Standard

THE STANDARD

NEWSPAPERS GROUP

LIMITED AND

SUBSIDIARIES

ANNUAL

REPORT

AND

ACCOUNTS

98

EAST AFRICAN Standard

CONTENTS

KTN

THE STANDARD NEWSPAPERS GROUP LIMITED AND SUBSIDIARIES

(Clockwise from top left)

Chairman - Mark Too ,Directors - D.J. Davies, R.S.Holt, J. Kaleli, W. Wachira, R.Sewell, A. Macaulay, I.T. Fernandes

NOTICE OF MEETING

The Eighty First Annual General Meeting of The Standard Newspapers Group Limited will be held at the Norfolk Hotel, Harry Thuku Road, Nairobi on 24th June 1999 at 11.45 a.m. to transact the following business:-

AGENDA

1. To confirm the minutes of the last Annual General Meeting held on 30th April 1998.
2. Matters Arising Therefrom.
3. To receive and consider the Accounts for the year ended 30th September 1998 with reports of the Chairman and the Directors, and the Auditors thereon.
4. To approve payment of a first and final dividend to the ordinary shareholders in respect of the year ended 30th September, 1998.
5. To approve payment of dividend to the holders of 8% Preference Shares for the year ended 30th September 1998.
6. To re-elect Directors, and approve their remuneration for the year ended 30th September 1998. In accordance with Articles 69 of the Company's Articles of Association, Mr R S Holt and Mr R Sewell retire by rotation and being eligible offer themselves for re-election. In accordance with Article 75, Mr I Fernandes and W Waruru were appointed to the Board by the Directors during the year.
7. To note that the present auditors, Peat Marwick, will continue in office in accordance with Section 59(2) of the Companies Act, and to authorise the Directors to fix the remuneration of the Auditors.

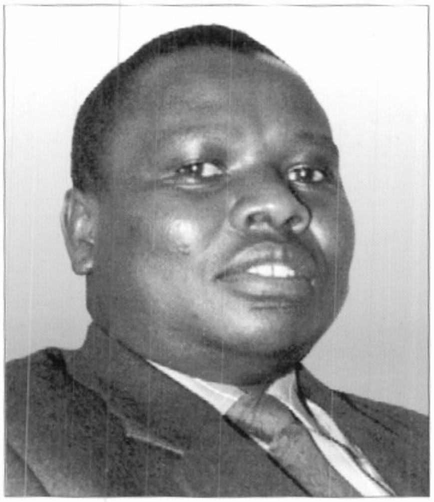
By order of the Board

PETER KEMEI

COMPANY SECRETARY

Note: A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. If the member is a corporation, the proxy shall be appointed in accordance with Articles of the Company or represented in accordance with Article. Such a proxy need not be a member.

A proxy form is attached herewith, and if used, shall be deposited with the Secretary of the Company not later than 48 hours before the time appointed for holding the meeting.



The year ended September, 1998 saw a sharp decline in the Group's profit position in comparison to the two previous years when the Group experienced good growth.

Turnover in the year increased to Kshs 974,152,000, an increase of nearly 19%. This figure however includes five months turnover for Baraza Ltd and Turnover on the Newspaper and P.D.S division only increased by 10% while cost of sales and expenditures increased by a higher proportion, primarily due to the rise in Newsprint costs and staff salaries.

Increased competition, combined with the effects of the poor state of the economy have had the effect of depressing revenues from Advertising sales, and while we have seen a growth in Newspaper sales during the year, this growth has been lower than earlier anticipated.

Trading in our Publishers Distribution Services division, which distributes selected overseas Newspapers and Periodicals, has been affected by the reduction in the number of Tourists coming to Kenya. While the division remains profitable, Turnover and profit levels have declined this year.

As reported in my last year's statement, the Group purchased the Kenya Television Network Limited in December, 1997. By May, 1998 it became clear that the company Kenya Television Network Limited was burdened with substantial unrecorded liabilities and claims. In order to safeguard our investment, the Board decided to place Kenya Television Network Limited under receivership. The Group, holding a debenture over all the companies assets, appointed Mr A. D. Gregory and Mr P. C. G. Appleton joint receivers on 5th May, 1995. Meanwhile Baraza Limited has taken over the running of the Television Station under the trade name K.T.N.

While the programming and news presentation on the Television Station has improved tremendously, revenues from Advertising sales are still insufficient to cover the station's operating costs. The main obstacle to improving Advertising sales continues to be the restricted reach of the Television Station which broadcasts in Nairobi only. Your Board is therefore committed to extending the reach of Station countrywide during 1999.

In view of the Group's financial position and the prevailing economic conditions facing the Kenyan economy, your Board has decided to recommend a greatly reduced dividend of only 10 cents per ordinary share this year.

In conclusion the Board wishes to express its thanks to the staff for their efforts during this difficult period and for the support of its many shareholders.

MARK TOO
CHAIRMAN.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the year ended 30 September 1998.

1. Group results

The trading profit of the Group before taxation was KShs 1,388,000 (1997 - KShs 44,936,000). After accounting for taxation the loss attributable to shareholders amounted to KShs 2,696,000 (1997 - profit of KShs 34,165,000).

2. Dividend

The Directors recommend the payment of a dividend of KShs 1,283,226 (1997 - KShs.8,561,000).

3. Bonus issue

A bonus issue of one fully paid ordinary share for every two ordinary shares held was made in the year.

4. Directors

The directors of the Board since 1 October 1997 have been:-

M. K. Too	
R. Sewell*	
R. S. Holt*	
D. J. Davies	
J. Kaleli	
P. R. Welham*	(Resigned 21 October 1998)
A. Macauley*	
I. Fernandes	(Appointed 4 May 1998)
W. Waruru	(Appointed 19 October 1998)

*British

5. Auditors

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

6. Approval of Accounts

The accounts were approved at a meeting of the Directors held on 15th March 1999.

BY ORDER OF THE BOARD

Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
THE STANDARD NEWSPAPERS GROUP LIMITED

We have audited the financial statements set out on pages 4 to 12 which have been prepared on the basis of the accounting policies set out in Note 1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and to provide a reasonable basis for our opinion. The financial statements of the company are in agreement with the books of account.

Under the provisions of the Companies Act, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company and the Group and the operating results of the Group. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

We conducted our audit in accordance with Kenyan Auditing Standards. Those Standards require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the company and of the Group at 30 September 1998 and of the operating results and cash flows of the Group for the year then ended in accordance with Kenyan Accounting Standards and comply with the requirements of the Companies Act.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 40612,
NAIROBI.

Date: 15th March 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1998

	Note	1998 KSh '000	1997 KSh '000
TURNOVER		**974,152**	820,332
PROFIT BEFORE TAXATION	**2**	**1,388**	44,936
TAXATION	**3**	**(4,084)**	(10,771)
(LOSS)/PROFIT AFTER TAXATION		**(2,696)**	34,165
DIVIDENDS		**(1,283)**	(8,561)
(LOSS)/PROFIT RETAINED FOR THE YEAR		**(3,979)**	25,604
(LOSS)/EARNINGS PER ORDINARY SHARE	**4**	**KSh (0.21)**	KSh 4.00

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

BALANCE SHEET

AT 30 SEPTEMBER 1998

		Group		Company	
		1998	1997	**1998**	1997
	Note	**KSh '000**	KSh '000	**KSh '000**	KSh '000
FIXED ASSETS	5	**94,702**	88,469	**-**	-
INVESTMENTS	6	**100,020**	20	**100,020**	20
SUBSIDIARIES	7	**-**	-	**51,449**	96,292
		194,722	88,489	**151,469**	96,312
CURRENT ASSETS					
Stocks	8	**42,789**	41,322	**-**	-
Debtors		**230,508**	144,732	**18,962**	17,023
Bank balances and cash		**22,072**	21,159	**1,964**	576
		295,369	207,213	**20,926**	17,599
CURRENT LIABILITIES	9	**296,567**	174,081	**22,076**	20,227
NET CURRENT (LIABILITIES)/ASSETS		**(1,198)**	33,132	**(1,150)**	(2,628)
		193,524	121,621	**150,319**	93,684
CAPITAL AND RESERVES					
Share capital	10	**64,152**	42,802	**64,152**	42,802
Share premium account	11	**-**	2,380	-	2,380
Profit and loss account	11	**27,095**	50,044	**26,167**	48,502
SHAREHOLDERS FUNDS		**91,247**	95,226	**90,319**	93,684
BANK LOAN	13	**60,000**	-	**60,000**	-
UNSECURED LOAN	14	**42,277**	26,395	-	-
		193,524	121,621	**150,319**	93,684

Directors

The notes on pages 10 to 15 form part of these accounts.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 1998

	Note	1998 KSh '000	1997 KSh '000
Net cash inflow from operating activities	15(a)	**79,185**	70,109
Returns on investments and servicing of finance			
Interest paid		**(26,456)**	(14,017)
Dividends paid		**(8,561)**	(8,561)
Interest receivable		**2,464**	2,792
Net cash outflow from returns on investments and servicing of finance		**(32,553)**	(19,786)
Taxation			
Tax paid		**(20,000)**	-
Investing activities			
Acquisition of Kenya Television Network Limited		**(100,000)**	-
Purchase of fixed assets		**(28,570)**	(34,399)
Proceeds from sale of fixed assets		**2,156**	915
Net cash outflow from investing activities		**(126,414)**	(33,484)
Financing activities			
Loan obtained from Transnational Bank Limited on acquisition of Kenya Television Network Limited		**60,000**	-
Loan obtained from Oakside Limited		**15,882**	-
Secured loan repayment		**(421)**	(4,998)
Net cash inflow/(outflow) from financing activities		**75,461**	(4,998)
Net cash (outflow)/inflow in the year		**(24,321)**	11,841
Net (decrease)/increase in cash in the year	15(b)	**(24,321)**	11,841

The notes on pages 10 to 15 form part of these accounts.

1. ACCOUNTING POLICIES

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

a) Disclosure requirements/consolidation

The accounts are prepared in compliance with section 147 to 163 of the Companies Act and the Sixth Schedule thereto.

The consolidated accounts include the accounts of the company and its subsidiaries made up to 30 September 1998.

The principal subsidiaries of the company are shown on Page 12.

b) Basis of accounting

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

c) Depreciation

Depreciation is calculated on a straight line basis at the following rates per annum estimated to write off carrying values of the assets over their expected useful lives:-

Furniture and fittings	10%
Plant and machinery	10% - 20%
Motor vehicles	16.67%

d) Stock

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

e) Foreign currencies

Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. 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) Taxation

Current taxation is provided on the results shown in the accounts adjusted in accordance with tax regulation.

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. The provision is determined using the liability method.

2. PROFIT BEFORE TAXATION

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

	1998 **KSh '000**	1997 KSh '000
Depreciation	**21,425**	17,918
Directors' remuneration		
- Fees	**2,010**	1,200
- Other emoluments	**21,910**	17,601
Auditors' remuneration	**1,750**	1,525
Net interest payable	**23,992**	11,225
Profit on sale of fixed assets	**(1,244)**	(893)

3. TAXATION

a) Charge for the year at 32.5% (1997 - 35%) based on adjusted taxable profit

	1998 KSh '000	1997 KSh '000
	4,084	10,771

b) No credit has been taken in these accounts for tax relief that will accrue in future years from unrelieved tax losses in the holding company and two of its subsidiaries amounting to KSh 6,090,972 (1997 - KSh 5,636,200).

c) No provision has been made in these accounts for tax liability that will accrue in future years from the excess of book values at 30 September 1998 over the corresponding tax written down values of the assets concerned. At existing tax rates, such tax liability amounts to KSh. 5,517,797 (1997 - KSh. 6,869,741).

4. EARNINGS PER ORDINARY SHARE

Earnings per share is calculated by reference to the profit after tax and the number of issued ordinary shares at the end of the year.

5. FIXED ASSETS -Group

	Plant and Machinery KSh '000	Motor Vehicles KSh '000	Furniture and Fittings KSh '000	Total KSh '000
Cost:				
At 1 October 1997	122,820	29,264	20,772	172,856
Additions	22,430	710	5,430	28,570
Disposals	-	(3,176)	-	(3,176)
At 30 September 1998	145,250	26,798	26,202	198,250
Depreciation:				
At 1 October 1997	62,727	10,372	11,288	84,387
Charge for the year	15,523	4,225	1,677	21,425
Disposals	-	(2,264)	-	(2,264)
At 30 September 1998	78,250	12,333	12,965	103,548
Net book value:				
At 30 September 1998	**67,000**	**14,465**	**13,237**	**94,702**
At 30 September 1997	**60,093**	**18,892**	**9,484**	**88,469**

6. INVESTMENTS

Group and company:-

	1998 KSh '000	1997 KSh '000
At cost - KTN Limited	**100,000**	-
At cost - Chancery Security Limited	**20**	
	100,020	20

During the year The Standard Newspapers Group Limited acquired 100% share holding in Kenya Television Network Limited for a consideration of KSh.100 million. Subsidiary treatment including consolidation has not been adopted as the directors are of the opinion that this would involve expense out of proportion to the value to the members of the company.

The investment is stated at cost since the directors are of the opinion that any diminution in value would be of temporary nature.

7. SUBSIDIARIES
Company:-

	1998 KSh '000	1997 KSh '000
Shares at cost or valuation	**3,580**	3,580
Amounts due from own subsidiaries	**51,594**	96,437
Provisions against amounts due from own subsidiaries	**(3,725)**	(3,725)
	51,449	96,292

8. STOCKS
Group
Stock comprises:-

	1998 KSh '000	1997 KSh '000
Raw materials	**8,080**	23,174
Consumable stores	**12,586**	14,150
Goods in transit	**12,680**	2,079
Stocks for resale	**9,443**	1,919
	42,789	41,322

9. CURRENT LIABILITIES

	Group		**Company**	
	1998 KSh '000	1997 KSh '000	**1998 KSh '000**	1997 KSh '000
Due within one year:-				
Bank overdraft	**51,762**	26,528	-	-
Creditors	**248,667**	127,800	**20,793**	11,666
Taxation	**(5,145)**	10,771	-	-
Dividend payable	**1,283**	8,561	**1,283**	8,561
Term loans	-	421	-	-
	296,567	174,081	**22,076**	20,227
Liabilities				
Secured		421	-	-
Unsecured	**296,567**	173,660	**22,076**	20,227

10. SHARE CAPITAL

	1998 KSh '000	1997 KSh '000
Authorised		
19,979,600 (1997 - 9,979,600) Ordinary shares of KSh.5 each	**99,898**	49,898
20,400 Preferred Ordinary shares of KSh.5 each	**102**	102
	100,000	50,000
Issued and fully paid		
12,811,859 (1997 - 8,541,239) Ordinary shares of KSh.5 each	**64,050**	42,700
20,400 Preferred Ordinary shares of KSh.5 each	**102**	102
	64,152	42,802

11. RESERVES

	Share premium KSh '000	Profit and loss account KSh '000	Total KSh '000
Group:-			
At 1 October 1997	2,380	50,044	**52,424**
Utilised on bonus issue	(2,380)	(18,970)	**(21,350)**
Loss retained for the year	-	(3,979)	**(3,979)**
At 30 September 1998	-	27,095	**27,095**
Company:-			
At 1 October 1997	2,380	48,502	**50,882**
Utilised on bonus issue	(2,380)	(18,970)	**(21,350)**
Loss retained for the year	-	(3,365)	**(3,365)**
30 September 1998	-	26,167	**26,167**

12. SECURED LOANS/OVERDRAFT

These relate to borrowings from Kenya Commercial Bank Limited Group.

The borrowings are secured by a debenture over all the assets of The Standard Newspapers Group Limited stamped for KSh.75.32 million and a legal charge of KSh.40 million over LR.21277.

The balances outstanding on loans are as follows:-

	1998 KSh '000	1997 KSh '000
Kenya Commercial Finance Company Limited	-	421

13. BANK LOAN

Bank loan represents a loan advanced by Transnational Bank Limited of KShs 60 million made to the company on acquisition of KTN Limited. The loan has no fixed repayment terms.

14. UNSECURED LOAN

	1998	1997
	KSh '000	KSh '000
Due to:-		
Oakside Limited (UK)	**42,277**	26,395

The loan has no fixed repayment date.

15 NOTES TO THE CASH FLOW STATEMENT

a) **Reconciliation of net profit before tax to net cash inflow from operating activities**

	1998	1997
	KSh '000	KSh '000
Net profit before taxation	**1,388**	44,936
Depreciation	**21,425**	17,918
Profit on sale of fixed assets	**(1,244)**	(893)
Interest paid	**26,456**	14,017
Interest receivable	**(2,464)**	(2,792)
(Increase)Decrease in stocks	**(1,467)**	7,598
Increase in debtors	**(85,776)**	(28,415)
Increase in creditors	**120,867**	17,740
Net cash flow from operating activities	**79,185**	70,109

b) **Cash and bank balances**

	1998	1997	Change in the year
	KSh '000	KSh '000	KSh '000
Bank balances and cash	**22,072**	21,159	913
Bank overdraft	**(51,762)**	(26,528)	(25,234)
	(29,690)	(5,369)	(24,321)

16. PRINCIPAL SUBSIDIARIES

During the year, the following companies contributed to the assets and results of the Group, with the main activities as described.
The beneficial interest shown below represents the percentage of net profit or loss for the year ended 30 September 1998 attributable to the shareholders of Standard Newspapers Group Limited.

Subsidiary	**Beneficial Interest %**	**Principal Activity**
The Standard Limited	100	Publishers of "The East African Standard" and "The Standard on Sunday" newspapers and distribution of selected local and overseas newspapers, magazines and periodicals
Baraza Limited	100	Broadcasting of a TV station in the name of KTN

17 Statement required to be made by virtue of the provisions of paragraph 15 of the Sixth Schedule to the Companies Act:-

a) Group accounts have not incorporated Kenya Television Network Ltd (KTN) a wholly owned subsidiary acquired in year since the directors are of the opinion that this would involve expense out of proportion to the value to the members of the company.

b) Net aggregate amounts of losses of the subsidiary, so far as they concern members of the company:-

	This Year KSh '000	Previous Year KSh '000	Total KSh '000
Not dealt with in the accounts	(28,295)	N/A	(28,295)

18 OTHER LIABILITIES

Contingent liabilities

A civil case filed against The Standard Limited in August 1995 in the High Court of Kenya claiming a substantial amount in aggravated damages for defamation, has not yet been listed for hearing and consequently any amount that may be awarded cannot be estimated with reasonable accuracy.

19 CURRENCY

The accounts are presented in Kenya Shillings (KShs).

PROXY FORM

I/We ____

of ______________________________________ being a member(s) of the

above-named Company appoint ______________________________

of ____ or failing him

______________________ of ______________________

to vote for me/us on my/our behalf at the eighty first Annual General Meeting of the said Company, to be held at 11.45 a.m. on Thursday, 24th June 1999 and at any adjournment thereof.

Signed ______________________

________ day of __________ 1999

Signature ______________________

A Member entitled to attend and vote at this meeting to appoint a Proxy who need not be a member.

N.B.- This Form of Proxy must be deposited at the Registered Office, Likoni Road, P.O. Box 118554, Nairobi, not less than 48 hours before the appointment time for the holding of the meeting.