STANDARD NEWSPAPERS GROUP LIMITED AND SUBSIDIARIES

ANNUAL REPORT AND ACCOUNTS 1999

19/6/00

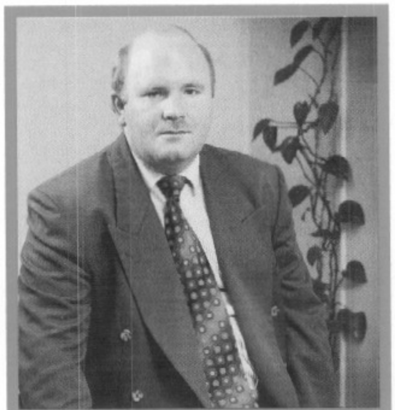
EAST AFRICAN Standard

KTN

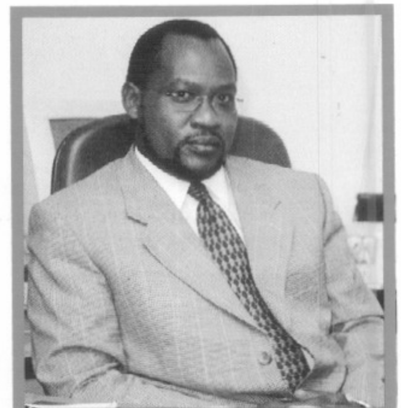
EAST AFRICAN Standard

KTN

Mark Too - Chairman

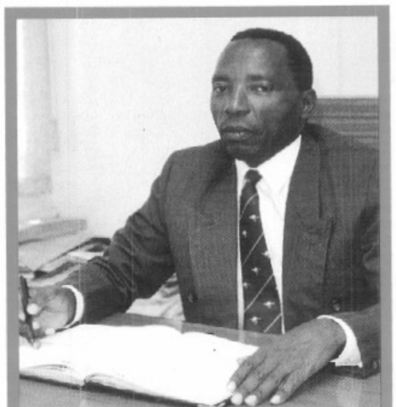


David Davies

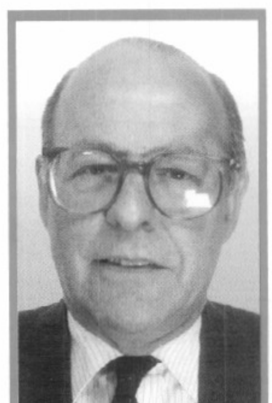


Wachira Waruru

Ian Fernandes



Jeremy Kaleli



Andrew Macauley

Robin Sewell

The Eighty Second Annual General Meeting of The Standard Newspapers Group Limited will be held at the Norfolk Hotel, Harry Thuku Road, Nairobi on 29th June, 2000 at 11.45 a.m to transact the following business:-

AGENDA

1. To confirm the minutes of the last Annual General Meeting held on 24th June, 1999.

2. Matters Arising Therefrom.

3. To receive and consider the Accounts for the year ended 30th September, 1999 with reports of the Chairman and the Directors, and the Auditors thereon.

4. To approve payment of dividend to the holders of 8% Preference Shares for the year ended 30th September, 1999.

5. To re-elect Directors, and approve their remuneration for the year ended 30th September, 1999. In accordance with Articles 69 of the Company's Articles of Association, Mr Wachira Waruru and Mr Ian Fernandes retire by rotation and being eligible offer themselves for re-election.

6. To note that the present auditors, Peat Marwick, will continue in office in accordance with Section 159(2) of the Company Act, and to authorise the Directors to fix the remuneration of the Auditors.

Special Business

7. To consider and if thought fit pass the following resolution:

It was resolved unanimously that the memorandum and Articles of Association of The Standard Newspapers Group Ltd be amended adding to the existing objectives of the Memorandum of the Company the following:-

- To establish, manage and maintain radio and television receiving and transmitting stations, and to produce broadcasting and disseminate programmes and entertainment by sound or television and to acquire, control and operate such property, assets, installations, equipment and machinery of all kinds for the reproduction, broadcast or display of sounds and visual images.
- To employ persons to write, compose, adapt or arrange plays, cinematograph and moving picture sketches, songs, music, dances and to enter into agreements with authors, composers and lyric writers for the production and writing of any musical, dramatic and entertainment programmes in Kenya or in any part of the world.
- To carry on business as distributors of, buyers, sellers, merchants and dealers in cinematograph films, records, tapes and all other apparatus for recording events by means of sight and sound and all rights to produce, distribute or exhibit any show, entertainment or event by means of films, records or such other apparatus aforesaid
- To acquire whether by purchase, exchange, lease, building or otherwise any land or building in on or from which or in relation to which any production event happening or occurrence suitable or likely to be suitable for forming a television programme or any part of a programme.
- To carry on the business of internet services provider, web page designers and computer consultants, including the preparation of customised computer programs, commercial software packages, training materials including manuals, pamphlets and books, providing computer repair services, installation of hardware and software, procurement of hardware and software, import and export of computer hardware and software, equipment and peripherals, offering training in the use of computers, computer packages and activities related directly or indirectly to the computer, including but not limited to word processing, computer programming, spreadsheet programs, typing and secretarial activities, statistical programs, database programs, graphics programs, networking, telecommunication.
- To obtain all necessary permits or licences required for the purpose of enabling the Company to carry on its said business upon such terms and conditions as may be acceptable to it.

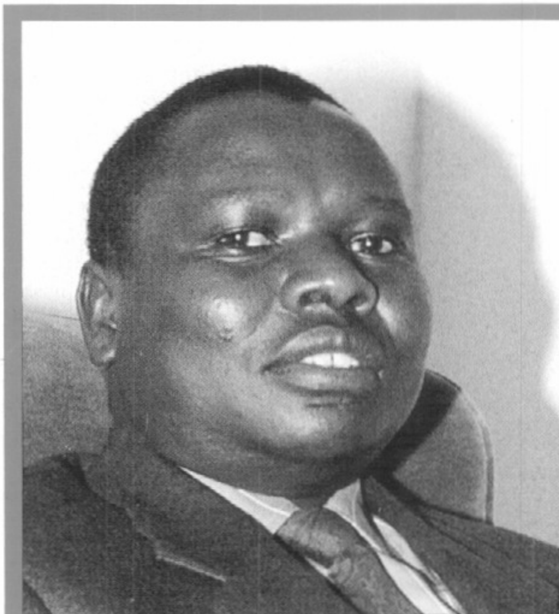
By order of the Board

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 enclosed 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 1999 was particularly difficult for both the Group's principal subsidiaries. Significant losses were incurred at both The Standard Limited and Baraza Limited. This was as a result of the sharp decline in the Kenyan economy combined with the effects of a 25% devaluation of the Kenya Shilling, high interest rates and increased competition in both the Print and Electronic Media.

Turnover in the year increased to KShs. 1,114 million, an increase of over 14%. However, this increase was mainly due to the inclusion of the full year results of Baraza Limited (1998 — five months).

A marginal drop in daily newspaper sales combined with the effect of depressed advertising revenues had an adverse effect on The Standard Limited's profitability. The devaluation of the Kenya Shilling against major world currencies increased newsprint and process material costs by as much as 25% in the second half of the year. The Newspaper also restructured its editorial department so as to improve efficiency and editorial content at a cost of KShs. 14 million, by way of retirement benefits. A further KShs. 26 million was provided against potential bad debts reflecting the state of the economy and its effect on the business.

The company's P.D.S division maintained profitability albeit at reduced levels. The virtual collapse of the country's tourism sector resulted in depressed sales, while the decline in the value of the Kenya shilling increased operating costs.

As reported in my last year's statement, the restricted reach of KTN's broadcasts has proved a major obstacle in improving advertising sales. This, along with the effects of the declining economy and increased competition, has meant that advertising revenue has been insufficient to cover the station operating costs, resulting in significant losses being incurred. This situation has continued into the new financial year.

I am happy to report that your Board has now accepted a proposal to invite a third party to bring in the necessary investment to enable us expand the reach of KTN's broadcasts over most of Kenya. In return, the investing party will take up a 49% share holding in Baraza Limited, which operates KTN. We anticipate that KTN's reach will include Mombasa, Central Kenya and parts of Rift Valley by the end of August 2000. We shall then extend into the rest of Rift Valley, Western and Nyanza provinces by December 2000.

We are confident that with this expansion, the advertising revenues at Baraza Limited will increase significantly and should see the Company return to profitability in the coming year.

In view of the Group's financial position and the loss for the year, your Board does not recommend a dividend for the year.

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

MARK TOO
CHAIRMAN

The directors submit their report together with the audited accounts for the year ended 30 September 1999.

1. Group results

The trading loss of the Group before taxation was KShs 120,571,000 (1998 - profit of KShs 1,388,000). After accounting for taxation the loss attributable to shareholders amounted to KShs 120,571,000 (1998 - KShs 2,696,000).

2. Dividend

The directors do not recommend the payment of a dividend (1998- KShs.1,283,226).

3. Directors

The directors of the company since 1 October 1998 have been:-

Mark Too	(Chairman)
David Davies	(Managing)
Robin Sewell*	
Jeremy Kaleli	
Andrew Macauley*	
Ian Fernandes	
Wachira Waruru	(Appointed 19 October 1998)
Bob Holt*	(Resigned 24 May 1999)

*British

4. Auditors

The auditors, KPMG 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 31 March 2000

BY ORDER OF THE BOARD

Director

Date: 31 March 2000

We have audited the financial statements set out on pages 7 to 16 which have been prepared on the basis of the accounting policies set out in Note 2. 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 balance sheet of the company is in agreement with the books of account.

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.

Note 1 refers to restructuring discussions that are in progress. On the basis that these discussions are successfully concluded, the directors have prepared these accounts on a going concern basis. Consequently the financial statements do not include adjustments, if any, that might be necessary to reduce the carrying value of assets to their realisable amounts, to provide for any further liabilities which might arise or to reclassify fixed assets and long term liabilities as current, should these negotiations not be concluded successfully and the going concern basis not be appropriate.

Subject to any adjustments that might be necessary resulting from the going concern basis being inappropriate, 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 group as at 30 September 1999 and of the 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: 31 March 2000

FOR THE YEAR ENDED 30 SEPTEMBER 1999

	Note	**1999 KShs'000**	1998 KShs'000
TURNOVER		**1,113,720**	974,152
(LOSS)/PROFIT BEFORE TAXATION	**3**	**(120,571)**	1,388
TAXATION	**4**	**-**	(4,084)
LOSS AFTER TAXATION		**(120,571)**	(2,696)
DIVIDENDS		**-**	(1,283)
LOSS RETAINED FOR THE YEAR	**12**	**(120,571)**	(3,979)
LOSS PER ORDINARY SHARE	**5**	**KSh (9.40)**	KShs(0.21)

The notes on pages 10 to 16 form part of these accounts.

AT 30 SEPTEMBER 1999

		Group		Company	
		1999	1998	**1999**	1998
	Note	**KShs'000**	KShs'000	**KShs'000**	KShs'000
FIXED ASSETS	6	**94,758**	94,702	-	-
INVESTMENTS	7	**100,020**	100,020	**100,020**	100,020
SUBSIDIARIES	8	**-**	-	**62,296**	51,449
		194,778	194,722	**162,316**	151,469
CURRENT ASSETS					
Stocks	9	**75,374**	42,789	**-**	-
Debtors		**288,823**	230,508	**16,151**	18,962
Bank balances and cash		**9,649**	22,072	**1,853**	1,964
Taxation		**5,155**	5,145	**-**	-
		379,001	300,514	**18,004**	20,926
CURRENT LIABILITIES	10	**440,062**	301,712	**20,448**	22,076
NET CURRENT LIABILITIES		**(61,061)**	(1,198)	**(2,444)**	(1,150)
		133,717	193,524	**159,872**	150,319
CAPITAL AND RESERVES					
Share capital	11	**64,152**	64,152	**64,152**	64,152
Profit and loss account	12	**(93,476)**	27,095	**25,720**	26,167
SHAREHOLDERS FUNDS		**(29,324)**	91,247	**89,872**	90,319
BANK LOAN	13	**70,000**	60,000	**70,000**	60,000
UNSECURED LOAN	14	**93,041**	42,277	**-**	-
		133,717	193,524	**159,872**	150,319

Directors

The notes on pages 10 to 16 form part of these accounts.

FOR THE YEAR ENDED 30 SEPTEMBER 1999

	Note	1999	1998
	Note	**KShs'000**	KShs'000
Net cash (outflow)/inflow from operating activities	15(a)	**(7,028)**	79,185
Returns on investments and servicing of finance			
Interest paid		**(51,411)**	(26,456)
Dividends paid		**(1,283)**	(8,561)
Interest receivable		**2,044**	2,464
Net cash outflow from returns on investments and servicing of finance		**(50,650)**	(32,553)
Tax paid		**(10)**	(20,000)
Investing activities			
Acquisition Kenya Television Network Limited		**-**	(100,000)
Purchase of fixed assets		**(24,868)**	(28,570)
Proceeds from sale of fixed assets		**1,514**	2,156
Net cash outflow from investing activities		**(23,354)**	(126,414)
Financing activities			
Loan obtained from Transnational Bank Limited		**10,000**	60,000
Third party loans		**50,764**	15,882
Secured loan repayment		**-**	(421)
Net cash inflow from financing activities		**60,764**	75,461
Net cash outflow in the year	15(b)	**(20,278)**	(24,321)

The notes on pages 10 to 16 form part of these accounts.

1. RESTRUCTURING

The group's performance has deteriorated substantially, which has eroded the shareholders' funds and has borrowed heavily to finance its operations. As a result, the directors have embarked on discussions with other investors with a view to restructuring the group's equity base. Negotiations are at an advanced stage with these investors to inject KShs 160 million for a 49 % interest in Baraza Limited. To-date, KShs 80 million has been received in this regard.

2. 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 1999. The principal subsidiaries of the company are shown on Page 16.

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. Cost includes all costs of purchase and other costs incurred in bringing the stocks to their present location and condition.

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.

3. (LOSS)/PROFIT BEFORE TAXATION

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

	1999	1998
	KShs'000	KShs'000
Depreciation	**24,121**	21,425
Directors' remuneration		
- Fees	**2,010**	2,010
- Other emoluments	**23,297**	21,910
Auditors' remuneration	**2,250**	1,750
Net interest payable	**49,367**	23,992
Profit on sale of fixed assets	**(823)**	(1,244)

4. TAXATION

	1999	1998
a) Charge for the year at 32.5%		
based on adjusted taxable (loss)/profit	**KShs'000**	KShs'000
	-	4,084

b) No credit has been taken in these accounts for a deferred tax asset that will accrue in future years from the unrelieved tax losses and the excess of book values at 30 September, 1999 over the written down values of assets concerned. At existing tax rates, such deferred tax asset amounts to KShs.29,699,610 (1998 - liability of KShs 5,517,797).

5. LOSS PER ORDINARY SHARE

Basic loss per share

The calculation of basic loss per share is based on:	**1999**	1998
Loss attributable to ordinary shareholders - KShs'000	**(120,571)**	(2,696)
Number of ordinary shares in issue during the year	**12,832,259**	12,832,259

6. FIXED ASSETS

Group

	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture and fittings KShs'000	Total KShs'000
Cost:				
At 1 October 1998	145,250	26,798	26,202	198,250
Additions	7,839	9,558	7,471	24,868
Disposals	(11)	(3,197)	(91)	(3,299)
At 30 September 1999	153,078	33,159	33,582	219,819
Depreciation:				
At 1 October 1998	78,250	12,333	12,965	103,548
Charge for the year	16,390	4,808	2,923	24,121
Disposals	(11)	(2,587)	(10)	(2,608)
At 30 September 1999	94,629	14,554	15,878	125,061
Net book value:				
At 30 September 1999	**58,449**	**18,605**	**17,704**	**94,758**
At 30 September 1998	**67,000**	**14,465**	**13,237**	**94,702**

7. INVESTMENTS

Group and company:-

	1999 KShs'000	1998 KShs'000
At cost KTN Limited (in receivership)	**100,000**	100,000
At cost - Chancery Security Limited	**20**	20
	100,020	100,020

The Standard Newspapers Group Limited acquired 100% share holding in Kenya Television Network Limited in 1998 for a consideration of KShs.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.

8. SUBSIDIARIES

Company:-

	1999 KShs'000	1998 KShs'000
Shares at cost or valuation	**3,580**	3,580
Amounts due from own subsidiaries	**62,441**	51,594
Provisions against amounts due from own subsidiaries	**(3,725)**	(3,725)
	62,296	**51,449**

9. STOCKS

Group

Stock comprises:-

	1999 KShs'000	1998 KShs'000
Raw materials	**20,296**	8,080
Consumable stores	**15,406**	12,586
Goods in transit	**23,737**	12,680
Stocks for resale	**15,935**	9,443
	75,374	**42,789**

10. CURRENT LIABILITIES

	Group		Company	
	1999 KShs'000	1998 KShs'000	1999 KShs'000	1998 KShs'000
Due within one year:-				
Bank overdraft	**59,617**	51,762	-	-
Creditors	**380,445**	248,667	**20,448**	20,793
Dividend payable	-	1,283	-	1,283
	440,062	**301,712**	**20,448**	**22,076**

11. SHARE CAPITAL

	1999 KShs'000	1998 KShs'000
Authorised		
19,979,600 Ordinary shares of KSh.5 each	**99,898**	99,898
20,400 Preferred Ordinary shares of KSh.5 each	**102**	102
	100,000	**100,000**
Issued and fully paid		
12,811,859 Ordinary shares of KSh.5 each	**64,050**	64,050
20,400 Preferred Ordinary shares of KSh.5 each	**102**	102
	64,152	**64,152**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the company.

12. RESERVES

	Profit and loss account KShs'000	Total KShs'000
Group:-		
At 1 October 1998	**27,095**	27,095
Loss retained for the year	**(120,571**	(120,571)
At 30 September 1999	**(93,476)**	**(93,476)**
Company:-		
At 1 October 1998	**26,167**	26,167
Loss retained for the year	**(447)**	(447)
30 September 1999	**25,720**	**25,720**

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 and a further KShs 10 million to finance working capital.

The loan has no fixed repayment terms.

14. UNSECURED LOAN

	1999 KShs'000	1998 KShs'000
Due to:-		
Third parties	**93,041**	**42,277**

The loans have no fixed repayment date.

15. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of net (loss)/profit before tax to net cash (outflow)/inflow from operating activities

	1999 KShs'000	1998 KShs'000
Net (loss)/profit before taxation	**(120,571)**	1,388
Depreciation	**24,121**	21,425
Profit on sale of fixed assets	**(823)**	(1,244)
Interest paid	**51,411**	26,456
Interest receivable	**(2,044)**	(2,464)
Increase in stocks	**(32,585)**	(1,467)
Increase in debtors	**(58,315)**	(85,776)
Increase in creditors	**131,778**	120,867
Net cash (outflow)/inflow from operating activities	**(7,028)**	**79,185**

b) Cash and bank balances

	1999 KShs'000	1998 KShs'000	Change in the year KShs'000
Bank balances and cash	**9,649**	22,072	(12,423)
Bank overdraft	**(59,617)**	(51,762)	(7,855)
	(49,968)	**(29,690)**	**(20,278)**

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 1999 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 in1998, 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 profit/(losses) of the subsidiary, so far as they concern members of the company:-

	This year KShs'000	Previous Year KShs'000	Total KShs'000
Not dealt with in the accounts	**5,926**	**(28,295)**	**(22,369)**

(Source: Un-audited management accounts).

18. CONTINGENT LIABILITIES

Litigation

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).