current portion | ( 25,595) | ( 9,297) | ( 23,566) | ( 7,721) |
| | 116,125 | 14,871 | 63,819 | 14,549 |

(a) The shareholders' loans, made to a subsidiary are unsecured and bear interest at a rate equal to the yield of the most recent issue of twelve-month treasury bills, determined as at the first day of April in each year the interest is payable. The actual rate for the year was 22.6% (2003: 29%). There is a moratorium on principal for three years, after which the loans are repayable in five consecutive equal annual instalments, which commenced April 1, 2004.

(b) Finance lease obligations:

| | Group and Company 2004 $'000 | Group and Company 2003 $'000 |
|---|---|---|
| Due from balance sheet date as follows: | | |
| Within one year | 7,200 | 9,876 |
| Within two to five years | 19,203 | 19,359 |
| Total future minimum lease payments | 26,403 | 29,235 |
| Less: future interest charges | ( 6,038) | ( 6,965) |
| Present value of minimum lease payments | 20,365 | 22,270 |

## 15. Share capital

| | 2004 $'000 | 2003 $'000 |
|---|---|---|
| Authorised – 1,216,000,000 (2003: 1,216,000,000) ordinary shares of 50 cents each | 608,000 | 608,000 |
| Issued and fully paid – 1,211,243,827 (2003: 1,211,243,827) ordinary stock units of 50 cents each | 605,622 | 605,622 |

## 16. Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| **CAPITAL** | | | | |
| Realised: | | | | |
| Share premium | 4,353 | 4,353 | 4,353 | 4,353 |
| Other | 5,830 | 6,437 | - | - |
| Gain on sale of loan | 24,608 | 24,608 | 1,334 | - |
| Gain on disposal of property, plant and equipment | 13,222 | 12,760 | - | 2,404 |
| | 48,013 | 48,158 | 5,687 | 6,757 |
| Unrealised: | | | | |
| Revaluation of buildings [(note 4(c)] | 379,636 | 338,776 | 352,097 | 314,587 |
| Deferred taxation | ( 126,544) | ( 111,932) | ( 116,192) | ( 103,982) |
| Reserve arising from consolidation of subsidiaries (net of goodwill) and debt | 76,311 | 62,615 | - | - |
| Exchange difference on opening investment in subsidiary | 9,912 | 943 | - | - |
| | 339,315 | 290,402 | 235,905 | 210,605 |
| Total capital | 387,328 | 338,560 | 241,592 | 217,362 |
| **REVENUE** | | | | |
| Retained profits at end of the year | 945,181 | 665,015 | 876,143 | 560,281 |

Retained profits for the Company and the Group at December 31, 2004, include $131,000 (2003: $131,000) franked income available for distribution without deduction of tax.

Capital distribution of $415,762 (2003: $415,762) can be made from distributions received from a subsidiary company and transfer tax withheld and remitted by the Company.

## 17. Deferred taxation

Deferred taxation is attributable to the following:

**Group:**

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Property, plant and equipment | 2,945 | - | ( 131,459) | ( 121,875) | ( 128,514) | ( 121,875) |
| Trade and other receivables | - | - | ( 13,778) | ( 6,919) | ( 13,778) | ( 6,919) |
| Trade and other payables | 4,708 | 1,255 | - | - | 4,708 | 1,255 |
| Employees benefit asset | - | - | ( 125,487) | ( 53,000) | ( 125,487) | ( 53,000) |
| Employees benefit obligation | 14,228 | - | - | - | 14,228 | - |
| Tax losses | 7,881 | - | - | - | 7,881 | - |
| Net assets/(liabilities) | 29,762 | 1,255 | ( 270,724) | ( 181,794) | ( 240,962) | ( 180,539) |

## 17. Deferred taxation (cont'd)

Net deferred tax is recognised in the group balance sheet as follows:

| | 2004 $'000 | 2003 $'000 |
|---|---|---|
| Deferred tax liability in company | ( 248,380) | ( 179,173) |
| Deferred tax liability in subsidiaries | ( 4,336) | ( 2,621) |
| | ( 252,716) | ( 181,794) |
| Deferred tax asset in certain subsidiaries | 11,754 | 1,255 |
| Net deferred tax liabilities | ( 240,962) | ( 180,539) |

Movement in net temporary differences during the year are as follows:

| | Balance at January 1 $'000 | Recognised in income $'000 | Recognised in equity $'000 | Balance at December 31 $'000 |
|---|---|---|---|---|
| Property, plant and equipment | ( 121,875) | ( 6,032) | ( 607) | ( 128,514) |
| Employees benefit asset | ( 53,000) | ( 72,487) | - | ( 125,487) |
| Employees benefit obligation | - | 14,228 | - | 14,228 |
| Trade and other receivables | ( 6,919) | ( 6,859) | - | ( 13,778) |
| Trade and other payables | 1,255 | 3,453 | - | 4,708 |
| Tax losses | - | 7,881 | - | 7,881 |
| | ( 180,539) | ( 59,816) | ( 607) | ( 240,962) |

Deferred taxation is attributable to the following:

**Company:**

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Property, plant and equipment | - | - | ( 127,474) | ( 120,229) | ( 127,474) | ( 120,229) |
| Trade and other receivables | - | - | ( 13,427) | ( 21,039) | ( 13,427) | ( 21,039) |
| Trade and other payables | 4,243 | 5,062 | - | - | 4,243 | 5,062 |
| Employees benefit asset | - | - | ( 125,487) | ( 53,000) | ( 125,487) | ( 53,000) |
| Employees benefit obligation | 13,765 | 10,033 | - | - | 13,765 | 10,033 |
| Net assets/(liabilities) | 18,008 | 15,095 | ( 266,388) | ( 194,268) | ( 248,380) | ( 179,173) |

Movement in net temporary differences during the year:

| | Balance at January 1 $'000 | Recognised in income $'000 | Balance at December 31 $'000 |
|---|---|---|---|
| Property, plant and equipment | ( 120,229) | ( 7,245) | ( 127,474) |
| Employees benefit asset | ( 53,000) | ( 72,487) | ( 125,487) |
| Employees benefit obligation | 10,033 | 3,732 | 13,765 |
| Trade and other receivables | ( 21,039) | 7,612 | ( 13,427) |
| Trade and other payables | 5,062 | ( 819) | 4,243 |
| | ( 179,173) | ( 69,207) | ( 248,380) |

## 18. Revenue

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

| | 2004 $'000 | 2003 $'000 |
|---|---|---|
| Advertising | 1,678,933 | 1,406,147 |
| Books and stationery | 542,880 | 520,014 |
| Circulation | 682,476 | 605,148 |
| Other | 31,848 | 15,398 |
| | 2,936,137 | 2,546,707 |

## 19. Segment reporting

Segment information is presented in respect of the Group's business segments. The primary format for business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

## 19. Segment reporting (cont'd)

### (a) Business segments

The main business segments of the Group comprise:

| | 2004 | | | |
|---|---|---|---|---|
| | Media Service $'000 | Books and Stationery $'000 | Other $'000 | Total $'000 |
| Turnover | 2,361,409 | 542,880 | 31,848 | 2,936,137 |
| Cost of sales | ( 1,213,472) | ( 382,599) | ( 9,839) | ( 1,605,910) |
| Gross profit | 1,147,937 | 160,281 | 22,009 | 1,330,227 |
| **Expenses** | | | | |
| Distribution costs | ( 320,644) | ( 67,548) | - | ( 388,192) |
| Administration expenses | ( 218,981) | ( 54,073) | ( 16,335) | ( 289,389) |
| Other operating expenses | ( 357,748) | ( 26,548) | ( 109) | ( 384,405) |
| | 250,564 | 12,112 | 5,565 | 268,241 |
| Pension costs | ( 1,127) | ( 1,186) | - | ( 2,313) |
| | 249,437 | 10,926 | 5,565 | 265,928 |
| Other income | 111,991 | 7,126 | 5,347 | 124,464 |
| Foreign exchange gains | 33,242 | 10,321 | - | 43,563 |
| Profit from operations | 394,670 | 28,373 | 10,912 | 433,955 |
| Finance costs | ( 24,951) | ( 932) | ( 16) | ( 25,899) |
| Profit from ordinary activities | 369,719 | 27,441 | 10,896 | 408,056 |
| Gains on disposal of investments, loans, property, plant and equipment | 125,704 | 462 | 3,950 | 130,116 |
| Profit before taxation | 495,423 | 27,903 | 14,846 | 538,172 |
| Taxation | ( 149,520) | ( 10,380) | ( 4,273) | ( 164,173) |
| Segment results | 345,903 | 17,523 | 10,573 | 373,999 |
| Minority interest | | | | ( 8,236) |
| Net profit attributable to stockholders of the parent company | | | | 365,763 |
| Segment assets | 2,705,508 | 364,986 | 88,759 | 3,159,253 |
| Segment liabilities | 956,231 | 119,782 | 16,389 | 1,092,402 |
| Capital expenditure | 80,799 | 11,069 | 53,887 | 145,755 |
| Depreciation and amortisation | 66,948 | 9,893 | 50,694 | 127,535 |
| Other non-cash items | ( 319,102) | ( 6,114) | ( 8,456) | ( 333,672) |

## 19. Segment reporting (cont'd)

### (b) Business segments (cont'd):

| | 2003 | | | |
|---|---|---|---|---|
| | Media Service $'000 | Books and Stationery $'000 | Other $'000 | Total $'000 |
| Turnover | 1,985,802 | 541,969 | 18,936 | 2,546,707 |
| Cost of sales | ( 1,029,753) | ( 383,976) | ( 9,703) | ( 1,423,432) |
| Gross profit | 956,049 | 157,993 | 9,233 | 1,123,275 |
| **Expenses** | | | | |
| Distribution costs | ( 295,047) | ( 60,816) | - | ( 355,863) |
| Administration expenses | ( 328,382) | ( 50,579) | ( 12,521) | ( 391,482) |
| Other operating expenses | ( 250,429) | ( 25,736) | ( 141) | ( 276,306) |
| | 82,191 | 20,862 | ( 3,429) | 99,624 |
| Pension costs | ( 2,456) | ( 1,181) | - | ( 3,637) |
| | 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 |
| Profit from operations | 289,314 | 25,242 | 440 | 314,996 |
| Finance costs | ( 35,498) | ( 5,107) | ( 241) | ( 40,846) |
| Profit from ordinary activities | 253,816 | 20,135 | 199 | 274,150 |
| Gains on disposal of investments, loans, property, plant and equipment | 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 parent company | | | | 231,019 |
| Segment assets | 1,813,220 | 348,325 | 69,806 | 2,231,351* |
| Segment liabilities | 422,520 | 125,002 | 9,224 | 556,746 |
| Capital expenditure | 52,265 | 5,358 | - | 57,623 |
| Depreciation and amortisation | 55,979 | 8,098 | 11 | 64,088 |
| Other non-cash items | ( 86,830) | ( 536) | ( 1,582) | ( 88,948) |

*Restated to conform with 2004 presentation.

## 19. Segment reporting (cont'd)

### (c) Geographical segments

| | Local | | Overseas | | Total | |
|---|---|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Revenue from External Customers | 2,571,652 | 2,355,260 | 364,485 | 191,447 | 2,936,137 | 2,546,707 |
| Segment assets | 2,984,825 | 2,152,428 | 174,428 | 78,928 | 3,159,253 | 2,231,351* |
| Segment liabilities | 721,510 | 528,202 | 342,348 | 28,544 | 1,092,402 | 556,746* |
| Capital expenditure | 144,756 | 56,496 | 999 | 1,127 | 145,755 | 57,623 |
| Depreciation | 89,812 | 59,187 | 37,723 | 4,901 | 127,535 | 64,088 |
| Other non-cash items | ( 333,424) | ( 93,893) | ( 248) | 4,945 | ( 333,672) | ( 88,948) |

## 20. Profit from operations

Profit from operations is stated after charging/(crediting):

| | 2004 $'000 | 2003 $'000 |
|---|---|---|
| Directors' emoluments: | | |
| Fees | 950 | 1,067 |
| Management remuneration | 17,990 | 16,736 |
| Staff costs | 897,282 | 687,535 |
| Auditors' remuneration | 9,888 | 6,846 |
| Depreciation and amortisation | 127,535 | 64,088 |
| Interest income | ( 79,630) | (143,135) |

## 21. Taxation

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

| | 2004 $'000 | 2003 $'000 |
|---|---|---|
| (i) Current tax expense: | | |
| Income tax at 33⅓% | 104,873 | 55,236 |
| (ii) Adjustment in respect of previous year | ( 516) | 959 |
| (ii) Deferred tax expense: | | |
| Origination and reversal of timing Difference (note 17) | 59,816 | 24,541 |
| Total taxation recognised in group profit and loss account | 164,173 | 80,736 |

*Restated to conform with 2004 presentation.

## 21. Taxation (cont'd)

(b) Total tax charge for 2004 represents an effective tax rate 30.51% (2003: 25.67%) on $538.17M (2003: $314.29M) pre-tax profit compared to a Jamaica statutory tax rate of 33⅓%. The tax effect of differences between treatment of items for financial statements and taxation purposes are as follows:

| | 2004 $'000 | 2003 $'000 |
|---|---|---|
| Profit before taxation | 538,172 | 314,290 |
| Income tax at 33⅓% | 179,390 | 104,763 |
| Tax credit on bonus shares issued (restricted) | - | ( 26,295) |
| Profit on disposal of property, plant and equipment and balancing charge | ( 40,771) | 13,078) |
| Difference between depreciation and tax capital allowance | 11,571 | ( 6,596) |
| Finance lease payments | ( 4,068) | ( 2,455) |
| Expenses not allowed for tax purpose | 18,567 | 23,438 |
| Adjustment in respect of previous year | ( 516) | 959 |
| Actual tax expense | 164,173 | 80,736 |

## 22. Dividends paid (gross)

An interim revenue distribution of 3.5 cents per stock unit was paid on March 12, 2004, to shareholders on record at close of business on February 27, 2004.

A second interim revenue distribution of 2.75 cents per stock was paid on September 14, 2004, to shareholders on record at the close of business on August 31, 2004.

## 23. Earnings per stock unit

The calculation of earnings per stock unit is arrived at by dividing profit after taxation attributable to stockholders of the company of $366M (2003: $231M) by 1,211,243,827 the number of stock units in issue at December 31, 2004.

## 24. Related party balances and transactions

The balance sheet includes balances, arising in the ordinary course of business, with subsidiaries and associated companies as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Investments: | | | | |
| Subsidiaries | - | - | 14,959 | 14,959 |
| Trade and other receivables: | | | | |
| Subsidiaries | - | - | 403,525 | 154,394 |
| Associates | - | 906 | 11,110 | 10,504 |
| Trade and other payables: | | | | |
| Subsidiaries | - | - | ( 18,876) | ( 36,398) |
| Associates | - | - | ( 389) | ( 391) |

**24. Related party balances and transactions (cont'd)**

The Group profit and loss account includes the following income earned from, and expenses incurred in, transactions with subsidiaries and associated companies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Revenue: | | | | |
| Subsidiaries | - | - | 24,724 | 2,724 |
| Other operating income: | | | | |
| Subsidiaries | - | - | 22,718 | 16,989 |
| Cost of sales: | | | | |
| Subsidiaries | - | - | 7,409 | 33,620 |
| Administration expenses: | | | | |
| Subsidiaries | - | - | 59,370 | 3,302 |
| Finance cost: | | | | |
| Subsidiaries | - | - | 1,957 | 3,393 |

**25. Employee numbers**

At balance sheet date, the average number of persons employed by the company and its subsidiaries was 677 (2003: 695).

**26. Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash resources, trade and other receivables, securities purchased under agreements for resale, investments, and long-term receivables. Financial liabilities include bank overdraft and trade and other payables and long-term liabilities.

(a) Fair value: -

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under compulsion to act and is evidenced by a quoted market price, if one exists.

The fair values of cash resources, trade and other receivables, securities purchased under agreements for resale, trade and other payables approximate their carrying value due to their relatively short-term nature. The fair value of available-for-sale investments (note 10) and long-term liabilities (notes 14) are reflected at market value, or cost, where there is no market value.

(b) Financial instrument risks:

Exposure to credit, interest rate, foreign currency, market, cash flow and liquidity risks arises in the ordinary course of the Group's and company's business. Derivative instruments are not presently used to manage, mitigate or eliminate exposure to financial instrument risks.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation resulting in loss to the other party.

The Group and company manage this risk by maintaining cash resources and securities purchased under agreements for resale with reputable financial institutions and by screening customers, establishing credit limits and the rigorous follow up of receivables. At the balance sheet date, except for cash resources, trade and other receivables and securities purchased under agreements for resale, there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

**26. Financial instruments (cont'd)**

(b) Financial instrument risks (cont'd):

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group and company minimise interest rate risk by investing mainly in fixed rate government securities and contrasting liabilities at fixed rates, where possible.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group and company are exposed to foreign currency risk on transactions that are undertaken in foreign currencies. The main foreign currencies giving rise to this risk are the United States dollar (US$), Pound Sterling (£) and Canadian dollar (Can.$). The Group and company ensure that the risk is kept to an acceptable level by monitoring their risk exposure and by maintaining funds in US dollars as a hedge against adverse fluctuations in exchange rates.

The net foreign currency assets/(liabilities) at December 31, 2004 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| US$ | 1,551 | 3,146 | 1,590 | 2,735 |
| £ Sterling | 208 | ( 118) | 335 | 4 |
| Canadian | Nil | Nil | Nil | Nil |

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The Group and company manage this risk by monitoring daily the market value of the securities on the Stock Exchange and their companies' quarterly financial reports.

(v) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with monetary financial instruments will fluctuate in amount. The Group and company manage this risk by ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(vi) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Group and company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Group and company manage this risk by maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed facilities and by ensuring that it maintains a balanced investment portfolio to take care of its operating cash requirements and its need to optimise its return on investments.

## 27. Lease commitments

Unexpired lease commitments at December 31 expire as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Within one year | 4,144 | 4,362 | - | - |
| Subsequent years | 14,646 | 3,776 | - | - |
| | 18,790 | 8,138 | - | - |

## 28. Authorised capital expenditure

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Capital expenditure authorised but not contracted for | 14,994 | 85,000 | 14,994 | 85,000 |
| Capital expenditure authorised and contract for | 7,497 | - | 7,497 | - |

## 29. Libel Cases

The Group's and company's lawyers have advised that they are of the opinion that the provision made in the Group's and company's accounts as at December 31, 2004, is a reasonable provision for the purpose of covering all reasonable and probable judgements and costs for libel actions against the Group and company.

## 30. Acquisition of Subsidiaries

On April 30, 2004, the company through its subsidiary, The Gleaner Company (U.K.) Limited, acquired 100% of the Voice Group Limited and its 95% owned subsidiary, Vee Tee Ay (Media Resources) Limited for $234.4m [see note 31(ii)]. The Company is involved in the publication and printing of newspapers.

On August 16, 2004, the company acquired 100% of Beckford's Auto Supplies Limited for $300,000 satisfied in cash. The company is involved in leasing of equipment and dealing in specific types of inventory by way of purchase and resale agreements. These assets and liabilities were taken over at fair value.

**30. Acquisition of Subsidiaries (cont'd)**

These acquisitions were accounted for using the purchase method of consolidation and had the following effect on the group's assets and liabilities: -

| | $'000 |
|---|---|
| Tangible fixed assets | 20,854 |
| Intangible assets – newspaper titles | 400,904 |
| Deferred tax assets | 9,519 |
| Investments | 1,078 |
| Debtors | 34,568 |
| Inventories | 4,000 |
| Taxation recoverable | 9,264 |
| Cash at bank and in hand | 3,353 |
| Creditors | ( 183,671) |
| Corporation tax | ( 76,431) |
| Minority interests | 8,274 |
| Net identifiable assets and liabilities | 231,712 |
| Goodwill | 2,726 |
| | 234,438 |
| Consideration paid: | |
| Cash | 169,726 |
| Deferred consideration [see note 31 (ii)] | 64,712 |
| | 234,438 |
| Cash acquired | ( 3,353) |
| **Net Cash (outflow)** | **231,085** |

Goodwill has arisen on the acquisition of the Voice Group because of certain intangible assets that did not meet the criteria for recognition as an intangible asset at the date of acquisition.

**31. Contingent liabilities**

(i) There are contingent liabilities in respect of $4M (2003: $4M) worth of guarantees issued on behalf of the Group and the company.

(ii) Deferred consideration of $64,712,000 at note 30 arising from the purchase of The Voice Group is to be paid within 18 months, subject to the completion condition.

| | 2004 $(000) | 2003 $(000) | 2002 $(000) | 2001 $(000) | 2000 $(000) |
|---|---|---|---|---|---|
| Turnover | 2,936,137 | 2,546,707 | 2,273,720 | 2,010,456 | 1,744,545 |
| Group profit before taxation | 538,172 | 314,290 | 281,876 | 231,838 | 255,385 |
| Taxation | (164,173) | (80,736) | (74,978) | (62,314) | (66,247) |
| Minority Interest | (8,236) | (2,535) | (5,259) | 1,163 | - |
| Net profit attributable to Gleaner Stockholders | 365,763 | 231,019 | 201,639 | 170,687 | 189,138 |
| Ordinary Stockholders' funds | | | | | |
| Share Capital | 605,622 | 605,622 | 512,449 | 427,041 | 349,397 |
| Reserves | 1,427,773 | 1,049,968 | 900,991 | 824,279 | 779,602 |
| | 2,033,395 | 1,655,590 | 1,413,440 | 1,251,320 | 1,128,999 |
| Long-term liabilities | 116,125 | 14,871 | 20,032 | 18,203 | 13,393 |
| Deferred taxation | 270,724 | 181,794 | 103,355 | 13,360 | 13,205 |
| Minority interest | 33,456 | 19,015 | 21,299 | 15,317 | - |
| Employees benefit obligation | 41,300 | 30,100 | 25,100 | - | - |
| Total Funds employed | 2,495,000 | 1,901,370 | 1,583,226 | 1,298,200 | 1,155,597 |
| Represented by: | | | | | |
| Non-current assets and investments | 1,659,446 | 836,889 | 617,582 | 442,440 | 416,491 |
| Long-term receivable | 94 | 3,964 | 3,550 | 7,689 | 1,209 |
| Working Capital | 835,460 | 1,060,517 | 962,094 | 848,071 | 737,897 |
| | 2,495,000 | 1,901,370 | 1,583,226 | 1,298,200 | 1,155,597 |
| Stock units in issue at year end ('000) | 1,211,244 | 1,211,244 | 1,024,898 | 854,082 | 698,795 |
| Earnings per stock unit | | | | | |
| - historical | 30.2¢ | 19.1¢ | 18.8¢ | 20.0¢ | 27.1¢ |
| restated to 2004 stock units in issue (see note i below) | 30.2¢ | 19.1¢ | 16.7¢ | 14.1¢ | 15.6¢ |
| Stockholders' funds per stock unit | | | | | |
| - historical | 157.0¢ | 136.7¢ | 134.5¢ | 146.5¢ | 161.6¢ |
| restated to 2004 stock units in issue (see note i below) | 157.0¢ | 136.7¢ | 116.7¢ | 103.3¢ | 93.2¢ |
| Dividends per stock unit | | | | | |
| - historical | 6.0¢ | 6.25¢ | 7.0¢ | 7.0¢ | 7.5¢ |
| restated to 2004 stock units in issue (see note ii below) | 6.0¢ | 6.25¢ | 7.0¢ | 7.0¢ | 5.0¢ |
| Exchange rates ruling at the balance sheet dates were: | | | | | |
| UK one Pound to J$ | 116.80 | 105.89 | 79.89 | 64.62 | 65.77 |
| US$1 to J$ | 61.44 | 60.63 | 50.97 | 47.17 | 44.95 |
| Can$1 to J$ | 49.98 | 45.93 | 32.09 | 28.85 | 29.87 |

(i) The calculation of earnings per stock unit and shareholders' funds for stock units is based on profit after taxation divided by the 1,211,243,827 stock units in issue at year-end 2004.

(ii) The calculation of dividends per ordinary stock unit is based on the actual dividends for each year divided by the 1,211,243,827 stock units in issue at year-end 2004.

| Names | Personal Shareholdings | Shareholding in which Director/Officer has a controlling interest |
|---|---|---|
| O. F. Clarke | 84,470,945 | 346,626,401 |
| R. G. Ashenheim | 159,744 | 728,718 |
| J. J. Issa | 23,374,832 | - |
| C. S. Roberts | 4,087,863 | - |
| J. M. Matalon | - | 633,129 |
| H. W. R. Dear | - | - |
| C. D. Archer | - | - |
| D. R. Orane | 812,572 | 276,206 |
| G. C. Lalor | - | - |
| M. M. Seymour | 50,000 | - |
| L. G. Johnston | 1,732 | - |
| C. D. Archer | - | - |
| Mavis Belasse | - | - |
| C. R. Bourne | 702,854 | - |
| Marlene Davis | - | - |
| Garfield Grandison | 147,908 | - |
| Locksley Henry | - | - |
| John Hudson | 1,203,575 | - |
| Newton James | 106,304 | - |
| Errol Knight | 42,703 | - |
| Norman Marshall | 1,714,153 | - |
| L. Anthony O'Gilvie | 1,343,153 | - |
| Ian Roxburgh | 1,135,814 | - |
| Karin Daley-Cooper | 1,120,545 | - |
| Yvonne Senior | 158,941 | - |
| Rudolph Speid | 100,000 | - |

## LIST OF (10) LARGEST BLOCKS OF STOCK UNITS AS AT December 31, 2004

| | | |
|---|---|---|
| 1. | Financial and Advisory Services Limited | 94,776,788 |
| 2. | Scotia Jamaica Investment Management Limited A/C 482 | 71,499,417 |
| 3. | The Gleaner Employees' Investment Trust | 71,114,365 |
| 4. | Scotia Jamaica Investment Management Limited A/C 516 | 64,772,197 |
| 5. | Scotia Jamaica Investment Management Limited A/C 3119 | 53,104,013 |
| 6. | N.C.B. Trust & Merchant Bank Ltd. A/C J1485 | 51,070,620 |
| 7. | Life of Jamaica Pooled Equity Fund No. 1 | 36,398,367 |
| 8. | National Insurance Fund | 30,883,010 |
| 9. | Scotia Jamaica Investment Management Limited A/C 542 | 30,574,827 |
| 10. | Scotia Jamaica Investment Management Limited A/C 470 | 28,967,056 |

# FORM OF PROXY

I/We ...........................................................................................................................

of ................................................................................................................................

in the parish of ...........................................................................................................

being a member/members of the above-named company, hereby appoint

.....................................................................................................................................

............................................................. of ...................................................................

or failing him ...........................................................................................................

of ................................................................................................................................

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 9th day of June, 2005 and at any adjournment thereof.

Signature(s) ..............................................................................................................

Signed this ............................................... day of ........................................................2005

**NOTES:**

(1) A Proxy need not be a member of the Company.

(2) If the appointee is a Corporation this form must be under its Common Seal or under the hand of an officer of the Corporation duly authorised on its behalf.

(3) In the case of joint holders the vote of the senior shall be accepted to the exclusion of the votes of the joint holders. Seniority shall be determined by the order in which the names stand in the register of members.

(4) To be valid this form must be completed and deposited with the Secretary, The Gleaner Company Limited, 7 North Street, Kingston at least 48 hours before the time appointed for the meeting or adjourned meeting.

(5) An adhesive stamp of $100.00 must be affixed to the form and cancelled.

Established 1834

The Gleaner Company Limited.

The Sunday Gleaner

The Gleaner
ESTABLISHED 1834

The STAR
The People Paper

THE WEEKEND STAR

Children's Own

FLAIR MAGAZINE

youthlink magazine
in your Tuesday Gleaner

Financial Gleaner

THE GLEANER'S WEEKLY ENTERTAINMENT & TV GUIDE
theENTERTAINER

TRACK & POOLS

GO-JAMAICA

The Weekly GLEANER
THE TOP CARIBBEAN NEWSPAPER

CANADA extra

THE VOICE
BRITAIN'S BEST BLACK NEWSPAPER

young voices
it's fresh, it's real, it's heavy...

The Gleaner
Where life unfolds

Established 1834
The Gleaner Company Limited.

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