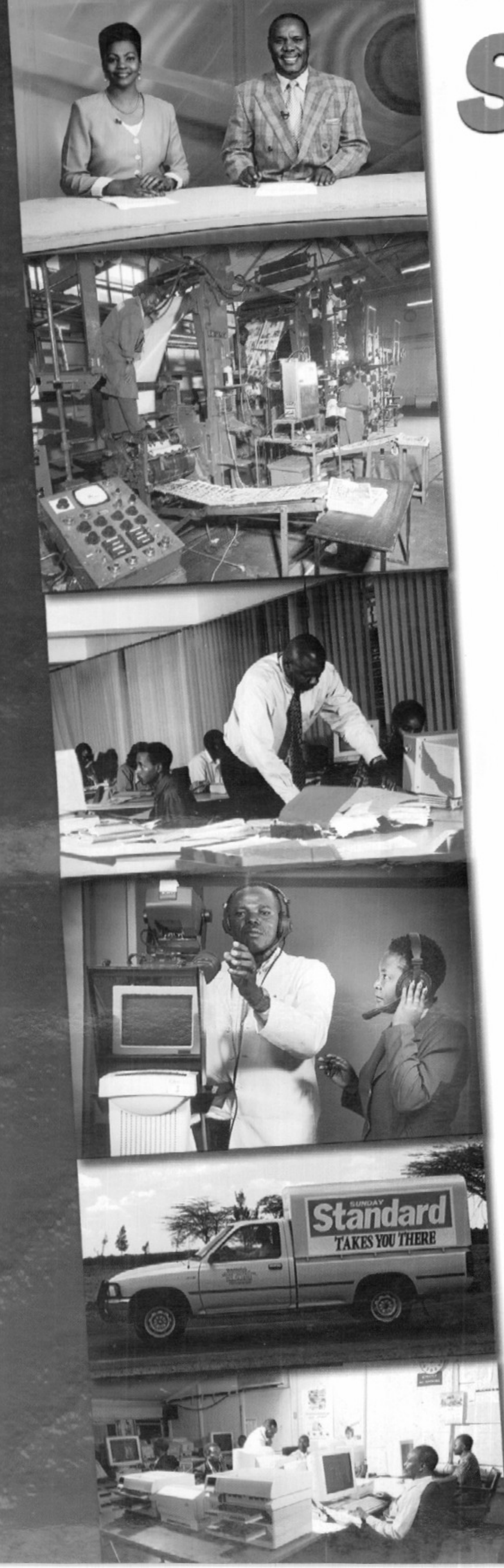
EAST AFRICAN
Standard



THE STANDARD NEWSPAPER GROUP ANNUAL REPORT AND ACCOUNTS 2000

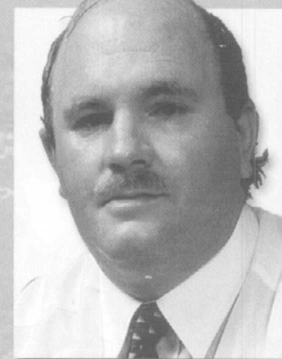
KTN
Your Channel...Your Choice

CONTENTS

DIRECTORS, OFFICES AND ADMINISTRATION

ROBIN SEWELL
(Appointed Chairman on 1 November 2000) (British)

M. K. Too
(Chairman) - Resigned
November 1, 2000



D. J. DAVIES
Managing Director

▪ SECRETARY

P. Kemei
8th floor, Transnational Plaza
P. O. Box 72133
Nairobi

▪ AUDITORS

KPMG Peat Marwick
Lonrho House, 16th Floor
Standard Street
P. O. Box 40612
Nairobi, Kenya

J. KALELI
Director

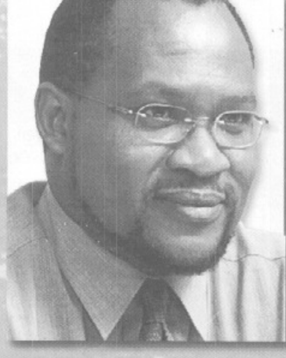
I. FERNANDES
Director

▪ ADVOCATES

Mohammed & Muigai Advocates
Hazina Towers
P. O. Box 61323
Nairobi

▪ REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

The Standard Newspapers Group Limited
Likoni Road
P. O. Box 30080
Nairobi



W. WARURU
Director

A. MACAULEY
Director (British)

▪ BANKERS

Kenya Commercial Bank Limited
Moi Avenue
P. O. Box 30081
Nairobi

NOTICE OF ANNUAL GENERAL MEETING

The Eighty Third Annual General Meeting of 'The Standard Newspapers Group Limited will be held at the Norfolk Hotel, Harry Thuku Road, Nairobi on Thursday 16th August 2001 at 11 .45 am to transact the following business:-

AGENDA

1. To confirm the minutes of the eighty second Annual General Meeting held on 22nd June, 2000
2. Matters Arising Therefrom
3. To receive and consider the Accounts for the year ended 30th September 2000 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 2000.
5. To re-elect Directors, and approve their remuneration for the year ended 30th September 2000. In accordance with Articles 69 of the Company's Articles of Association, Mr Andrew Macaulay and Mr Jeremy Kaleli retire by rotation and being eligible offer themselves for re-election.
6. To note that the present auditor Peat Marwick, will continue in office in accordance with Section 59(2) of the Companies Act. and to authorise the Directors to fix their remuneration.

Special Business

7. To consider and if thought fit pass the following resolutions as ordinary resolutions of the Company.

Resolution Number 1: Increase of Authorised Capital

Resolved by way of an Ordinary Resolution pursuant to Article 40 of the company's Article of Association that the authorised capital of the Company be increased from the present KShs. One hundred million (KShs. 100,000,000) to KShs. Five hundred and twenty million (KShs. 520,000,000) by the creation of eighty four million (84,000,000) new Ordinary Shares of a par value of KShs Five (KShs 5/-) each, ranking pari passu in all respects with the existing Ordinary Shares of the Company AND THAT the Company Secretary be and is hereby authorised to attend to all matters required to give effect to this resolution.

Resolution Number 2: Rights Issue

Resolved by way of an Ordinary Resolution that the Board of Directors be authorised to:

i) Apply on behalf of the Company to the Capital Markets Authority and the Nairobi Stock Exchange for the requisite approvals and permissions to:
   a) Offer to the shareholders of the Company the new Ordinary Shares in the Company by way of a rights issue subject to terms and conditions and at a price to be determined by the Board;
   b) Provide that all such rights to the existing Shareholders shall be renounceable in favour of any Shareholder or third party nominated by the renouncing Shareholder;
   c) Allow such rights to be traded on the Nairobi Stock Exchange and to have the said new Ordinary Shares listed on the Nairobi Stock Exchange.

ii) Subject to the foregoing approvals and permissions being obtained, to offer and issue a maximum of ninety one million (91,000,000) new Ordinary shares of a par value of Shillings Five (Shs 5/-) each by way of rights to holders of Ordinary shares of the Company on the register of members at the close of business on a date to be determined by the Board on such basis and at such price per share as shall be determined by the Board of Directors.

Provided that fractional entitlements shall be ignored and holders of Ordinary shares shall not be entitled to fractional Certificates or to payments in lieu thereof.

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.

For the benefit and information of all shareholders of the Company, CFC Financial Services Ltd., who are the Company's financial advisors on the proposed Rights Issue have agreed to give a presentation on the Rights Issue immediately after the official close of business of the Annual General Meeting. The Board recommends that shareholders take advantage of this opportunity to familiarise themselves with Rights Issues and what they entail. The presentation will include a question and answer session.

CHAIRMAN'S STATEMENT

During the year under review the Kenyan economy was devastated by the effects of the worst drought in more than 30 years.

Despite the Government's efforts, the country, which has a high dependence on hydro-electric power, was plunged into a power crisis resulting in industrial and domestic power rationing having to be introduced. This brought about economic decline in almost every sector of the economy.

These economic conditions severely affected the group's trading performance in the year to September 2000, with Baraza Limited which operates the television station "KTN" being most directly affected due to the imposition of domestic power rationing in the evenings.

Turnover for the Group in the year increased to KShs 1,119 million, an increase of only 0.4%. Sales volumes, however, fell both at The Standard and at Baraza Limited.

At the Standard Limited both Newspaper and Advertising sales volumes dropped, although a higher cover price year on year saw turnover increase over the 1999 level. Production costs rose sharply due to a 30% increase in world newsprint prices and the effect of an increase in duty rates by 5% later in the year. In addition, shortages of newsprint on the world market meant we were unable to source a constant supply of quality newsprint. This greatly affected the print quality of the newspaper in the second half of the year.

Cost control measures were successful in keeping overhead expenditure to within 1999 levels, however, bad debt provisions rose to KShs 43 million (1999 KShs 26 million) as the decline in the economy affected our debtors' abilities to meet their obligations.

Baraza Limited, which operates the television station "KTN", was directly affected by the power crisis as domestic power rationing at peak viewing hours was imposed in May 2000. This led to a drop in advertising revenues of nearly 50% during the period May to September 2000.

Our PDS Division, which distributes overseas publications, maintained profitability, although sales declined due to the downturn in the tourist trade in the country.

Shareholders will be aware that the group has found an investor to take up a 49% shareholding in Baraza Limited, in return for an investment of KShs 160 million. I am pleased to report that KShs 120 million of this investment has already been received, with the remaining KShs 40 million expected by July 2001. This investment enabled KTN to expand its broadcasts to Mombasa in September 2000 and Phase II of KTN's expansion to cover Central Kenya and Nakuru will be completed by the end of July 2001.

Further expansion to cover Kisumu and Eldoret is planned for the year 2001/2002.

The Standard's ageing 37-year-old press led to the newspaper experiencing "erratic" print quality. We have therefore recently acquired a modern printing press which is currently being installed and is expected to go into full production in July 2001.

This will greatly improve the print quality of the newspaper which in turn should attract more advertising revenues and increase efficiency, minimising late arrivals in the market, a problem which also hampered our newspaper sales efforts over the past year.

Negotiations with Trans National Bank Limited have been successfully concluded, reducing the debt owed to the bank from KShs 70 million to KShs 25 million. The resulting write-back of KShs 45 million will be taken in the financial year 2000/2001.

Recognising the investment requirements both at the Standard and Baraza Limited and showing their continued confidence in the long-term prospects of the group, the major shareholder, SNG Holdings Limited, has advanced KShs 156 million in loans to date. In view of the Group's financial position at the moment it is proposed to convert these loans into equity. It is therefore your Board's proposal to recommend a rights share issue which will be considered by shareholders at the company's annual general meeting on 26 July 2001. SNG Holdings Limited have indicated their willingness to convert these new loans into equity and take up their rights in such a share issue.

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

In conclusion, the Board wishes to express its thanks to its staff and shareholders for their support and patience during this difficult period and their confidence in the long term future of the Group.

ROBIN SEWELL
CHAIRMAN

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED SEPTEMBER 30, 2000

The directors have pleasure in submitting their report together with the audited accounts for the year ended September 30, 2000.

1. **Principal Activities**

   The principal activities of the group are the publishing of 'The East African Standard' and 'The Sunday Standard' newspapers, distribution of selected local and overseas newspapers, magazines and periodicals and television broadcasting under the trade name KTN.

2. **Group Results**

   The trading loss of the Group before taxation was Kshs 126,226,000 (1999 - Kshs 120,571,000).

3. **Dividends**

   The directors do not recommend the payment of a dividend (1999 - Nil).

4. **Directors**

   The directors who served during the year are set out on page 2.

5. **Auditors**

   The auditors, KPMG Peat Marwick will continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486).

6. **Approval of accounts**

   The accounts were approved at a meeting of the directors held on June 8th, 2001

BY ORDER OF THE BOARD

Secretary

Date: June 8, 2001

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group as at the end of the financial year and of the profit and loss of the group for that year. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Director:

Director:

Date: June 8, 2001

REPORT OF THE AUDITORS

TO THE MEMBERS OF THE STANDARD NEWSPAPERS GROUP LIMITED

We have audited the financial statements set out on pages 8 to 24 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.

As described on Page 6, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the group and of its operating results. 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 International Standards on Auditing. 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. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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.

Note 2(b) refers to departure from the requirements of International Accounting Standards Nos 12 and 27 relating to Deferred Tax and Accounting for Investments in Subsidiaries respectively.

Subject to any adjustments that might be necessary resulting from the going concern basis being inappropriate and also non-compliance with the requirements of the IAS 12 and 27 as noted above, 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 at September 30, 2000 and of the operating results and cash flows for the year then ended in accordance with International Accounting Standards and comply with the requirements of the Companies Act.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 40612,
NAIROBI.

Date: June 8, 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2000

	Notes	2000 KShs '000	1999 KShs '000
Turnover		**1,119,236**	**1,112,489**
Cost of sales		(509,631)	(508,175)
Gross profit		**609,605**	**604,314**
Other operating income	3	975	2,054
Operating costs	4	(680,688)	(670,651)
Loss from operations		**(70,108)**	**(64,283)**
Financing costs	5	(56,118)	(56,288)
Loss before tax	6	**(126,226)**	**(120,571)**
Income tax expense	8	-	-
Net Loss for the year		**(126,226)**	**(120,571)**
Basic Loss per share	9	**Kshs (9.84)**	**Kshs (9.40)**

The consolidated statement of profit and loss account is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 24.

BALANCE SHEETS
AT SEPTEMBER 30, 2000

	Note	Group 2000 KShs'000	Group 1999 KShs'000	Company 2000 KShs'000	Company 1999 KShs'000
ASSETS					
Non Current Assets					
Property, plant and equipment	10	115,983	94,758	-	-
Investments	11	20	20	20	20
Subsidiaries	12	100,000	100,000	165,826	162,296
		216,003	194,778	165,846	162,316
Current assets					
Stocks	13	47,699	75,374	-	-
Debtors	14	237,091	288,823	2,922	16,151
Taxation		5,419	5,155	-	-
Term deposits		30,939	-	-	-
Cash and Bank balances		14,527	9,649	1,825	1,853
		335,675	379,001	4,747	18,004
TOTAL ASSETS		551,678	573,779	170,593	180,320
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	15	64,152	64,152	64,152	64,152
Revenue Reserve	16	(219,702)	(93,476)	23,866	25,720
Shareholders funds		(155,550)	(29,324)	88,018	89,872
Non Current Liabilities					
Bank Loan	17	70,000	70,000	70,000	70,000
Unsecured Loan	18	197,347	93,041	-	-
		267,347	163,041	70,000	70,000
Current Liabilities					
Bank Overdraft	19	66,226	59,617	-	-
Creditors	20	368,221	375,011	7,141	15,014
Dividend payable		5,434	5,434	5,434	5,434
		439,881	440,062	12,575	20,448
TOTAL EQUITY & LIABILITIES		551,678	573,779	170,593	180,320

The accounts on pages 8 to 24 were approved by the Board of Directors on June 8th, 2001 and were signed on its behalf by:

Director: Director:

The balance sheets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 24.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2000

	Note	2000 KShs'000	1999 KShs'000
Cash flows from operating activities	22(a)	(29,684)	(56,405)
INVESTING ACTIVITIES			
Dividends paid		-	(1,283)
Proceeds from the sale of plant and equipment		-	1,514
Purchase of plant and equipment		(45,414)	(24,868)
		(45,414)	(24,637)
FINANCING ACTIVITIES			
Loan obtained from Transnational Bank Limited		-	10,000
Third party loans obtained		104,306	50,764
		104,306	60,764
Net increase/(decrease) in cash and cash equivalents	22(b)	**29,208**	**(20,278)**

The consolidated cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 24.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2000

	Share capital	Retained earnings	Total
	KShs '000	KShs '000	KShs '000
Balance at October 1, 1999	64,152	(93,476)	(29,324)
Net loss for the year	-	(126,226)	(126,226)
Balance at September 30, 2000	**64,152**	**(219,702)**	**(155,550)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 24.

1. RESTRUCTURING

The group's performance has deteriorated substantially, resulting in the shareholders' funds reflecting a deficit of Kshs156 million and also substantial borrowings to finance its operations. As a result the directors have embarked on the following discussions with a view to restructuring the group's equity base:-

i Pursuing negotiations which were commenced in the financial year 1998/99 with prospective investors whereby the said investors would inject KShs160 million for a 49% equity interest in Baraza Limited. Out of this, KShs120 million has already been received and negotiations are at an advanced stage for the balance of KShs40 million;

ii Agreement has been reached with Transnational Bank limited and the loan facility amounting to KShs 70 million advanced to the group in 1997/98 was reduced to KShs 25 million effective 25 May 2001. The loan is repayable over three years ending 30 April 2004, initially at minimum of KShs 250,000 per month but under strict conditionality that as the financial status of the group improves the instalments will be increased. The loan will be interest free up to 30 April 2003, thereafter interest will be charged at the bank's prevailing base rate on the remaining balances;

iii Plans are underway for the company to make a rights issue which is intended to raise an amount of upto KShs420 million, subject to approval by the Capital Market Authority and the Nairobi Stock Exchange.

iv The major shareholder, SNG Holdings Limited, UK has pledged financial support to the main subsidiary, The Standard Limited, for the acquisition of a modern printing press. The machine has already been purchased and is in the process of being installed.

In view of the above, the directors consider it appropriate to prepare the financial statements on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Consolidation principles

The consolidated accounts include the accounts of the company and some of its subsidiaries made up to 30 September 2000.

The principal subsidiaries of the company are shown on Page 22.

(b) Basis of preparation

The financial statements are prepared in accordance with International Accounting Standards which have been adopted with effect from 1 October 1999. The directors are however of the opinion that it is necessary to depart from the requirements of IAS 12 and 27 as follows:

i) IAS 12 — Deferred Tax

In view of persistent operating losses, the directors have concluded that compliance with the requirements of this Standard regarding recognition of deferred tax assets resulting from tax losses carried forward would be misleading as in their opinion the group may not have adequate taxable profits in the foreseeable future against which such deferred tax assets could be utilised (note 8(b)).

ii) **IAS 27 — Accounting for Investments in Subsidiaries**
The financial statements of a subsidiary company, KTN Limited (in receivership) have not been consolidated. In the opinion of the directors, control is intended to be temporary as the subsidiary is held with a view to subsequent disposal.

In view of the above, the directors have concluded that compliance with the requirements of IAS 12 and 27 respectively would be misleading and therefore a departure from the requirements is necessary to achieve a fair presentation.

The financial statements are prepared under the historical cost convention.

(c) **Revenue recognition**
Revenue is recognised upon delivery of goods to customers and when advertisements are aired on the television.

(d) **Translation of foreign currencies**
Transactions in foreign currencies during the year are converted into Kenya Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the balance sheet date. Resulting exchange differences are recognised in the profit and loss account for the year.

(e) **Property, plant and equipment**
Items of property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The annual rates of depreciation used are as follows:

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

(f) **Stocks**
Stocks are stated at the lower of cost and net realisable value. Cost includes all costs of purchase and other charges incurred in bringing the stocks to their present location and condition.

(g) **Trade and other debtors**
Trade and other receivables are stated at nominal value, less write-down for any amounts considered to be irrecoverable.

(h) **Employee benefits**
The group's employees are eligible for retirement benefits under a defined contribution plan provided through a separate fund arrangement.
Contributions to the defined contribution plan are charged to the income statement as incurred.

(i) **Taxation**

Tax on the operating results for the year comprises both current and the change in deferred tax. Current tax is provided on the results in the year as shown in the accounts adjusted in accordance with tax legislation.

Deferred tax is computed using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset arising from tax losses is recognised only when it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

Deferred tax is calculated on the basis of the tax rate currently enacted.

(j) **Cash and Cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank net of bank overdrafts.

3. OTHER OPERATING INCOME

	2000	1999
	KShs '000	KShs '000
Profit on sale of plant and equipment	-	823
Sale of dubbings	903	1,191
KTN Birthday Club	72	40
	975	2,054

4. OPERATING COSTS

	2000	1999
	KShs '000	KShs '000
Selling and distribution expenses	141,971	132,624
Staff costs (note 7)	278,888	285,047
Administration costs	259,829	252,980
	680,688	670,651

5. FINANCING COSTS

	2000	1999
	KShs '000	KShs '000
Net interest expense	53,701	49,367
Foreign exchange loss	2,417	6,921
	56,118	56,288

6. LOSS BEFORE TAX

	2000 KShs '000	1999 KShs '000
Loss before tax is arrived at after charging/(crediting);		
Depreciation expense	24,189	24,121
Directors emoluments		
- Fees	2,000	2,010
- Other emoluments	21,061	23,297
Auditors remuneration		
- Current year	2,301	2,250
- Prior year under provision	-	110
Profit on the sale of plant and equipment	-	(823)

7. STAFF COSTS

	2000 KShs '000	1999 KShs '000
Salaries and Wages	163,578	170,413
Retirement benefit contributions	4,507	4,170
Allowances and benefits	26,140	26,726
Others	84,663	83,738
	278,888	285,047

The average number of employees engaged during the year were: 465 (1999 — 454)

8. INCOME TAX EXPENSE

a) Corporation tax

	2000 KShs '000	1999 KShs '000
Current tax expense at 30% (1999- 32.5%)	-	-
	-	-

No provision for corporation tax has been made in these accounts as the group has accumulated tax losses amounting to KShs 207,732,000 (1999 - KShs105,590,000).

b) **Deferred tax**

Deferred tax assets resulting from tax losses carried forward have not been recognised in the accounts as the directors are of the opinion that the company may not have adequate taxable profits in the foreseeable future to be utilised against such tax assets.

As at 30 September 2000, such deferred tax assets amounted to KShs 59,301,000 (1999 - KShs26,990,000).

9. BASIC LOSS PER SHARE

	2000	1999
The calculation of basic loss per share is based on:		
Loss attributable to ordinary shareholders — KShs'000	(126,226)	(120,571)
Number of ordinary shares in issue during the year	12,832,259	12,832,259
Basic loss per share - KShs	(9.84)	(9.40)

10. PROPERTY, PLANT AND EQUIPMENT

Group:

	Plant & Machinery KShs '000	Motor vehicles KShs '000	Furniture & fittings KShs '000	Total KShs '000
Cost				
At October 1, 1999	153,078	33,159	33,582	219,819
Additions	38,553	3,667	3,194	45,414
At September 30, 2000	191,631	36,826	36,776	265,233
Depreciation				
At October 1, 1999	94,629	14,554	15,878	125,061
Charge for the year	15,503	5,110	3,576	24,189
At September 30, 2000	110,132	19,664	19,454	149,250
Net book value				
At September 30, 2000	**81,499**	**17,162**	**17,322**	**115,983**
At September 30, 1999	**58,449**	**18,605**	**17,704**	**94,758**

11. INVESTMENTS

Group and company:
At cost:

	2000 KShs'000	1999 KShs'000
Chancery Security Limited	20	20

12. SUBSIDIARIES

Group:

	2000 KShs'000	1999 KShs'000
KTN Limited (in receivership)	100,000	100,000

This represents equity investment in KTN Limited (in receivership) stated at cost. This subsidiary has not been consolidated as in the opinion of the directors, compliance with the requirements of the IAS 27 would be misleading and therefore a departure from the requirement is necessary to achieve a fair presentation. Further, in the opinion of the directors, control is intended to be temporary as the subsidiary is held with a view to subsequent disposal.

Had this subsidiary been consolidated, the financial statements of the group would be as follows:

	2000 KShs'000 DR/(CR)	1999 KShs'000 DR/(CR)
Net loss for the year	111,670	114,645
Total assets	495,910	510,551
Total liabilities	(1,224,772)	(1,127,743)
Shareholders funds	728,862	617,192
	-	-

Source: Un-audited management accounts of the subsidiary (approved and signed by the directors) as at 30 September 2000.

The equity investment is unquoted and is carried at cost on the basis that its fair value cannot be reliably measured.

Company:

	2000 KShs'000	1999 KShs'000
Shares at cost	103,580	103,580
Amounts due from own subsidiaries	65,971	62,441
Provisions against amounts due from own subsidiaries	(3,725)	(3,725)
	165,826	162,296

13. STOCKS

Group:

	2000 KShs'000	1999 KShs'000
Raw materials	3,701	20,296
Consumable stores	18,964	15,406
Goods in transit	5,299	23,737
Stocks for resale	19,735	15,935
	47,699	75,374

14. DEBTORS

Group:-

	2000 KShs'000	1999 KShs'000
Trade debtors	208,883	239,419
Other debtors and prepayments	28,208	49,404
	237,091	288,823

Company:

	2000	1999
Other debtors	2,922	16,151

15. SHARE CAPITAL

Group and company:

	2000 KShs'000	1999 KShs'000
Authorised		
19,979,600 Ordinary shares of Kshs5 each	99,898	99,898
20,400 Preferred Ordinary shares of Kshs5 each	102	102
	100,000	100,000
Issued and fully paid		
12,811,859 Ordinary shares of Kshs5 each	64,050	64,050
20,400 Preferred Ordinary shares of Kshs5 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.

16. REVENUE RESERVE

	2000 KShs'000	1999 KShs'000
Group:		
At 1 October	(93,476)	27,095
Net Loss for the year	(126,226)	(120,571)
At 30 September	(219,702)	(93,476)
Company:		
At 1 October	25,720	26,167
Net Loss for the year	(1,854)	(447)
At 30 September	23,866	25,720

17. BANK LOAN

Bank loan represents a loan advanced by Transnational Bank Limited of KShs60 million on acquisition of KTN Limited and a further KShs10 million to finance working capital. The loan is secured by two guarantees signed under seal of The Standard Newspapers Group Limited for KShs60 million and KShs10 million. The loan attracts interest at the bank's base rate and has no fixed repayment terms.

Subsequent to year end, the bank has agreed to reduce the loan balance to KShs 25 million effective 25 May 2001. The loan is repayable over three years ending 30 April 2004, initially at a minimum of KShs 250,000 per month but under strict conditionality that as the financial status of the group improves the instalments will be increased. The loan will be interest free up to 30 April 2003, thereafter interest will be charged at the bank's prevailing base rate on the remaining balance.

18. UNSECURED LOANS

Group:	2000 KShs'000	1999 KShs'000
Due to:		
Oakside Limited	97,478	93,041
Others (individuals)	99,869	-
	197,347	93,041

The loan from Oakside Limited attracts interest at 12% p.a and has no fixed repayment date. Other loans are interest free and they have no fixed repayment date. Confirmation has been received from the lenders that the loans will not be recalled in the next twelve months.

19. BANK OVERDRAFT

The overdraft is with Kenya Commercial Bank Limited with a limit of KShs54 million. The facility is secured by a legal charge of KShs40 million over LR 21277 and debenture over all the assets of The Standard Newspapers Group Limited stamped for Kshs75.32 million. The utilised amount at the balance sheet date was KShs66,226,000 (1999 - KShs59,617,000).

20. CREDITORS

Group:	2000 KShs'000	1999 KShs'000
Trade Creditors	206,078	163,480
Other creditors and accruals	162,143	211,531
	368,221	**375,011**
Company:		
Other creditors	**7,141**	**15,014**

21. RETIREMENT BENEFIT OBLIGATIONS

The group contributes to a pension plan established for the benefit of the employees. The plan is a defined contribution scheme, whereby the group matches contributions to the fund made by employees up to 5% of the employee's pensionable salary. During the year, the group expensed KShs 4,507,000 (1999 - KShs4,170,000) in contributions payable.

22. NOTES TO THE CASH FLOW STATEMENT

	2000 KShs'000	1999 KShs'000
a) **Reconciliation of net loss before tax to cash flows from operating activities**		
Net loss before tax	(126,226)	(120,571)
Adjustments for:		
Depreciation	24,189	24,121
Profit on the sale of plant and equipment	-	(823)
Interest expense (net)	53,701	49,367
Operating loss before working capital changes	(48,336)	(47,906)
Decrease/ (increase) in inventories	27,675	(32,585)
Decrease/(increase) in debtors	51,732	(58,315)
(Decrease)/increase in creditors	(6,790)	131,778
Cash generated from operations	24,281	(7,028)
Tax paid	(264)	(10)
Interest paid (net)	(53,701)	(49,367)
Cash flows from operating activities	**(29,684)**	**(56,405)**

b) Movement in cash and cash equivalent

	2000 KShs'000	1999 KShs'000	Change in the year KShs'000
Term deposits	30,939	-	30,939
Cash and bank balances	14,527	9,649	4,878
Bank overdraft	(66,226)	(59,617)	(6,609)
	(20,760)	**(49,968)**	**29,208**

23. PRINCIPAL SUBSIDIARIES

During the year, the following companies contributed to the net 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 2000 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
KTN Limited	100	In receivership

24. STATEMENT REQUIRED TO BE MADE BY VIRTUE OF THE PROVISIONS OF PARAGRAPH 15 OF THE SIXTH SCHEDULE TO THE COMPANIES ACT:

a) Group accounts do not include the financial statements of one of the subsidiaries, KTN Limited (in receivership) as in the opinion of the directors control is intended to be temporary as the subsidiary is held with a view to subsequent disposal.

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

	Balance brought forward KShs '000	This year KShs '000	Balance carried forward KShs '000
Not dealt with in the accounts of the company	(487,868)	1,505	(486,363)

Source: Un-audited management accounts (approved and signed by the directors) as at 30 September 2000.

25. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

26. CURRENCY

The accounts are presented in Kenya Shillings (KShs).

COMPANY DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2000

	2000 KShs'000	1999 KShs'000
Income	-	-
Professional fees	200	200
Bad debts written off	1,466	-
Other administrative expenses	188	247
	1,854	447
Loss before taxation	**(1,854)**	(447)