

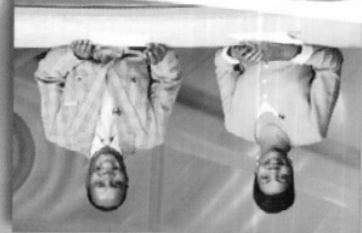
2001

Annual report and accounts



100 Years of excellence in journalism

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	Page
DIRECTORS, OFFICERS AND ADMINISTRATION	2
NOTICE OF ANNUAL GENERAL MEETING	3
CHAIRMAN'S STATEMENT	4
A HUNDRED YEARS OF EXCELLENCE IN JOURNALISM	6
REPORT OF THE DIRECTORS	7
STATEMENT OF DIRECTORS' RESPONSIBILITIES	8
REPORT OF THE AUDITORS	9
CONSOLIDATED PROFIT AND LOSS ACCOUNT	10
BALANCE SHEETS	11
CONSOLIDATED CASH FLOW STATEMENT	12
STATEMENT OF CHANGES IN EQUITY	13
NOTES TO THE ACCOUNTS	4 - 27

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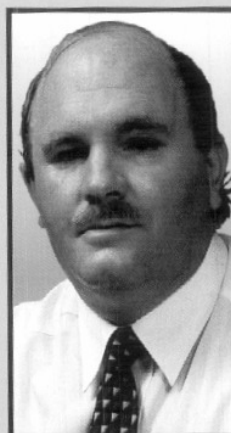
DIRECTORS, OFFICERS AND ADMINISTRATION

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2. Media group -- Kenya -- pend

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



D. J. DAVIES
Managing Director



J. KALELI
Director



I. FERNANDES
Director



W. WARURU
Director



A. MACAULEY
Director (British)

2007/1249

SECRETARY – P. Kemei, Image Registrars, 8th Floor, Transnational Plaza, PO Box 72133, Nairobi
AUDITORS – KPMG Peat Marwick, Lonrho House, 16th Floor, Standard Street, PO Box 40612, Nairobi, Kenya
ADVOCATES – Mohammed & Muigai Advocates, Hazina Towers, PO Box 61323, Nairobi
REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS
The Standard Newspapers Group Limited, Likoni Road, PO Box 30080, Nairobi
PRINCIPAL BANKERS – Kenya Commercial Bank Limited, Moi Avenue, PO Box 30081, Nairobi



NOTICE OF ANNUAL GENERAL MEETING

The Eighty-Fourth Annual General Meeting of The Standard Newspapers Group Limited will be held at the Norfolk Hotel, Harry Thuku Road, Nairobi on 20th June, 2002 at 11.45 am to transact the following business:

AGENDA

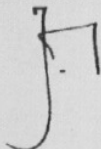
Ordinary Business

1. To confirm the minutes of the 83rd Annual General Meeting held on 26th July, 2001.
2. Matters Arising Therefrom
3. To receive and consider the Accounts for the year ended 30th September, 2001 together with the reports of the Chairman and the Directors, and the Auditors report thereon.
4. To approve payment of dividend to the holders of 8% Preference Shares for the year ended 30th September, 2001.
5. To re-elect Directors, and approve their remuneration for the year ended 30th September, 2001. In accordance with Articles 69 of the Company's Articles of Association, Mr W. Waruru and Mr I. Fernandes retire by rotation and being eligible offer themselves for re-election.
6. To note that the present auditors, KPMG, will continue in office in accordance with Section 159(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 Special Resolutions of the Company:
 - a) Amend the Articles of Association by including the following new articles:
 - 111) "The provisions of the Central Depositories Act 2000 as amended or modified from time to time shall apply to the company to the extent that any securities of the Company are in part or in whole immobilised or dematerialised or are required by the regulations or rules issued under the Central Depositories Act to be immobilised or dematerialised in part or whole, as the case may be. Any provisions of these articles that are inconsistent with the Central Depositories Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles of Association, immobilisation and dematerialisation shall be construed in the same way as they are construed in the Central Depositories Act."
 - 112) Where any securities of the company are forfeited pursuant to these Articles of Association after being immobilised or dematerialised, the company shall be entitled to transfer such securities to a securities account designed by the directors for this purpose."

By Order of the Board



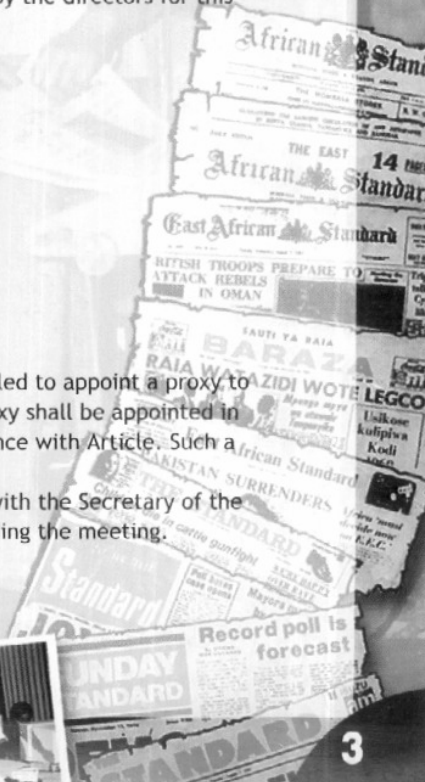
PETER KEMEI – Company Secretary

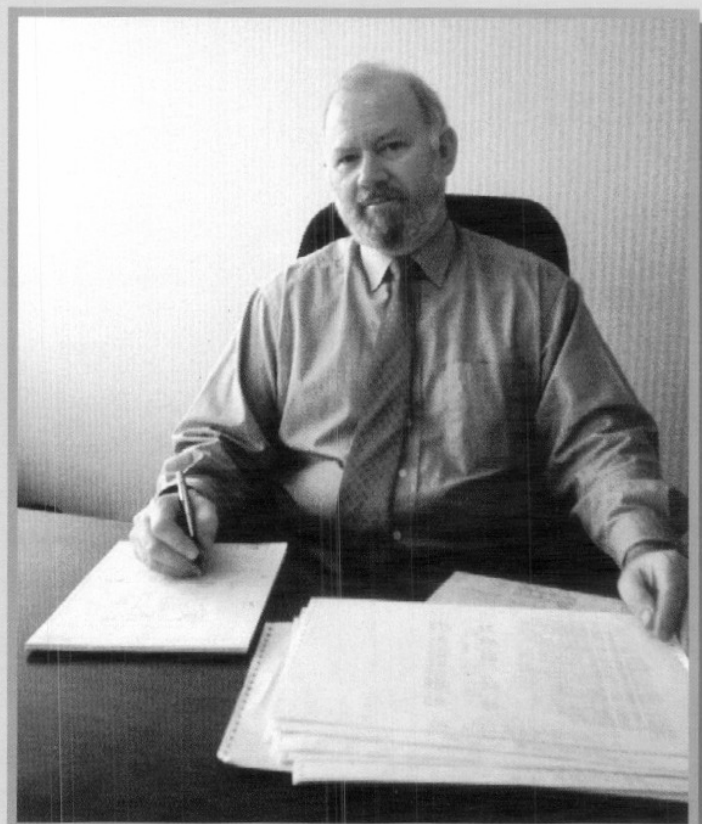
Date: 20th May, 2002

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.





I am happy to report that 68% of the rights on offer were taken up, making the issue the most successful share issue in the Kenyan market during 2001.



The Group's trading results for the year under review still suffered from the effects of the power rationing which resulted from the drought conditions that prevailed throughout the year 2000.

Turnover for the Group for the year increased to KShs 1,149 million, a small increase but nonetheless encouraging given the difficult trading conditions.

Individually, the turnover of The Standard dropped a little, due to a combination of sluggish circulation levels and lower advertising demand, however, the turnover of Baraza Limited recovered from the economic downturn much faster, increasing by some 26.5% to KShs 205 million for the year.

As mentioned in my interim report, the Standard has in the past suffered numerous printing problems due to the combination of an old press and poor quality newsprint supplies but I am pleased to say that following the installation of a modern printing press, the quality of the newspaper has improved enormously which in turn led to a significant increase in sales and advertising sales from August 2001.

The need to import relatively expensive but good quality newsprint has meant production costs have remained high but that has been the price that we have had to pay for the quality achieved.

I am pleased to say that other overheads have been kept within the level of inflation and selling expenses have actually dropped in the year.

The PDS division of the Standard, which distributes imported publications, maintained profit levels despite a decline in sales, by strict control over expenditure and return levels.

Despite power rationing affecting advertising sales in the first quarter of 2001, Baraza Limited increased its turnover for the year by 26.5%. This result could have been even better if the station could have increased its reach, however, the further capital expenditure I will mention later in my report should alleviate that restriction.

The quality of programming of KTN has yet again improved and we are proud to say that KTN is now ranked as the top TV station in Nairobi, a position we intend to emulate elsewhere in the country as we extend coverage.

During the year, the Group sold 49% of its shareholding in Baraza for KShs 160 million and a substantial part of the funds released have already

been used to upgrade our Ngong transmission site and expand our broadcasting capability in Nakuru.

The other main exceptional item in the financial statements was a KShs 45 million writeback to reserves following the successful renegotiation of the terms of a bank loan.

Shareholders will be aware that the Group embarked on an ambitious rights share issue, which was conducted in December/January 2002, the reasons for which were outlined in my Chairman's statement last year. I am happy to report that 68% of the rights on offer were taken up, making the issue the most successful share issue in the Kenyan market during 2001. In total KShs 306 million was raised, of which KShs 125 million was by way of shareholders loans converted to equity.

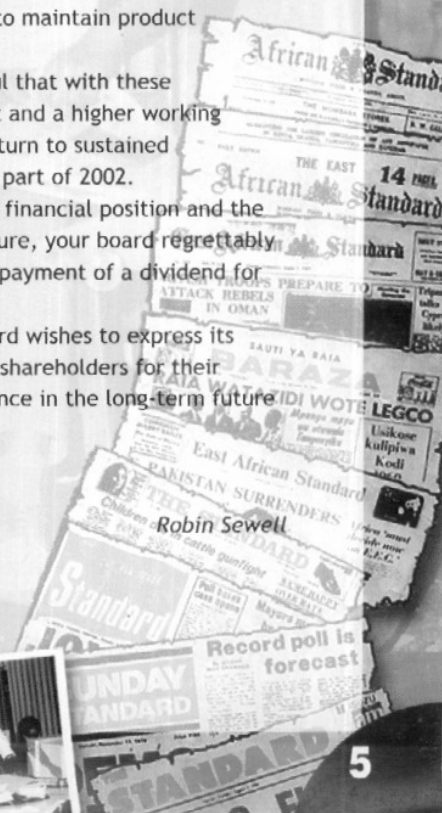
The proceeds of the rights issue will be used, amongst other things, to:

1. Purchase vital plant and equipment required for fast track expansion of the Group's core businesses.
2. Purchase a satellite uplink system for KTN to enable the planned countrywide transmitter sites to receive the signal from KTN's studios in Nairobi. Applications to the Communication Commission of Kenya for the relevant licenses have been made.
3. Purchase broadcasting transmitters and prepare transmitter sites for KTN at Kisumu and Eldoret.
4. Acquire new IT and editorial equipment for the East African Standard.
5. Increase the East African Standard's stocks of quality newsprint to maintain product consistency.

Management is hopeful that with these investments in equipment and a higher working capital, the Group will return to sustained profitability by the latter part of 2002.

In view of the Group's financial position and the need to invest for the future, your board regrettably does not recommend the payment of a dividend for the year.

In conclusion, the board wishes to express its thanks to all its staff and shareholders for their support and their confidence in the long-term future of the Group.



This year marks a grand milestone in the history of the Standard Newspapers Group. It will be 100 long years since the group's inception. From that distant day of November 15, 1902 when trader Mr. A.M. Jeevanjee started it under the name, "The African Standard" in Mombasa, The Standard Newspaper Group's has been a story of growth, expansion and acquisition. It started as a weekly broadsheet and on moving to Nairobi the first daily edition rolled off the press on May 24, 1910. After Jeevanjee sold it to a private partnership, the paper changed its name to the East African Standard. It has since changed names from the East African Standard to the Standard three times in keeping with the dictates of the market.

This year, as it marks its 100th anniversary, it has in its stable The Sunday Standard and a television station, KTN the first independent television network in the country. KTN was purchased by the Standard Newspaper Group Limited (SNGL) in 1997, allowing the group to become the first in the country to incorporate electronic and print components in the media.

1998 saw a marked improvement in the paper with the re-launch of two new inserts, the "Profile Magazine" on Saturday and "Life Magazine" on Sunday. At the same time the existing pull-outs were revamped. To-date the newspaper has unique pull-outs in the name of the *Financial Standard*, a must read for the business community, and the *Big Issue*, which can easily pass as the embodiment of investigative journalism at its best.

The last few years have seen East and Central Africa's oldest media house re-invested as a truly modern, completely up-to-date news corporation. As well as KTN, the newspaper now has an On-line division which enables anyone to read our newspaper anywhere in the world on the World Wide Web.

As the newspaper continues to grow, so has KTN which has now spread its wings to Mombasa and Nakuru. The station started its Kiswahili news bulletin in 2001 and it has proved quite popular with the viewers.



The directors have pleasure in submitting their report together with the audited accounts for the year ended September 30, 2001.

1. **Principal Activities**

The principal activities of the group comprise 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 Group's profit before tax for the year was KShs 21,393,000 (2000 – loss of KShs. 126,226,000).

3. **Restructuring**

The group's operating performance has deteriorated substantially in the recent past resulting in accumulated losses of KShs.190 million as at September 30, 2001, and as of that date the shareholders' funds reflected a deficit of KShs.126 million. As a result, the directors commenced preparations for the company to make a rights issue with a view to raising KShs.450 million which is required to facilitate the 'fast track' expansion and efficiency programme being undertaken at the two main operating subsidiaries. The funds will also be utilised to reduce the group's indebtedness. All the necessary approvals were obtained and the rights issue was concluded in January 2002 where KShs.306 million was raised representing a 68% success rate.

4. **Dividends**

The directors do not recommend the payment of a dividend (2000 – Nil).

5. **Directors**

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

6. **Auditors**

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

7. **Approval of accounts**

The accounts were approved at a meeting of the directors held on

BY ORDER OF THE BOARD



Secretary

Date: April 10, 2002



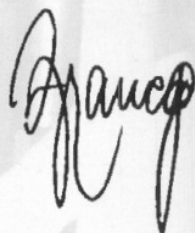
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure the group and the company keep proper accounting records which disclose with reasonable accuracy the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

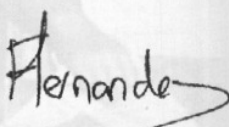
The directors accept responsibility for the annual accounts, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Accounting Standards and in the manner required by the Companies Act. The directors are of the opinion that the accounts give a true and fair view of the state of the financial affairs of the group and the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of accounts, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a going concern for at least the next twelve months from the date of this statement.

Director:



Director:



Date:

April 10, 2002



We have audited the financial statements set out on pages 10 to 27 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 stated on page 8, 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.

Without qualifying our opinion, we draw attention to Note 2 which refers to strategic restructuring plans that are in progress. On the premise that these plans will be successfully implemented, the directors have prepared these accounts on a going concern basis.

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 the group at September 30, 2001 and of the group's operating results and cash flows for the period 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: April 10, 2002



CONSOLIDATED PROFIT AND LOSS ACCOUNT

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30 2001

	Notes	2001 KShs'000	2000 KShs'000
Turnover		1,149,858	1,119,236
Cost of sales		(559,361)	(509,631)
Gross profit		590,497	609,605
Other operating income	4	1,490	975
Selling and distribution costs		(151,042)	(141,971)
Administrative expenses		(578,967)	(538,717)
Loss from operations		(138,022)	(70,108)
Exceptional items	6	203,072	-
Net Finance costs	7	(43,657)	(56,118)
Profit/(loss) before taxation	8	21,393	(126,226)
Income tax credit	9	41,449	32,311
Net profit/(loss) for the year		62,842	(93,915)
Basic earnings per share	10	KShs 4.90	KShs (7.33)

The notes set out on pages 14 to 27 form an integral part of these financial statements.



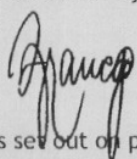
BALANCE SHEET

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30 2001

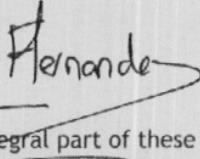
		Group		Company	
	Note	2001 KShs'000	2000 KShs'000	2001 KShs'000	2000 KShs'000
ASSETS					
Non Current Assets					
Property, plant and equipment	11	197,900	115,983	-	-
Investments	12	-	20	-	20
Subsidiaries	13	6,060	7,900	227,447	73,726
Deferred tax asset	14	100,750	59,301	-	-
		<u>304,710</u>	<u>183,204</u>	<u>227,447</u>	<u>73,746</u>
Current assets					
Stocks	15	36,353	47,699	-	-
Debtors	16	269,936	237,091	6,448	2,922
Taxation		5,489	5,419	-	-
Term deposits		-	30,939	-	-
Cash and Bank balances		11,085	14,527	792	1,825
		<u>322,863</u>	<u>335,675</u>	<u>7,240</u>	<u>4,747</u>
TOTAL ASSETS		<u>627,573</u>	<u>518,879</u>	<u>234,687</u>	<u>78,493</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	17	64,161	64,161	64,161	64,161
Revenue Reserves (page 8)		(189,668)	(252,510)	133,918	(68,243)
Shareholders funds		<u>(125,507)</u>	<u>(188,349)</u>	<u>198,079</u>	<u>(4,082)</u>
Minority interest	18	<u>88</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non Current Liabilities					
Bank Loan	19	20,750	70,000	20,750	70,000
Term Loan	20	188,400	197,347	-	-
		<u>209,150</u>	<u>267,347</u>	<u>20,750</u>	<u>70,000</u>
Current Liabilities					
Current portion of bank loan	19	3,000	-	3,000	-
Bank Overdraft	21	57,085	66,226	-	-
Creditors	22	478,328	368,221	7,429	7,141
Dividends payable		5,429	5,434	5,429	5,434
		<u>543,842</u>	<u>439,881</u>	<u>15,858</u>	<u>12,575</u>
TOTAL EQUITY AND LIABILITIES		<u>627,573</u>	<u>518,879</u>	<u>234,687</u>	<u>78,493</u>

The accounts on pages 10 to 27 were approved by the Board of Directors on April 10, 2002 and were signed on its behalf by:

Director:



Director:



The notes set out on pages 14 to 27 form an integral part of these financial statements.



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30 2001

The notes set out on pages 14 to 27 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30 2001

	Share capital KShs'000	Revenue reserves KShs'000	Total KShs'000
Group:			
At October 1, 1998 (as previously reported)	64,152	27,095	91,247
Share capital restatement	9	(9)	-
Change in accounting policy (with respect to deferred tax)	-	26,990	26,990
Change in accounting policy (with respect to investment in subsidiary)	-	(92,100)	(92,100)
At October 1, 1998 (restated)	64,161	(38,024)	26,137
Net loss for the year	-	(120,571)	(120,571)
At September 30, 1999 (restated)	64,161	(158,595)	(94,434)
Net loss for the year	-	(93,915)	(93,915)
At September 30, 2000 (restated)	64,161	(252,510)	(188,349)
Net profit for the year	-	62,842	62,842
At September 30, 2001	<u>64,161</u>	<u>(189,668)</u>	<u>(125,507)</u>
Company:			
At October 1, 1998 (as previously reported)	64,152	26,167	90,319
Share capital restatement	9	(9)	-
Change in accounting policy (with respect to investment in subsidiary)	-	(92,100)	(92,100)
At October 1, 1998 (restated)	64,161	(65,942)	(1,781)
Net loss for the year	-	(447)	(447)
At September 30, 1999 (restated)	64,161	(66,389)	(2,228)
Net loss for the year	-	(1,854)	(1,854)
At September 30, 2000 (restated)	64,161	(68,243)	(4,082)
Net profit for the year	-	202,161	202,161
September 30, 2001	<u>64,161</u>	<u>133,918</u>	<u>198,079</u>

set out on pages 14 to 27 form an integral part of these financial statements.



1. RESTRUCTURING

The group's operating performance has deteriorated substantially in the recent past resulting in accumulated losses of Kshs.190 million as at September 30, 2001, and as of that date the shareholders' funds reflected a deficit of Kshs.126 million. As a result, the directors commenced preparations for the company to make a rights issue with a view to raising KShs.450 million which is required to facilitate the 'fast track' expansion and efficiency programme being undertaken at the two main operating subsidiaries. The funds will also be utilised to reduce the group's indebtedness. All the necessary approvals were obtained and the rights issue was concluded in January 2002 where KShs.306 million was raised representing a 68% success rate.

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) Basis of preparation

The financial statements are prepared in accordance with International Accounting Standards. The financial statements are prepared under the historical cost convention.

(b) Consolidation principles

The consolidated financial statements include the accounts of the company and some of its subsidiaries made up to September 30, 2001.

Separate disclosure of minority in a consolidated subsidiary is only made to the extent that losses applicable to the minority do not exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority are charged against the majority interest. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority share of losses previously absorbed by the majority has been recovered.

A listing of the major subsidiaries is set out on page 26.

(c) Investment in subsidiaries

Investments in subsidiaries that are excluded from the consolidated financial statements are accounted for as available for sale financial assets and are carried at fair value.

Fair value is the amount that is expected to be realised from the sale of the investment.

Gains or losses arising from change in the fair value are recognised in the profit and loss account.



(d) Revenue recognition

Revenue is recognised upon delivery of goods to customers and when advertisements are aired on the television, respectively.

(e) Translation of foreign currencies

All assets and liabilities expressed in foreign currencies are converted into Kenya Shillings at the exchange rate ruling at the balance sheet date. Transactions in foreign currencies during the year are converted at the rates ruling at the date of the transaction. The resulting differences are dealt with in the profit and loss account.

(f) Segmental reporting

Segment information is presented in respect of the group's business segments which is the primary format and is based on the two major operating divisions in which the group operates. The group has no distinguishable geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment. Inter-segment pricing is determined on an arms length basis.

(g) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The rates of depreciation used are as follows:

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

(h) Impairment of property, plant and equipment

The carrying amounts of the group's fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

(i) 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.

The cost of inventories is based on the weighted average cost. If the purchase cost is higher than the net realisable value, stocks are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

At
The notes



(j) Trade and other debtors

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

(k) Trade and other payables

Trade and other payables are stated at cost.

(l) 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.

(m) Taxation

Tax on the operating results for the year comprises both current tax and 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 is calculated on the basis of the tax rate currently enacted.

(n) 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.

(o) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.



3. SEGMENTAL REPORTING

	Publishing		Broadcasting		Other		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
External sales	944,797	967,627	205,061	151,609	-	-	-	-	1,149,858	1,119,236
Inter-segment sales	16,702	-	-	10,622	-	-	(16,702)	(10,622)	-	-
Total sales	961,499	967,627	205,061	162,231	-	-	(16,702)	(10,622)	1,149,858	1,119,236
Segment loss from operations	(66,807)	(15,115)	(70,304)	(53,139)	(911)	(1,854)	-	-	(138,022)	(70,108)
Net Finance (Cost)/income	(43,853)	(34,882)	196	(21,236)	-	-	-	-	(43,657)	(56,118)
Income tax credit (deferred tax)	22,295	10,644	20,866	21,245	(1,712)	422	-	-	(41,449)	32,311
Segment results	(88,365)	(39,353)	(49,242)	(53,130)	(2,623)	(1,432)	-	-	(140,230)	(93,915)
Profit on sale of 49% in subsidiary									159,912	-
Equity investment written down									(1,840)	-
Portion of loan foregone by Transnational Bank Limited									45,000	-
Net Profit/(loss)									62,842	(93,915)
OTHER INFORMATION:										
Segment assets	514,563	469,050	220,127	173,312	234,687	78,493	(341,804)	(201,976)	627,573	518,879
Segment liabilities	681,183	547,029	368,038	196,651	36,608	82,575	(332,837)	(119,027)	752,992	707,228
Capital expenditure	74,953	7,270	37,601	38,144	-	-	-	-	112,554	45,414
Depreciation expense	20,396	19,098	9,438	5,091	-	-	-	-	29,834	24,189

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

4. OTHER OPERATING INCOME

	2001 KShs'000	2000 Kshs'000
Sale of dubbings	827	903
Other income	616	-
KTN Birthday Club	47	72
	<u>1,490</u>	<u>975</u>

5. PERSONNEL EXPENSES

	2001 Kshs'000	2000 Kshs'000
Salaries and Wages	183,401	163,578
Contributions to retirement benefit scheme	4,869	4,507
Allowances and benefits	30,982	26,140
Others	89,855	84,663
	<u>309,107</u>	<u>278,888</u>

The average number of employees engaged during the year were: 456 (2000 – 465)

6. EXCEPTIONAL ITEMS

	2001 Kshs'000	2000 Kshs'000
Portion of long term loan foregone by Transnational Bank Ltd	45,000	-
Profit from sale of 49% interest in Baraza Limited	159,912	-
Equity investment in KTN Limited (In receivership) written down	(1,840)	-
	<u>203,072</u>	<u>-</u>

7. NET FINANCE COSTS

	2001 Kshs'000	2000 Kshs'000
Net interest expense	46,636	53,701
Foreign exchange (gain)/loss	(2,979)	2,417
	<u>43,65</u>	<u>56,118</u>



8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:-

Depreciation

Directors emoluments

- Fees

- Other emoluments

Auditors remuneration

- Current year

2001	2000
KShs'000	KShs'000
29,834	24,189
2,000	2,000
19,644	21,061
<u>2,840</u>	<u>2,301</u>

9. INCOME TAX CREDIT

Current tax expense at 30%

Deferred tax (Note 14)

2001	2000
KShs'000	KShs'000
-	-
(41,449)	(32,311)
<u>(41,449)</u>	<u>(32,311)</u>

No provision for corporation tax has been made in these accounts as the group has accumulated tax losses amounting to KShs.399,859,000 (2000 – KShs 205,176,075).

The tax on the group's profit/(loss) before taxation differs from the theoretical amount using the basic tax rate as follows:

Accounting profit/(loss)

Tax at the applicable rate of 30%

Tax effect of non-deductible costs and non-taxable income

Income tax credit

2001	2000
KShs'000	KShs'000
<u>21,393</u>	<u>(126,226)</u>
6,418	(37,868)
(47,867)	5,557
<u>(41,449)</u>	<u>(32,311)</u>

10. BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on:

Profit/(loss) attributable to ordinary shareholders – KShs'000

Number of ordinary shares in issue during the year

Basic earnings/(loss) per share – KShs

2001	2000
<u>62,842</u>	<u>(93,915)</u>
<u>12,811,859</u>	<u>12,811,859</u>
<u>4.90</u>	<u>(7.33)</u>

There is no difference between the basic earnings per share and the diluted earnings per share.

CMA-LIBRARY



11. PROPERTY, PLANT AND EQUIPMENT

Group:

	Plant & Machinery KShs'000	Motor vehicles KShs'000	Furniture & fittings KShs'000	Total KShs'000
Cost				
At October 1, 2000	191,631	36,826	36,776	265,233
Additions	100,375	4,898	7,281	112,554
Disposals	(383)	-	(50)	(433)
Reclassifications	(155)	-	155	-
Impaired assets written down	(426)	-	-	(426)
At September 1, 2001	291,042	41,724	44,162	376,928
Depreciation				
At October 1, 2000	110,132	19,664	19,454	149,250
Charge for the period	20,710	5,594	3,530	29,834
	(42)	-	(14)	(56)
At September 1, 2001	130,800	25,258	22,970	179,028
Net book value				
At September 1, 2001	160,242	16,466	21,192	197,900
At September 1, 2000	81,499	17,162	17,322	115,983

12. INVESTMENTS

Group and company:-

At cost:

Chancery Security Limited

2001	2000
KShs'000	KShs'000

-	20
---	----

13. SUBSIDIARIES

Group:

KTN Limited (in receivership)

2001	2000
KShs'000	KShs'000

6,060	7,900
-------	-------

This represents equity investment in KTN Limited (in receivership) stated at fair value. This subsidiary has not been consolidated as in the opinion of the directors, control is intended to be temporary as the subsidiary is held with a view to subsequent disposal.



NOTES TO THE FINANCIAL STATEMENTS

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30 2001

13. SUBSIDIARIES (continued)

Company:

	2001 KShs'000	2000 KShs'000
Shares at cost/valuation		
The Standard Limited	3,398	3,398
Baraza Limited	92	180
Agency Sales and Promotion Limited	2	2
Kenya Television Network Limited (in receivership)	6,060	7,900
Amounts due from/(to) subsidiaries		
The Standard Limited	139,279	65,950
Baraza Limited	78,616	(135)
Agency Sales and Promotion Limited	-	(3,569)
	<u>227,447</u>	<u>73,726</u>

14. DEFERRED TAX ASSET

Group:

Movements during the year are as follows:

	At October 1, 2000 KShs'000	Recognised in income KShs'000	At September 30 2001 KShs'000
Arising from:			
Property, plant and equipment	2,251	17,150	19,401
Unrealised exchange losses	-	(144)	(144)
General provision	-	(50)	(50)
Tax losses carried forward	(61,552)	(58,405)	(119,957)
Total	<u>(59,301)</u>	<u>(41,449)</u>	<u>(100,750)</u>

15. STOCKS

Group:

	2001 KShs'000	2000 KShs'000
Raw materials	706	3,701
Consumable stores	17,279	18,964
Goods in transit	2,280	5,299
Stocks for resale	16,088	19,735
	<u>36,353</u>	<u>47,699</u>



NOTES TO THE FINANCIAL STATEMENTS

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30 2001

16. DEBTORS

Group:

	2001 KShs'000	2000 KShs'000
Trade debtors	232,508	208,883
Other debtors and prepayments	37,428	28,208
	<u>269,936</u>	<u>237,091</u>
Company:		
Other debtors	<u>6,448</u>	<u>2,922</u>

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers. The group does not require collateral in respect of trade debtors.

17. SHARE CAPITAL

Group and company:

	2001 KShs'000	2000 KShs'000
Authorised		
103,979,600 Ordinary shares of KShs 5 each	519,898	99,898
20,400 8% Preference shares of KShs 5 each	102	102
	<u>520,000</u>	<u>100,000</u>
Issued and fully paid		
12,811,859 Ordinary shares of KShs 5 each	64,059	64,059
20,400 8% Preference shares of KShs 5 each	102	102
	<u>64,161</u>	<u>64,161</u>

At an extraordinary general meeting on August 16, 2001, members resolved that the authorised share capital be increased from the present KShs 100 million to KShs 520 million by the creation of additional 84,000,000 ordinary shares of a par value of KShs 5 each to rank 'pari passu' with the existing ordinary shares of the company.

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.

18. MINORITY INTEREST

Effective June 30, 2001, The Standard Newspapers Group Limited disposed 49% of its shareholding in Baraza Limited. At that time the subsidiary's equity reflected a deficit of KShs 139,318,000. The balance in this account represents the minority shareholding in the equity of Baraza Limited.

No minority interest has been recognized in these financial statements in respect of operating losses as the deficit applicable to such minority exceeds the minority interest in the equity of the subsidiary. As such the excess losses applicable to the minority have been charged against the majority.

19. BANK LOAN

Bank loan represents a loan advanced by Transnational Bank Limited of KShs 60 million on acquisition of KTN Limited and a further KShs10 million to finance working capital.

During the year the bank reduced the loan balance to KShs 25 million effective May 25, 2001. The loan is repayable over three years ending April 30, 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 April 30, 2003, thereafter interest will be charged at the bank's prevailing base rate on the remaining balance. Repayments during the year amounted to KShs.1,250,000.

The loan is secured by a guarantee by The Standard Newspapers Group Limited for KShs 25 million.

20. TERM LOAN

Group:

	2001 KShs'000	2000 KShs'000
Oakside Limited	<u>188,400</u>	<u>197,347</u>

The loan is unsecured and attracts interest at 12% p.a. and has no fixed repayment date. Confirmation has been received from the lender that the loan will not be recalled in the next twelve months.

BANK OVERDRAFT

The overdraft is with Kenya Commercial Bank Limited with a limit of KShs 54 million. The facility is secured by a legal charge of KShs 40 million over LR 21277 in the name of Evenanon Limited and debenture over all the assets of The Standard Newspapers Group Limited stamped for KShs 75.32 million. The utilised amount at the balance sheet date was KShs 57,085,000 (2000 – KShs 66,226,000).

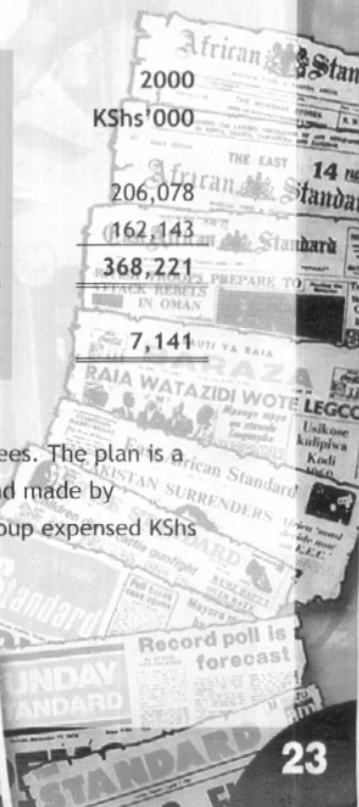
22. CREDITORS

Group:

	2001 KShs'000	2000 KShs'000
Trade Creditors	213,728	206,078
Other creditors and accruals	<u>264,600</u>	<u>162,143</u>
	<u>478,328</u>	<u>368,221</u>
Company:		
Other creditors	<u>7,429</u>	<u>7,141</u>

23. 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 4,869,000 (2000 – KShs 4,507,000) in contributions payable.



24. NOTES TO THE CASH FLOW STATEMENT

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

	2001 KShs'000	2000 KShs'000
Net profit/(loss) before tax	21,393	(126,226)
Adjustments for:		
Depreciation	29,834	24,189
Impaired assets written down	426	-
Equity investment written down	1,840	-
Other investments written off	20	-
Gain on sale of equipment	(27)	-
Portion of long term loan forgone by Transnational Bank Limited	(45,000)	-
Profit on sale of 49 % interest in Baraza Limited	(159,912)	-
Interest expense (net)	46,636	53,701
Operating loss before working capital changes	(104,790)	(48,336)
Decrease in inventories	11,346	27,675
(Increase)/decrease in debtors	(32,845)	51,732
Increase/(decrease) in creditors	110,107	(6,790)
Cash (utilised by)/generated from operations	(16,182)	24,281
Tax paid	(70)	(264)
Interest expense (net)	(46,636)	(53,701)
Cash flows from operating activities	(62,888)	(29,684)

b) Movement in cash and cash equivalent

	2001 KShs'000	2000 KShs'000	Change in the period KShs'000
Term deposits	-	30,939	(30,939)
Cash and bank balances	11,085	14,527	(3,442)
Bank overdraft	(57,085)	(66,226)	9,141
	(46,000)	(20,760)	(25,240)



NOTES TO THE FINANCIAL STATEMENTS

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30 2001

25. 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	(486,363)	(8,581)	(494,944)

Source: Unaudited management accounts (approved and signed by the directors) as at September 30, 2001.

26. CAPITAL COMMITMENTS

Group:

	2001 KShs'000	2000 KShs'000
Authorised and contracted	-	-

27. RELATED PARTY TRANSACTIONS

Directors and executive directors

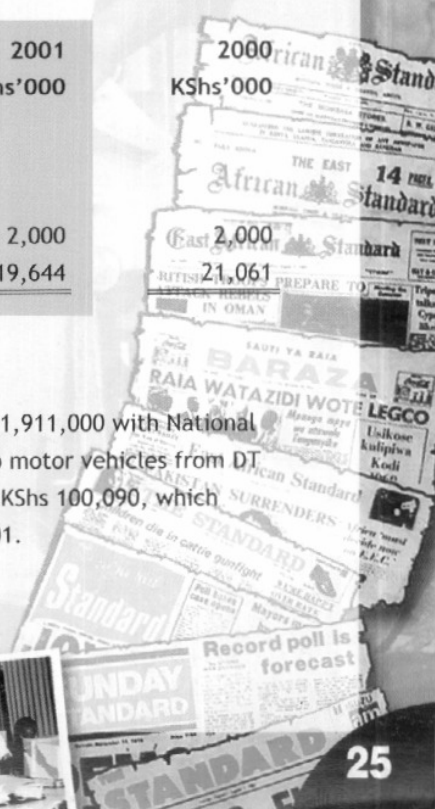
As at September 30, 2001 there were no loans to directors (2000 – KShs 1,291,495)

Total directors' remuneration included in personnel expenses are as follows:

	2001 KShs'000
Directors' fees	2,000
Other Allowances	19,644

28. HIRE PURCHASE FACILITY

One of the subsidiaries, Baraza Limited, has a hire purchase facility of KShs 1,911,000 with National Industrial Credit Bank Limited. The facility is to finance the purchase of two motor vehicles from DT Dobie & Company (Kenya) Limited and is payable in 24 equal instalments of KShs 100,090, which includes interest at a rate of 12.85% p.a. with effect from September 7, 2001.



NOTES TO THE FINANCIAL STATEMENTS

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30 2001

The carrying value of these two motor vehicles at September 30, 2001 is KShs 2,616,250.

Future hire-purchase payments:

	2001 KShs'000	2000 KShs'000
Within one year	1,101	-
More than one year and not later than five years	1,201	-
	<u>2,302</u>	<u>-</u>

29. FINANCIAL INSTRUMENTS

Liquidity risk

The table below analyses the liquidity period of the group's financial assets and liabilities:

	Due between 1 and 3 months KShs'000	Due between 3 and 12 months	Due between 1 and 5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
Debtors	269,936	-	-	-	269,936
Cash and bank balances	11,085	-	-	-	11,085
Creditors	(478,328)	-	-	-	(478,328)
Bank loan	(750)	(2,250)	(15,000)	(5,750)	(23,750)
Unsecured Loan	-	-	(188,400)	-	(188,400)
Bank overdraft	(57,085)	-	-	-	(57,085)

Interest rate risk

The table below summarises the interest rate profile of the group's financial assets and liabilities.

	Effective interest rate	On demand KShs'000	Due between 1 and 5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
Cash and bank balances	-	11,085	-	-	11,085
Bank loan	-	3,000	15,000	5,750	23,750
Unsecured loan	12%	-	188,400	-	188,400
Bank overdraft	26%	57,085	-	-	57,085

Favourable cash and bank balances held at the end of the year are non-interest bearing. The interest rates quoted above are the range which prevailed in the current financial year.

30. CONTINGENT LIABILITIES

As at September 30, 2001, the group has outstanding contingent liabilities amounting to KShs.21 million in respect of litigation incurred in the normal course of business.

31. PRINCIPAL SUBSIDIARIES

During the year, the following companies contributed to the net assets and results of the Group, with the main activities as described.

Subsidiary	Beneficial Interest %	Principal activity
The Standard Limited	100	Publishers of <i>The East African Standard</i> and <i>The Sunday Standard</i> newspapers and distribution of selected local and overseas newspapers, magazines and periodicals
Baraza Limited	51	Television station broadcasting in the name of KTN
KTN Limited	100	In receivership
Agency Sales and Promotion Limited	100	Dormant

32. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

33. CURRENCY

The accounts are presented in Kenya Shillings (KShs).



COMPANY DETAILED PROFIT AND LOSS ACCOUNT

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30 2001

	2001 KShs'000	2000 KShs'000
Income	-	-
Exceptional items:		
Profit from sale of 49% interest in Baraza Limited	159,912	-
Portion of loan foregone by Transnational Bank Limited	45,000	-
Equity investment written down	(1,840)	-
Gross income	203,072	-
Expenses:		
Professional fees	(864)	(200)
Bad debts written off	-	(1,466)
Other administrative expenses	(47)	(188)
Profit/(loss) before taxation	202,161	(1,854)



PROXY FORM

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30 2001

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, 20th June 2002 and at any adjournment thereof.

Signed _____

_____ day of _____ 2002

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.

