THE STANDARD NEWSPAPERS GROUP LIMITED

(FORMERLY CONSOLIDATED HOLDINGS LTD)

10

GROUP ACCOUNTS
AT 30 SEPTEMBER, 1994

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Contents

1. Standard Newspaper group --- Periodicals
2. Media group -- Kenya -- Periodicals

Directorate and Administration

DIRECTORS

M. W. Harley — Chairman
R. W. Rowland*
P. G. B. Spicer* (Resigned 31st July, 1994)
M. V. A. Newman*
P. T. Kanyago
K. M. Atkinson*
R. S. Holt*
D. J. Gudgeon* (Appointed 7th February, 1994)
D. J. Davies (Appointed 26th August, 1994)
** British*

COMPANY SECRETARY

.M.J. Muburi

REGISTERED OFFICE

P. O. Box 11854
Likoni Road
Nairobi

BANKERS

Standard Chartered Bank Kenya Ltd.
P. O. Box 30001
Kenyatta Avenue
Nairobi

AUDITORS

Peat, Marwick,
P. O. Box 40612
Jubilee Insurance Exchange
Mama Ngina Street
Nairobi

Notice of Meeting

The Seventy-Seventh Annual General Meeting of The Standard Newspapers Group Limited will be held at the Standard Limited offices, Likoni Road, Nairobi on Thursday, 27th April, 1995, at 11.45 a.m. to transact the following business:

AGENDA

1. To receive the Report of the Directors and the Accounts for the year ended 30 September, 1994.

2. In accordance with Article 78 of the Company's Articles of Association; Messrs R. W. Rowland, M. V. A. Newman, P. T. Kanyago and R. S. Holt shall retire. Messrs M. V. A. Newman, P. T. Kanyago and R. S. Holt being eligible offer themselves for re-election.

In accordance with Article 83 of the Company's Articles of Association, Mr D. Davies retires but being eligible offers himself for re-election.

3. To authorise the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS

4. To consider and if thought fit, approve the following resolution which will be proposed as a Special Resolution:-

AMENDMENT TO ARTICLES OF ASSOCIATION

"That Article 98 of the Company's Articles of Association be deleted and in its place the following new Article 98 be inserted:
98 "The directors shall provide for the safe custody of the seal, which shall only be used by the authority of the directors or of a committee of the directors authorised by the directors in that behalf, and every instrument to which the seal shall be affixed shall be signed by a director and shall be countersigned by the secretary or by a second director or by some other person appointed by the directors for the purpose."

BY ORDER OF THE BOARD

M. J. MUBURI
Company Secretary

P.O. Box 11854
Likoni Road
Nairobi

Note: Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company. A Form of Proxy is enclosed which, to be valid, must be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for the holding of the meeting. Members who have completed a Form of Proxy may still attend the meeting and vote in person, should they so wish.

Principal Companies

During the year, the following company materially contributed to the assets and results of the Group, with its main activities described.

The beneficial interest shown below represents the percentage of net profit or loss for the year ended 30 September 1994 attributable to the shareholders of The Standard Newspapers Group Limited.

Subsidiary	Beneficial interest	Principal Activity
The Standard Limited	100%	Publishers of "East African Standard" and "Sunday Standard" newspapers, and distributors of selected local and overseas newspapers, magazines and periodicals.

Chairman's Statement

Trading in the year resulted in a profit of K£219,000 after taking into account exceptional profits of K£97,000.
The investment programme at The Standard continued during the year to reequip the Newspaper with the latest Pre-Press and computer technology. In view of the on-going programme to complete the investment in new equipment, your Board does not recommend the payment of a dividend for the year ended 30th September, 1994.

The Standard Limited (the Group's principal operating subsidiary) made profits of K£273,968 for the year ended 30th September, 1994 compared to losses of K£834,184 in the previous year. The turnaround in the company's trading performance during the year is attributed to lower production costs of the newspaper arising from the strengthening of the Kenya Shilling against major world currencies. Furthermore improved economic conditions in the country gave rise to increased advertising revenues. The Company's Publishers Distribution Services Division which distributes foreign newspapers and periodicals continues to perform well.

The exceptional profits realised in the year comprise of profits on the sale of fixed assets and insurance compensation on assets damaged in a fire which destroyed The Standard Limited's Mombasa offices.

The investment programme in new technology at The Standard should be completed in the current financial year. The new equipment installed has enabled us to relaunch the newspaper as a modern, authoritative, tabloid style newspaper. Initial market response towards the relaunched "East African Standard" is encouraging and we are confident that this investment will lead to increased profitability for the Group in the future.

Current performance this year of both the East African Standard and Publishers Distribution Services is an improvement compared with the first half of the last financial year. The principle concern regarding profitability from now on is once again the rate of exchange applicable to imported items whether it be periodicals, spare parts, process materials or newsprint. World prices for such imports are constantly on the increase and the likelihood is that such increases would drastically affect your Group's profitability in the second half of this year unless such increases are passed on to our readers and advertisers.

There has been a marked improvement in the Group's performance over the past financial year and such improvement is ongoing. The improvement however is principally in the management and general performance of all personnel working for the Group.

M. W. HARLEY
Chairman

Report of the Directors

The Directors submit their Report together with the audited accounts for the year ended 30 September, 1994.

1. GROUP RESULTS

The trading profit of the Group before tax and exceptional items was K£122,000 (1993 loss K£895,000). After accounting for taxation, and exceptional items, the profit attributable to shareholders amounted to K£219,000 (1993 K£1,345,000).

Turnover for the year was K£25,998,000 compared with K£20,699,000 for 1993.

2. DIVIDENDS

The Directors do not recommend the payment of a dividend.

3. DIRECTORS

The present Board of the Company is set out on page 2.

4. AUDITORS

The auditors, Messrs. Peat Marwick will continue in office in accordance with Section 159 (2) of the Companies Act.

5. APPROVAL OF ACCOUNTS

The accounts were approved at a meeting of the directors held on 9th December, 1994.

BY ORDER OF THE BOARD

Secretary

Date: 9th December, 1994.

Report of the Auditors

TO THE MEMBERS OF THE STANDARD NEWSPAPERS GROUP LIMITED

We have audited the accounts set out on pages 8 to 16 and have obtained all the information and explanations which we considered necessary. Proper books have been kept and the balance sheet is in agreement therewith.

In our opinion, the accounts which have been prepared on the basis of the accounting policies set out on page 11 give a true and fair view of the state of affairs of the Company and of the Group at 30 September, 1994 and of the profit and source and application of funds of the Group for the year to that date and comply with the requirements of the Companies Act.

PEAT, MARWICK
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 40612
NAIROBI
Date: 9 December 1994.

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 30 SEPTEMBER, 1994

	Note	1994 K£.000's	1993 K£.000's
TURNOVER	1 (b)	25,998	20,699
PROFIT BEFORE TAXATION	2	122	(895)
TAXATION	3	–	–
PROFIT/(LOSS) AFTER TAXATION		122	(895)
EXCEPTIONAL ITEMS	4	97	2,240
RETAINED PROFIT FOR THE YEAR		219	1,345
EARNINGS PER ORDINARY SHARE	5	KShs. 0.51	KShs. 3.14

The notes on pages 11 to 16 form part of these accounts.

Balance Sheet

AT 30 SEPTEMBER, 1994

		Group		Company	
		1994	1993	1994	1993
	Note	K£.000's	K£.000's	K£.000's	K£.000's
FIXED ASSETS	6	2,350	2160	–	–
INVESTMENT	7	1	1	1	1
SUBSIDIARIES	8	–	–	1,255	1,166
		2,351	2,161	1,256	1,167
CURRENT ASSETS					
Stocks	9	1,215	1,201	–	–
Debtors	10	4,868	6,656	2,439	2,571
Bank balances and cash		298	258	1	1
		6,381	8,115	2,440	2,572
CURRENT LIABILITIES	11	4,997	6,908	181	443
NET CURRENT ASSETS		1,384	1,207	2,259	2,129
		3,735	**3,368**	**3,515**	**3,296**
CAPITAL AND RESERVES					
Share capital	12	2,140	2,140	2,140	2,140
Share premium account	13	119	119	119	119
Profit and loss account	13	1,083	864	1,256	1,037
SHAREHOLDERS FUNDS		3,342	3,123	3,515	3,296
LONG TERM LIABILITIES	11	393	245	–	–
		3,735	**3,368**	**3,515**	**3,296**

R. S. HOLT
D. J. DAVIES
Directors

The notes on pages 11 to 16 form part of these accounts.

Statement of Source and Application of Funds

FOR THE YEAR ENDED 30 SEPTEMBER, 1994

	1994 K£.000's	1993 K£.000's
SOURCE OF FUNDS		
Profit/(Loss) before taxation and exceptional items	122	(895)
Exceptional items	97	2,240
	219	1,345
Adjustments for items not involving the movement of funds		
Profit on sale of fixed assets	(97)	(24)
Loss on sale of Digital Technologies Limited	–	52
Profit on sale of Chancery Investments Limited	–	(45)
Depreciation	513	195
Funds generated from operations	**635**	**1,523**
FUNDS FROM OTHER SOURCES		
Proceeds on sale of fixed assets	165	27
Proceeds on sale of of Digital Technologies Limited	–	1,175
Proceeds on sale of Chancery Investments Limited	–	119
Term Loans	407	390
Proceeds on sale of Associate	–	1,693
	572	3,404
	1,207	4,927
APPLICATION OF FUNDS		
Purchase of fixed assets	(771)	(1,292)
Term loan repayment	(125)	(43)
Dividends paid	–	(107)
	(896)	(1,442)
Increase in working capital	**311**	**3,485**
Analysis of change in working capital		
Stocks	14	(101)
Debtors	(173)	688
Creditors and bills payable	2,088	(3,465)
Group companies	(1,684)	5,200
Movement in net liquid funds	66	1,163
	311	**3,485**

Notes to the Accounts

1. ACCOUNTING POLICIES

The following paragraphs describe the main accounting policies of the Group:-

a) Basis of accounting

The accounts have been prepared under the historical cost convention adjusted by the revaluation of certain assets.

b) Turnover

Turnover represents the sale of goods and services outside the Group.

c) Depreciation

Depreciation on assets at cost or valuation is provided on a straight line basis at the following rates per annum:-

Furniture and fittings	10%
Plant and machinery	10%-20%
Motor vehicles	16.66%

d) Stock

Stock is stated at the lower of cost and net realisable value.

e) Foreign currencies

All assets and liabilities at the balance sheet date, which are expressed in foreign currencies are translated into Kenya Shillings at the year end rate of exchange. Transactions during the year are translated at the rate ruling when the transactions are recorded. The resulting differences are dealt with in the profit and loss account

f) Consolidation

The consolidated accounts include the accounts of the company and its subsidiaries in accordance with (Cap. 486) the Companies Act.

The principal subsidiary of the company is shown on Page 4.

g) Deferred taxation

Provision for deferred tax is made only when the directors consider that a tax benefit or charge is likely to crystallise in the foreseeable future.

2. PROFIT/LOSS BEFORE TAXATION

The following amounts have been charged(credited) in arriving at the profit/(loss) before taxation and exceptional items:-

	1994 K£.000's	1993 K£.000's
Depreciation	513	195
Directors' emoluments		
Fees	5	5
Executive remuneration	999	215
Auditors' remuneration	73	67
Interest payable	923	425
Interest receivable	(38)	(49)

3. TAXATION

a) Charge for the year on adjusted profit		
Group	–	–

No provision has been made for deferred taxation in these accounts.

b) No credit has been taken in these accounts for tax relief that will occur in future years from unrelieved tax losses at 30th September, 1994 and from the excess of tax written down values at that date over corresponding book values of the assets concerned. At existing rates of tax such future relief amounts to K£287,000 (1993 - K£379,000).

4. EXCEPTIONAL ITEMS

	1994 K£.000's	1993 K£.000's
Additional proceeds received on sale of Standard Properties Limited in 1992	–	1,693
Profits on sale of 59.3% share in subsidiary — Chancery Investments Limited	–	45
Loss on sale of 100% shares in subsidiary — Digital Technologies Kenya Limited	–	(52)
Proceeds on sale of a nationalised asset in Uganda	–	530
Profit on sale of fixed assets	97	24
	97	**2,240**

5. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on the profit after tax and exceptional items and the number of ordinary shares ranking for dividend of 8,561,639 (1993 – 8,561,639).

6. FIXED ASSETS – Group

	Capital work in progress	Equipment and motor vehicles	Total
	K£000's	K£000's	K£000's
Cost:			
At 1st October, 1993	869	3,047	3,916
Additions	470	301	771
Disposals	(22)	(107)	(129)
Transfers	(1,044)	1,044	–
At 30th September, 1994	273	4,285	4,558
Depreciation:			
At 1st October, 1993	–	1,756	1,756
Disposals	–	(61)	(61)
Charge for the year	–	513	513
At 30th September, 1994	–	2,208	2,208
Net book value:			
At 30th September, 1994	**273**	**2,077**	**2,350**
At 30th September, 1993	**869**	**1,291**	**2,160**

7. INVESTMENTS

	1994	1993
	K£000's	K£000's
Group and company:-		
At cost — Chancery Security Limited	1	1

8. SUBSIDIARIES

Company:-

	1994	1993
	K£000's	K£000's
Shares at cost or valuation	180	180
Amount due from own subsidiaries	3,472	3,658
Amounts due to own subsidiaries	(2,397)	(2,672)
	1,255	**1,166**

9. STOCK

Stock comprises:-

	1994 K£000's	1993 K£000's
Goods in transit	791	599
Raw materials	411	592
Stores	13	10
	1,215	**1,201**

10. DEBTORS

	Group		Company	
	1994 K£.000's	1993 K£.000's	1994 K£.000's	1993 K£.000's
Due within one year:				
Debtors	4,645	4,818	28	173
Amounts due from group companies	223	1,838	2,411	2,398
	4,868	**6,656**	**2,439**	**2,571**

11. CURRENT LIABILITIES

	Group		Company	
	1994 K£.000's	1993 K£.000's	1994 K£.000's	1993 K£.000's
Due within one year:				
Bank overdraft	75	101	–	–
Creditors	3,938	5,013	66	60
Bills payable	274	1,259	–	–
Amounts due to Group Companies	474	405	115	383
Term loans	236	130	–	–
	4,997	**6,908**	**181**	**443**
Due after one year:				
Creditors	–	28	–	–
Term loans	393	217	–	–
	393	**245**	–	–
Liabilities				
— Secured	704	492	–	–
— Unsecured	4,686	6,661	181	443

12. SHARE CAPITAL

	1994 K£000's	1993 K£000's
Authorised		
8,541,239 Ordinary shares of KSh. 5 each	2,135	2,135
20,400 Preferred Ordinary shares of KSh. 5 each	5	5
1,438,361 Undenominated shares of KSh. 5 each	360	360
	2,500	**2,500**
Issued and fully paid		
8,541,239 Ordinary shares of KSh. 5 each	2,135	2,135
20,400 Preferred Ordinary shares of KSh. 5 each	5	5
	2,140	**2,140**

13. RESERVES

	Share premium K£.000's	Profit and loss account K£000's	Total K£.000's
Group:-			
At 1 October 1993	119	864	983
Retained profit for the year	–	219	219
At 30 September, 1994	**119**	**1,083**	**1,202**
Company:			
At 1 October 1993	119	1,037	1,156
Retained profit for the year	–	219	219
At 30 September, 1994	**119**	**1,256**	**1,375**

14. CAPITAL COMMITMENTS

	Group	
	1994 K£.000's	1993 K£.000's
Authorised but not contracted for	63	410

15. CONTINGENT LIABILITIES

	Group		Company	
	1994	1993	1994	1993
	K£.000's	K£.000's	K£.000's	K£.000's
Guarantees	300	125	–	–

1. The assets of the group have been charged under a debenture whereby the Group's bank borrowing from The Standard Chartered Bank Kenya Limited are secured up to a total of K£3,345,000.

2. A civil case filed against The Standard Limited on 24th March, 1994 in the High Court of Kenya claiming a substantial amount in aggravated damages for the defamation, has not yet been listed for hearing and consequently any amount that may be awarded cannot be estimated with reasonable accuracy.

16. CURRENCY

The accounts are presented in thousands of Kenya pounds (K£000's). One K£ is equivalent to twenty Kenya shillings.