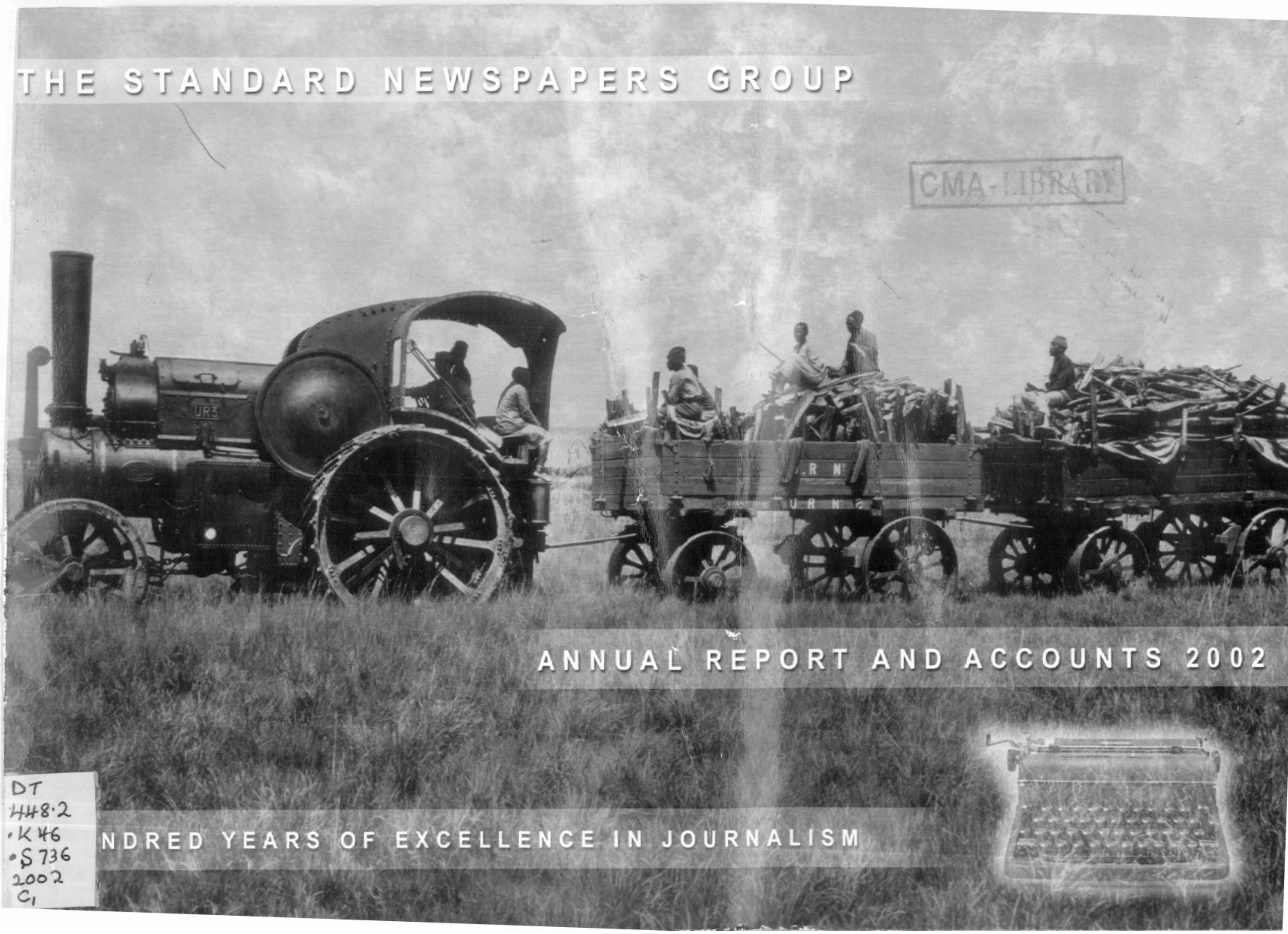
THE STANDARD NEWSPAPERS GROUP



ANNUAL REPORT AND ACCOUNTS 2002

NDRED YEARS OF EXCELLENCE IN JOURNALISM

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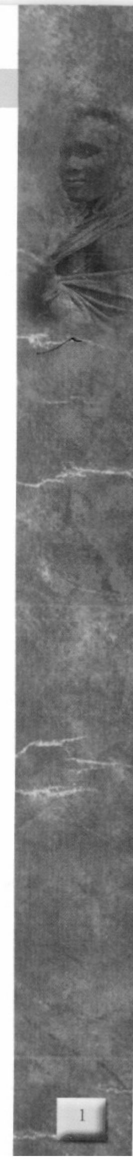
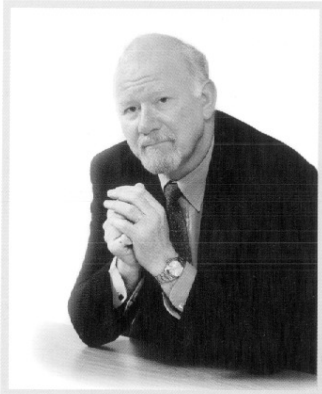
FOR THE YEAR ENDED 30TH SEPTEMBER 2002



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

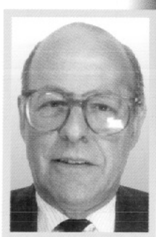
Directors, Officers and Administrators

FOR THE YEAR ENDED 30TH SEPTEMBER 2002



Robin Sewell
Chairman (British)

Ben Chepkoit
Director
(Appointed 24th August 2002)



A. Macauley
Director
(British)

Conrad Nkutu
Commercial Director
(Appointed 24th August 2002)

Chris Kisire
Financial Director
(Appointed January 17, 2003)

Wachira Waruru
Group Editorial Director

David Davies
Group Managing Director

Ian Fernandes
Group Production/IT Director
(Managing Director KTN)

IMAGE REGISTRARS — 8th Floor, Transnational Plaza, PO Box 72133, Nairobi

AUDITORS — KPMG Kenya, Lonrho House, 16th Floor, Standard Street, PO Box 40612, 00100 Nairobi GPO

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

The Eighty Fifth Annual General Meeting of The Standard Newspapers Group Limited will be held at the Norfolk Hotel, Harry Thuku Road, Nairobi on 29th May, 2003 at 11.00 a.m. to transact the following business:-

AGENDA

ORDINARY BUSINESS

1. To confirm the Minutes of the 84th Annual General Meeting held on 20th June, 2002.
2. Matters Arising Therefrom
3. To receive and consider the Accounts for the year ended 30th September 2002 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 2002.
5. To re-elect Directors and approve their remuneration for the year ended 30th September 2002. In accordance with Article 69 of the Company's Articles of Association, Mr R Sewell and Mr A Macauley retire by rotation and being eligible offer themselves for re-election.
6. In accordance with Articles 75 of the Company's Articles of Association, Mr Ben Chepkoit, Mr Chris Kisire and Mr Conrad Nkutu who were appointed directors during the year retire and being eligible offers themselves for re-election.
7. 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

8. To consider and if though fit to pass the following resolution as Special Resolution of the company
   "To amend Article No. 77 of the articles of association by deleting the following words which limit the borrowing of directors — ***shall not at any time without the previous sanction of the Company in general meeting exceed the nominal amount of the share capital of the company for the time being issued***"

By Order of the Board

PETER KEMEI
COMPANY SECRETARY

Date: February 27, 2003

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.

Chairman's Statement

For the year ended 30th September 2002

I am pleased to report that the turnover of the Group increased this year by some 15% to KSh 1.322 billion. The Group has also experienced a dramatic turnaround in profitability, turning an operating loss last year of KSh 138 million into an operating profit this year of KSh 20 million, with all divisions of the group achieving operating profits in the year.

Turnover at The Standard increased by KSh 96 million in the year, whilst cost of sales reduced by KSh 17 million. The saving in cost was largely achieved by carefully controlling wastage levels and by sourcing better quality newsprint, which has led to both more efficient printing and a significantly better product.

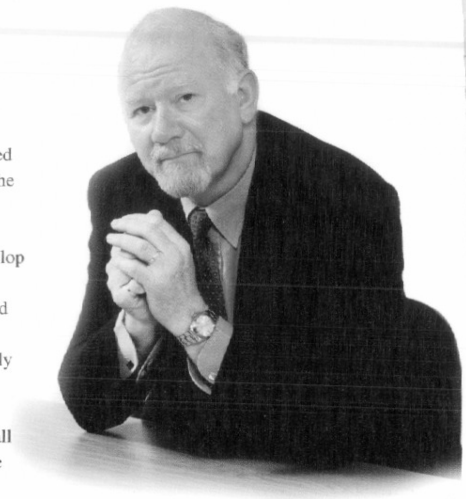
Other expenses have also been tightly controlled, with improved cash flows enabling a reduction in borrowing levels and consequential reduction in finance costs of some 43% overall costs only increased by 29% in the year.

Despite the continued stagnation in the country's tourism sector, the PDS division of The Standard continues to operate profitably but this also has only been achieved by maintaining strict financial and operational controls on the business.

KTN has achieved a remarkable increase in turnover of nearly 42% in the year following their promised expansion of reach, which now included most of Central Kenya and Nakuru.

As part of out strategy to increase KTNs reach still further we utilised some of the funds raised in the recent rights share issue to install a satellite uplink system and broadcast to the Kisumu and Eldoret regions using this system commenced in late 2002. Further expansion in broadcasting coverage are planned in 2003 and we expect to commence broadcasting in the Nyeri area soon.

On the programming side, KTN has continued to develop more local shows and our news broadcasts, both in Kiswahili and English remain the most widely watched programmes on Kenyan television. Independent viewership ratings confirm that KTN is the most widely watched TV station in Kenya.



For the future, our plans include the consolidation of all group operations in Nairobi into one central office, the replacement of our current IT and communications equipment and the renewal of our ageing vehicle fleet, all of which should improve the efficiency of our operations.

All of the above investment for the future means that regrettably again we cannot recommend any dividend this year but if the excellent progress made this year continues we shall hopefully be in a position to recommence dividend payments in the future.

In conclusion, the Board wishes to express its thanks to the management, staff and shareholders for their continued support and confidence in the future of the group.

Robin Sewell

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 30 September 2002.

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 Kenya Television Network (KTN).

2. **Group Results**
The Groups loss after tax for the year was KShs.12,040,000 (2001profit of KShs. 62,842,000).

3. **Restructuring**
The group's operating performance has deteriorated substantially in the recent past resulting in accumulated losses of Kshs.221 million as at 30 September 2002 (2001 KShs 209 million). The rights issue was concluded in January 2002 whereby Kshs.306 million was raised representing a 68% success rate. The funds raised were utilised in the year by the directors to implement the fast track programme to facilitate expansion and efficiency at the two main operating subsidiaries.

The results have been positive as reflected in the results from operations and this is expected to continue in the coming year.

4. **Dividends**
The directors do not recommend the payment of a dividend (2001 Nil).

5. **Directors**
The directors who served during the year are set out on page 1.

6. **Auditors**
The auditors, KPMG Kenya who have changed their name from KPMG Peat Marwick, have indicated their willingness to continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486).

7. **Approval of financial statements**

The financial statements were approved at a meeting of the directors held on

BY ORDER OF THE BOARD

Secretary
Date: February 27, 2003

Statement Of Directors Responsibilities

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

The Companies Act 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 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 financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards promulgated by the International Accounting Standards Board and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of the groups operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, 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: Franco

Director Hernandez

Date : February 27, 2003

Report Of The Independent Auditors

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

We have audited the financial statements set out on pages 5 to 22 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.

Respective responsibilities of the directors and independent auditors

As stated on page 3, 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.

Basis of opinion

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 financial statements 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 1 which refers to strategic restructuring plans that are in progress.

Opinion

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 30 September 2002 and of the groups operating results and cash flows for the period then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and comply with the requirements of the Companies Act.

Date: February 27, 2003

Peat Marwick

Consolidated Profit And Loss Account

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

	Notes	2002 KShs '000	2001 KShs '000
Turnover		**1,321,611**	**1,149,858**
Cost of sales		(526,838)	(559,361)
Gross profit		**794,773**	**590,497**
Other operating income	4	4,464	1,490
Selling and distribution costs		(135,444)	(151,042)
Administrative expenses		(643,190)	(578,967)
Profit/(Loss) from operations		**20,603**	**(138,022)**
Exceptional items	6	-	203,072
Net Finance costs	7	(19,148)	(43,657)
Profit before taxation	8	**14,550**	**21,393**
Income tax (charge)/credit	9	(13,495)	41,449
Net (loss)/profit for the year		**(12,040)**	**62,842**
Basic (loss)/earnings per share	10	**(KShs 0.23)**	**KShs 4.90**

The notes set out on pages 9 to 22 form an integral part of these financial statements.

Balance Sheet

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

	Note	Group 2002 KShs'000	Group 2001 KShs'000	Company 2002 KShs'000	Company 2001 KShs'000
ASSETS					
Non Current Assets					
Property, plant and equipment	11	221,487	197,900	-	-
Subsidiaries	12	6,060	6,060	480,829	227,447
Deferred tax asset	13	95,600	109,095	-	-
		323,147	313,055	480,829	227,447
Current Assets					
Stocks	14	59,453	36,353	-	-
Debtors	15	290,922	269,936	4,988	6,448
Taxation		6,128	5,489	639	-
Cash and Bank balances		57,228	11,085	48,821	792
		413,731	322,863	54,448	7,240
TOTAL ASSETS		**736,878**	**635,918**	**535,277**	**234,687**
EQUITY AND LIABILITIES					
Capital and Reserves (Page 8)					
Share capital	16	325,769	64,161	325,769	64,161
Share premium		44,473	-	44,473	-
Revenue reserves		(221,178)	(209,138)	131,180	133,918
Shareholders funds		149,064	(144,977)	501,422	198,079
Minority interest	17	88	88	-	-
Non Current Liabilities					
Bank Loan	18	17,750	20,750	17,750	20,750
Term Loan	19	71,640	188,400	-	-
		89,390	209,150	17,750	20,750
Current Liabilities					
Current portion of bank loan	18	3,000	3,000	3,000	3,000
Bank Overdraft	20	51,777	57,085	-	-
Creditors	21	438,130	506,143	7,676	7,429
Dividends payable		5,429	5,429	5,429	5,429
		498,336	571,657	16,105	15,858
TOTAL EQUITY AND LIABILITIES		**736,878**	**635,918**	**535,277**	**234,687**

The financial statements on pages 8 to 28 were approved by the Board of Directors on and were signed on its behalf by:

Director: Bhauco   Director: Fernandes

The notes set out on pages 12 to 27 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

	Note	2002 KShs'000	2001 KShs'000
Cash flows from operating activities	23(a)	(73,200)	(62,888)
INVESTING ACTIVITIES			
Proceeds from sale of equipment		2,837	404
Proceeds from the sale of 49% equity in Baraza limited		-	160,000
Purchase of plant and equipment		(64,507)	(112,554)
Cash (outflow)/inflow from investing activities		(61,670)	47,850
FINANCING ACTIVITIES			
Bank loan repaid		(3,000)	(1,250)
Dividend paid		-	(5)
Term loans repaid		(116,760)	(8,947)
Proceeds from issue of shares		306,081	-
Cash inflow/(outflow) from financing activities		186,321	(10,202)
Net increase/(decrease) in cash and cash equivalents	23(b)	**51,451**	**(25,240)**

The notes set out on pages 12 to 27 form an integral part of these financial statements.

	Share capital KShs'000	Share premium KShs'000	Revenue reserves KShs'000	Total KShs'000
Group:				
At 1 October 2000 (as previously reported)	64,161	-	(252,510)	(188,349)
Change in accounting policy (with respect to provision for leave pay)	-	-	(27,815)	(27,815)
Deferred tax on leave pay	-	-	8,345	8,345
Net profit for the year	-	-	62,842	62,842
At 1 October 2001 (restated)	64,161	-	(209,138)	(144,977)
Share capital issued in the year	261,608	44,473	-	306,081
Net loss for the year	-	-	(12,040)	(12,040)
At 30 September 2002	**325,769**	**44,473**	**(221,178)**	**149,064**

Adjustments in respect of prior years deferred tax relates to incorporation of deferred tax arising from provision for accumulated leave pay.

	Share capital KShs'000	Share premium KShs'000	Revenue reserves KShs'000	Total KShs'000
Company:				
At 1 October 2000	64,161	-	(68,243)	(4,082)
Net profit for the year	-	-	202,161	202,161
At 1 October 2001	64,161	-	133,918	198,079
Share capital issued in the year	261,608	44,473	-	306,081
Net loss for the year	-	-	(2,738)	(2,738)
At 30 September 2002	**325,769**	**44,473**	**131,180**	**501,422**

The notes set out on pages 12 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.221 million as at 30 September 2002. The rights issue was concluded in January 2002 whereby Kshs.306 million was raised representing a 68% success rate. The funds raised were utilised in the year by the directors to implement the fast track programme to facilitate expansion and efficiency at the two main operating subsidiaries.

The results have been positive as reflected in the results from operations and this is expected to continue in the coming year.

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 Financial Reporting Standards promulgated by the International Accounting Standards Board. The financial statements are prepared under the historical cost convention.

(b) Consolidation principles
The consolidated financial statements include the financial statements of the company and some of its subsidiaries made up to 30 September 2002.

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 21.

(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 groups 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 annual rates of depreciation used are as follows:

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

(h) Impairment

The carrying amounts of the groups assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets 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.

(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.

The employees are entitled to accumulated compensated absences that are carried forward and can be utilised in future periods if the current years entitlement is not taken in full.

(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 financial statements 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 restated to incorporate the effects of the change in accounting policy regarding provision for accumulated leave pay.

SEGMENTAL REPORTING

	Publishing		Broadcasting		Other		Eliminations		Consolidated	
	2002 KShs '000	2001 KShs '000	2002 KShs '000	2001 KShs '000	2002 KShs '000	2001 KShs '000	2002 KShs '000	2001 KShs '000	2002 KShs '000	2001 KShs '000
External sales	1,044,900	944,797	276,711	205,061	-	-	-	-	1,321,611	1,149,858
Inter-segment sales	12,933	16,702	13,873	-	-	-	(26,806)	(16,702)	-	-
Total sales	**1,057,833**	**961,499**	**290,584**	**205,061**	**-**	**-**	**(26,806)**	**(16,702)**	**1,321,611**	**1,149,858**
Segment profit/(loss) from operations	27,627	(66,807)	2,457	(70,304)	(9,481)	(911)	-	-	20,603	(138,022)
Net finance (costs) /income	(25,865)	(43,853)	(26)	196	6,743	-	-	-	(19,148)	(43,657)
Income tax (debit) /credit	(8,784)	22,295	(4,711)	20,866	-	(1,712)	-	-	(13,495)	41,449
Segment results	**(7,022)**	**(88,365)**	**(2,280)**	**(49,242)**	**(2,738)**	**(2,623)**	**-**	**-**	**(12,040)**	**(140,230)**
Profit on sale of 49% equity in subsidiary									-	159,912
Equity investment written down									-	(1,840)
Portion of loan foregone by Transnational Bank Limited									-	45,000
Net (loss)/profit									(12,040)	62,842
Other Information:										
Segment assets	516,979	514,563	288,798	220,127	535,276	234,687	(604,175)	(341,804)	736,878	627,573
Segment liabilities	702,998	681,183	446,082	368,038	33,854	36,608	(595,120)	(332,837)	587,814	752,992
Capital expenditure	9,469	74,953	55,038	37,601	-	-	-	-	64,507	112,554
Depreciation expense	24,238	20,396	15,395	9,438	-	-	-	-	39,633	29,834

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

	2002 KShs '000	2001 KShs '000
Sale of dubbings	462	827
Profit on sale of equipment	1,566	40
Voice overs	851	442
Rent	390	-
Waterworld	248	-
KTN Birthday Club	80	47
Re-edits	867	-
Others	-	134
	4,464	**1,490**

5. PERSONNEL EXPENSES

	2002 Kshs'000	2001 Kshs'000
Salaries and Wages	197,067	183,401
Contributions to retirement benefit scheme	5,022	4,869
Allowances and benefits	46,955	30,982
Others	84,128	89,855
	333,172	**309,107**

The average number of employees engaged during the year were: 546 (2001 — 465)

6. EXCEPTIONAL ITEMS

	2002 KShs '000	2001 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)
	-	**203,072**

7. NET FINANCE COSTS

	2002 KShs'000	2001 KShs'000
Net interest expense	18,965	46,636
Foreign exchange loss/(gain)	183	(2,979)
	19,148	**43,657**

8. PROFIT BEFORE TAXATION

	2002 KShs'000	2001 KShs'000
Profit before taxation is arrived at after charging:-		
Depreciation		
Directors emoluments	39,633	29,834
Fees	-	2,000
Other	24,925	19,644
Auditors remuneration		
Current year	2,530	2,322
Prior year overprovision	(107)	-

9. INCOME TAX EXPENSE/(CREDIT)

	2002 KShs'000	2001 KShs'000
Current tax expense at 30%	-	-
Deferred tax (Note 13)	13,495	(41,449)
	13,495	**(41,449)**

No provision for corporation tax has been made in these financial statements as the group has accumulated tax losses amounting to KShs. 364,660,067 (2001-Kshs 399,859,000).
The tax on the groups profit before taxation differs from the theoretical amount using the basic tax rate as follows:

	2002 KShs'000	2001 KShs'000
Accounting profit	**1,455**	**21,393**
Tax at the applicable rate of 30%	437	6,418
Tax effect of non-deductible costs and non-taxable income	13,058	(47,867)
Income tax charge/(credit)	**13,495**	**(41,449)**

10. BASIC EARNINGS /(LOSS) PER SHARE

	2002	2001
(Loss)/Profit attributable to ordinary shareholders Kshsí000	(12,040)	62,842
Weighted average number of shares in issue during the year	52,052,984	12,811,859
Basic (loss)/earnings per share in KShs	**(0.23)**	**4.90**

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

11. PROPERTY, PLANT AND EQUIPMENT

Group:

	Plant & Machinery KShs'000	Motor vehicles KShs'000	Furniture & fittings KShs'000	Total KShs'000
Cost				
At 1 October 2001	291,042	41,724	44,162	376,928
Additions	53,594	7,620	3,293	64,507
Disposals	-	(4,436)	(51)	(4,487)
At 30 September 2002	344,636	44,908	47,404	436,948
Depreciation				
At 1 October 2001	130,800	25,258	22,970	179,028
Charge for the year	29,872	6,487	3,274	39,633
On disposals	-	(3,169)	(31)	(3,200)
At 30 September 2002	160,672	28,576	26,213	215,461
Net book value				
At 30 September 2002	**183,964**	**16,332**	**21,191**	**221,487**
At 30 September 2001	**160,242**	**16,466**	**21,192**	**197,900**

12. SUBSIDIARIES

Group:-

	2002 KShs'000	2001 KShs'000
KTN Limited (in receivership)	**6,060**	**6,060**

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.

Company:-

	2002 KShs'000	2001 KShs'000
Shares at cost /valuation		
The Standard Limited	3,398	3,398
Baraza Limited	92	92
Agency Sales and Promotion Limited	2	2
Kenya Television Network Limited (in receivership)	6,060	6,060
Amounts due from subsidiaries		
The Standard Limited	262,774	139,279
Baraza Limited	208,503	78,616
	480,829	**227,447**

13. DEFERRED TAX ASSET

Group

Movements during the year are as follows:

	At 1/10/2001 as previously reported	Recognised in equity	At 1/10/2001 restated	Recognised in income	At 30/09/2002
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Arising from:					
Property, plant & equipment	19,404	-	19,404	964	20,368
Unrealised exchange losses	(145)	-	(145)	(265)	(410)
Tax losses carried forward	(119,959)	-	(119,959)	10,558	(109,401)
General provisions	(50)	(8,345)	(8,395)	2,238	(6,157)
Total	**(100,750)**	**(8,345)**	**(109,095)**	**13,495**	**(95,600)**

14. STOCKS

Group:

	2002 KShs'000	2001 KShs'000
Raw materials	11,400	706
Consumable stores	19,985	17,279
Goods in transit	6,895	2,280
Stocks for resale	21,173	16,088
	59,453	**36,353**

15. DEBTORS

Group:

	2002 KShs'000	2001 KShs'000
Trade debtors	248,162	232,508
Other debtors and prepayments	42,760	37,428
	290,922	**269,936**
Company:		
Other debtors	**4,988**	**6,448**

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.

16. SHARE CAPITAL

Group and company:

	2002	2001
Authorised	**KShs'000**	**KShs'000**
103,979,600 Ordinary shares of KShs 5 each	519,898	519,898
20,400 8% Preference shares of KShs 5 each	102	102
	520,000	**520,000**
Issued and fully		
At 1 October 2001 and 2000 respectively 12,811,859 ordinary shares of KShs 5 each	64,059	64,059
20,400, 8% preference shares of KShs 5 each	102	102
New capital issued		
52,321,500 ordinary shares of KShs 5 each	261,608	-
	325,769	**64,161**

The new ordinary shares issued were allotted in January 2002 and 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.

17. MINORITY INTEREST

As at 30 June 2001, The Standard Newspapers Group Limited disposed 49% of its shareholding in Baraza Limited. At that time the subsidiaries equity reflected a deficit of KShs 139,318,000. The balance in this account represents the minority shareholding in the issued capital 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.

18. BANK LOAN

Group and company:

	2002 KShs '000	2001 KShs '000
Due in 1 year	3,000	3,000
Due after 1 year	17,750	20,750
	20,750	**23,750**

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.

In 2001 the bank reduced 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 banks prevailing base rate on the remaining balance. Repayments during the year amounted to Kshs.3,000,000.

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

19. TERM LOAN

Group:

	2002 KShs'000	2001 KShs'000
Oakside Limited		
At 1 October	188,400	197,347
Repaid during the year	(116,760)	(8,947)
At 30 September	**71,640**	**188,400**

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.

20. BANK OVERDRAFT

Group and company:

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 Evenannon 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 51,777,000 (2001 — KShs 57,085,000).

21. CREDITORS

Group:	2002 KShs'000	2001 KShs'000
Trade Creditors	248,724	213,728
Other creditors and accruals	189,406	292,415
	438,130	**506,143**
Company:		
Other creditors	**7,676**	**7,429**

22. 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 employees pensionable salary. During the year, the group expensed KShs 5,022,000 (2001 — KShs 4,869,000) in contributions payable.

23. NOTES TO THE CASH FLOW STATEMENT

	2002 KShs'000	2001 KShs'000
a) Reconciliation of net profit before tax to cash flows from operating activities		
Net profit before tax	1,455	21,393
Adjustments for:		
Depreciation	39,633	29,834
Impaired assets written down	-	426
Equity investment written down	-	1,840
Other investments written off	-	20
Gain on sale of equipment	(1,550)	(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)	18,965	46,636

	2002 KShs'000	2001 KShs'000
Operating profit/(loss) before working capital changes	58,503	(104,790)
(Increase)/Decrease in inventories	(23,100)	11,346
Increase in debtors	(20,986)	(32,845)
(Decrease)/Increase in creditors	(68,013)	110,107
Cash utilised by operations	(53,596)	(16,182)
Tax paid	(639)	(70)
Interest expense (net)	(18,965)	(46,636)
Cash flows from operating activities	**(73,200)**	**(62,888)**

b) **Movement in cash and cash equivalent**
Change in the period

	2002 KShs'000	2001 KShs'000	KShs'000
Cash and bank balances	57,228	11,085	46,143
Bank overdraft	(51,777)	(57,085)	5,308
	5,451	**(46,000)**	**51,451**

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

a) Group financial statements 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 financial statements of the company	**(494,944)**	**964**	**(493,980)**

Source: Un-audited management accounts (approved and signed by the directors) as at 30 September 2002.

25. CAPITAL COMMITMENTS

Group:

	2002 KShs'000	2001 KShs'000
Authorised and contracted	**24,901**	-

26. RELATED PARTY TRANSACTIONS

Directors and executive directors

As at 30 September 2002 loans to directors amounted to KShs 4,402,677 (2001 — KShs 1,291,495):

	2002 KShs'000	2001 KShs'000
Total directors remuneration included in personnel expenses are as follows:		
Directors fees	-	2,000
Other Allowances	24,925	19,644

27. 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 7 September 2001.

The carrying value of these two motor vehicles at 30 September 2002 is KShs 4,587,917 (2001 — KShs 2,616,250).

Future hire-purchase payments:

	2002 KShs'000	2001 KShs'000
Within one year	1,906	1,101
More than one year and not later than five years	499	1,201
	2,405	**2,302**

28. FINANCIAL INSTRUMENTS
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 KShs'000	1 and 5 year KShs'000	Due after 5 years KShs'000	Total KShs'000
Cash and bank balances	-	57,228	-	-	57,228
Bank loan	-	-	(15,000)	(5,750)	(20,750)
Unsecured loan	12%	-	-	(71,640)	(71,640)
Bank overdraft	19%	(51,777)	-	-	(51,777)

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.

29. CONTINGENT LIABILITIES

As at 30 September 2002, the group has outstanding contingent liabilities amounting to KShs. 30 million (2001— KShs.21 million) in respect of litigation and claims occurring in the normal course of business.

30. 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 The East African Standard and The Standard on Sunday 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

31. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

32. CURRENCY

The financial statements are presented in Kenya Shillings (KShs).

Detailed Profit And Loss Account

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

	2002 KShs'000	2001 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
Net interest income	6,743	(1,840)
Gross income	6,743	203,072
Expenses:		
Professional fees	(6,123)	(864)
Other administrative expenses	(3,358)	(47)
(Loss)/Profit before taxation	**(2,738)**	**202,161**