THE STANDARD GROUP LIMITED

ANNUAL REPORT AND ACCOUNTS AT 30 SEPTEMBER 2004

THE STANDARD GROUP LTD

FORMERLY THE STANDARD NEWSPAPERS GROUP LIMITED

WE WILL INFORM, ENTERTAIN AND EDUCATE OUR CUSTOMERS BY REPORTING, PUBLISHING AND BROADCASTING RELEVANT AND TIMELY CONTENT THROUGH OUR TALENTED AND PROFESSIONAL STAFF

NDAY STANDARD
OUTSTANDING EVERY WEEK

KTN
Your Channel...Your Choice

THE STANDARD
OUTSTANDING EVERYDAY

PUBLISHERS DISTRIBUTION SERVICES
A DIVISION OF THE STANDARD LIMITED

THE NEWLOOK STANDARD

Traffic jams will never be the same for this reader as he takes a peek at the newlook Standard's first edition. There is rather a lot to read these days in *The Standard* daily edition and the weekly edition of *The Sunday Standard*.

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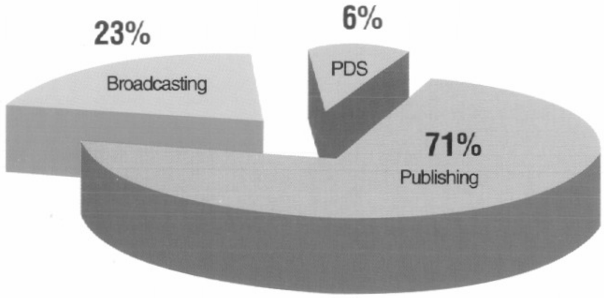
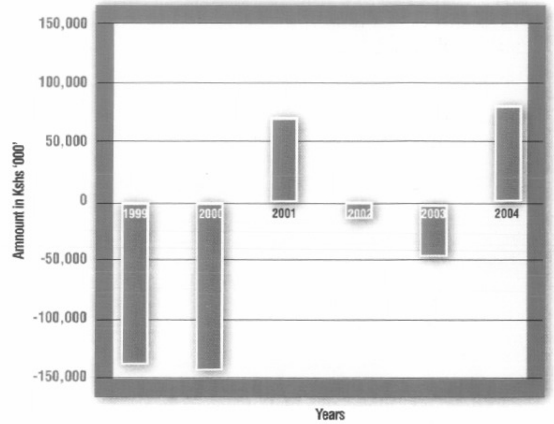
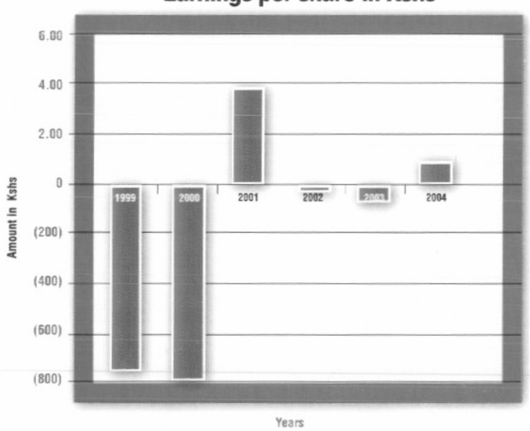
Revenue Composition for 2004 (%)



Profit After Tax in Kshs '000

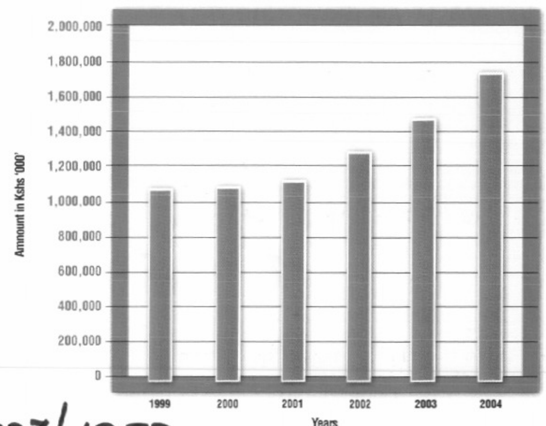


Earnings per share in Kshs



Earning per share

Turnover in Kshs '000'



2007/1252

Corporate Information

GROUP CHAIRMAN
Robin Sewell *British

GROUP MANAGING DIRECTOR
Tom Mshindi

GROUP FINANCE AND ADMINISTRATION DIRECTOR
Chris Kisire

GROUP IT/PRODUCTION DIRECTOR
Ian Fernandes - resigned January 1, 2005

COMMERCIAL DIRECTOR
Conrad Nkutu - resigned February 24, 2004

NON EXECUTIVE DIRECTORS
B. Chepkoit
A. Macaulay *British
Paul Melly - Appointed December 9, 2004

SECRETARY
P. Kemei
Image Registrars
8th Floor, Transnational Plaza, Mama Ngina Street
PO Box 9287 00100 GPO 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 Group Limited
I&M Bank Tower, Kenyatta Avenue
PO Box 30080
Nairobi

PRINCIPAL BANKERS
CFC Bank Limited
CFC Centre
PO Box 72833-00200
Nairobi

Kenya Commercial Bank Limited
Moi Avenue, PO Box 30081
Nairobi

BOARD AUDIT COMMITTEE
Ben Chepkoit - Chairman
Paul Melly
Andrew Macaulay

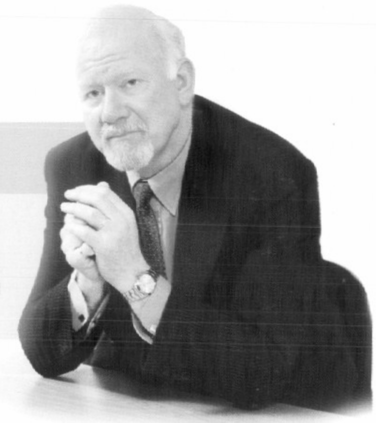
BOARD REMUNERATION COMMITTEE
Ben Chepkoit - Chairman
Robin Sewell
Tom Mshindi

Acknowledged 28/02/05

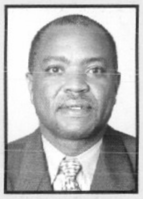
Board of Directors

ROBIN SEWELL
Chairman

Mr Sewell is a partner in MGI Midgley Snelling, an English firm of chartered accountants in England and Wales. He is a fellow of the Institute of Chartered Accountants in England and Wales.



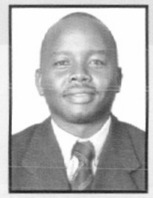
TOM MSHINDI
Group Managing Director



Mr Mshindi was appointed the Group Managing Director in August 2003 and is in charge of the Group's operations. He has a wealth of experience in the local media industry spanning over 16 years and joined the Group from the UN, where he worked in New York and Nigeria for five years. He holds a BA (Hons.) degree in political science and literature from the University of Nairobi, a postgraduate diploma in Journalism and is registered for an MA in International Affairs at Columbia University in New York.

IAN FERNANDES
Group IT/Production Director

Mr Fernandes is the head of Printing, Pre-Press and IT departments. He is a qualified engineer with with a BSc. degree in Electrical and Electronic Engineering from the University of Nairobi with over 10 years experience in Information Technology and the media industry.



CHRIS KISIRE
Group Finance and Administration Director

Mr Kisire was appointed the Group Finance Director in January 2003. He is a holder of BCom. Accounting option & MBA degree both from University of Nairobi. He also holds CPA(K). He has worked for more than 10 years in this field, both locally and internationally (Zimbabwe and UK). He is a member of the Institute of Certified Public Accountants (ICPAK).

BEN CHEPKOIT
Director

Mr Chepkoit is the Managing Director of Sovereign Group Limited. He is a holder of a Bachelor of Science degree in Accounting, Finance & Business Development , Master of Science in Management Information Systems from the USA and is currently completing a PhD in Information Systems Technologies. He holds directorships in various companies both locally and in the USA. He is a member of IEEE.

PAUL MELLY
Director

Mr Melly is an independent business consultant on corporate and financial markets. He served previously as the CEO of Capital Markets Authority for a period of 9 years. He is the holder of B.Com in Accounting and a Masters Degree in Accounting and Finance. He also holds a postgraduate diploma in Financial Management and Modelling. He has over 18 years working experience in various capacities in the public sector.

ANDREW MACAULAY
Director

Mr Macaulay is a director of Naumann Trading Limited in the UK. He has, and continues to hold, directorships in several companies, quoted and unquoted, in the UK, and was formerly an IBM fellow at Manchester Business School.

Notice of Annual General Meeting

Notice is hereby given that the Eighty Seventh Annual General Meeting of The Standard Group Limited will be held at the I&M Bank Tower, 6th Floor, Kenyatta Avenue, Nairobi on Monday 4th April 2005 at 11 .00 a.m. to transact the following business:

AGENDA

1. To confirm the Minutes of the 86th Annual General Meeting held on 27th May 2004.

2. Matters arising therefrom.

3. To receive and consider the Audited Financial Statements for the year ended 30th September 2004 together with the Chairman's, 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 2004.

5. To re-elect Directors:
   a) To re-elect the following directors, who retire in accordance with Article 69 of the Company's Articles of Association and being eligible, offer themselves for re-election.

      Mr C. Kisire
      Mr A. Macaulay

   b) Mr. Paul Melly, having been appointed by the directors to the Board on 9th December 2004, and being eligible in accordance with article 75 of the Company's Articles of Association, offers himself for re-election.

6. To approve the Directors fees for the year ended 30th September 2004.

SPECIAL BUSINESS

7. To Consider and if thought fit pass the following resolution as a Special Resolution of the Company:-

   "THAT Messrs Deloitte be and are hereby appointed the new auditors of the Company in accordance with Sections 159 and 160 (1) of the Companies Act, Cap 486".

By Order of the Board

Peter Kemei
Company Secretary
14th February 2005

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 the Article 63. 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.

Corporate Governance Statement

Corporate governance is the process and structure used to direct and manage the business affairs of a company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long-term value, while taking into account the interest of other stakeholders.

The directors of The Standard Group Limited are committed to upholding the highest standards of corporate governance. This commitment is demonstrated by conducting the business and operations of the Group with integrity and in accordance with generally accepted corporate practices, on a platform of transparency, accountability and responsibility.

BOARD OF DIRECTORS

The board is chaired by a non executive chairman. The number of executive directors reduced from five to three while non-executive directors were increased from three to four. The changes will facilitate a more objective evaluation of management's performance and benefit management with diverse business views. All non-executive directors are independent from management. The board has delegated the authority of day to day management to the managing director. It however retains the overall responsibility for financial and operating decisions, and monitoring performance of senior management.

The board meets on a quarterly basis. Its role is to ensure conformance by providing the groups overall strategic direction and policy making. The board is also responsible for the identification of current and future business risks and to ensure that the necessary systems and controls are in place to enable such risks to be monitored and effectively managed. The Board has appointed various sub-committees to which it has delegated certain responsibilities with the chairman of the sub-committees reporting to the board.

BOARD AUDIT COMMITTEE

The committee is chaired by a non-executive director and meets quarterly or when the need arises The internal audit function reports to the committee. The functions of the committee include:

- Monitoring and strengthening the effectiveness of management information and internal control systems.
- Review of financial information and improving the quality of financial reporting.
- Deliberating on issues arising from the internal and external audits.
- Strengthening the effectiveness of the internal and external audit functions.

DIRECTORS REMUNERATION COMMITTEE

This committee is chaired by a non-executive director. It is charged with the responsibility of reviewing the directors' remuneration to ensure that it is competitive to attract and retain directors to run the company efficiently.

The committee also reviews and fixes the fees paid to the non-executive directors to ensure that it is competitive in line with remuneration for other directors in competing sectors.

MANAGEMENT COMMITTEE

Weekly senior management meetings are held to monitor and deal with strategic and operational issues and to improve communication and co-ordination within the various business processes. The meetings also review the group's performance and progress of implementation of the strategic plan.

Corporate governance within the Standard Group is a continuous process and the Board will, from time to time, be restructured to address any issues that come up.

PRINCIPAL SHAREHOLDERS AS AT 30 SEPTEMBER 2004

NAME OF SHAREHOLDER	NUMBER OF SHARES HELD	%TOTAL SHARES
1. S.N.G Holdings Limited	45,084,354	69.20
2. Trade World Kenya Limited	7,111,945	10.90
3. Miller Trustees limited	6,874,378	10.60
4. The Heritage All Insurance	394,432	0.60
5. Kirtesh Premchand Shah	272,383	0.40
6. Freight Forwarders (K) LTD	178,308	0.30
7. Mr Julius Kariuki Gecau	176,315	0.30
8. Savitaben Velji Shah	166,156	0.30
9. Parashottam D Metha	140,725	0.20
10. Mr Eufrazio Juliao Goes	120,969	0.20

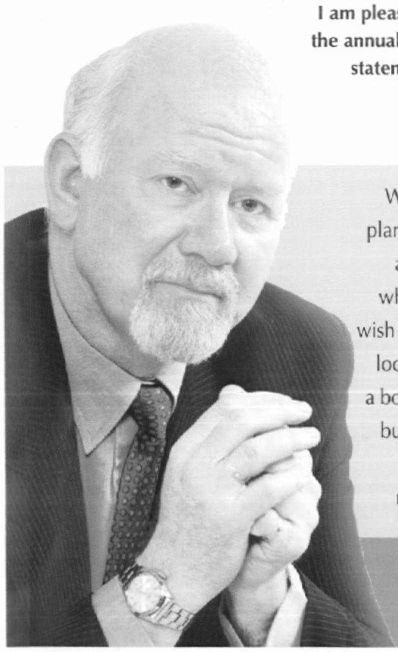
DISTRIBUTION OF SHARE HOLDING AS AT 30 SEPTEMBER 2004

Shareholding (Numbers of Shares)	Number of Shareholders	Number of Shares Held	%Shareholding
Less that 5,000	1,265	1,566,133	2.4%
5,001 - 50,000	210	2,780,640	4.2%
50,000 - 150,000	5	528,315	0.9%
Over 150,000	8	60,258,271	92.5%
	1,488	**65,133,359**	**100%**

Robin Sewell - Chairman **Tom Mshindi** - Group Managing Director **January 26, 2005**

Chairman's Statement

I am pleased to present to you the annual report and financial statements for 2003/2004



We developed a strategic plan that sets out our vision and mission and defines what kind of company we wish to be in five years, both locally and regionally. It is a bold and ambitious vision but one that is inspired by the confidence that the market is showing in us.

ROBIN SEWELL
Chairman

ECONOMIC OVERVIEW

The financial year 2003/2004 began with considerably less optimism in both the macro-economic and political environment. The promised rapid sea-change in the country's political orientation, the constitutional and economic reforms and the fight against corruption that had been promised by the new Government in December 2002 had not materialized. This stalled the release of development aid pledged for critical areas of infrastructure and other policy reforms.

This general pessimism undermined the growth in GDP which, while predicted to rise at about 3%, actually registered a rather sluggish 2.4%. This was, however, marginally better than the 1.8% achieved in 2003. The projected growth rate of 3% was not achieved for various reasons, including the worsening drought situation which necessitated food importation, record high oil prices in the international oil market ,and delays in resumption of development assistance from multilateral and bilateral partners. The acrimony between the coalition partners in Government also did not assist in the economic recovery!

The key drivers of the modest economic growth in 2004 were the agricultural export sector - particularly tea and horticulture - tourism and textiles.

The agricultural sector, which accounts for a quarter of the total GDP, was most affected by the deteriorating weather conditions. However, tea, coffee and sugar prices remained above last year's prices.

Tourism grew at an annualised rate of 23% while textile exports continued to benefit from the extension of third party textile sourcing under the African Growth and Opportunity Act. The manufacturing sector was spurred by increased sales in the regional markets, which were up by an average of 32%.

The building and construction industry showed signs of improvement with an increase in cement consumption. However, the increased demand was mainly due to greater activity in the private sector. The expected public sector demand did not materialise as Government expenditure on capital and development was minimal due to the lower than expected inflow of foreign aid.

Interest rates continued to rise during the year. The benchmark 91-day Treasury bill rate increased from 0.8% in September 2003 to 2.75% in September 2004. In October and November 2004, interest rates shot up to between 7% and 8%. The rise in the Treasury bill rate was due to an increased Government borrowing requirement to bridge the budget deficit and the expectation that interest rates would rise after remaining fairly low over the previous year.

Chairman's Statement (continued)

Overall, inflation increased to 18.96% as at September 2004 as compared to 9% in 2003. The fundamental driver of high inflation during the year was the increase in crude oil prices, although poor weather conditions experienced in various parts of the country resulting in a shortage of food supplies further pushed up prices.

The Kenya Shilling depreciated against the US dollar, exchanging at an average of 80.78 shillings to the dollar in September 2004 as compared to Kshs 78 in 2003. Throughout the year, the shilling drifted down, depreciating by some 6.7% against the US dollar in the first nine months of the year. The weakening of the shilling was caused by donor hesitation in opening aid flows due to concerns regarding corruption, the slow pace of reforms, rising oil prices against increased demand in the energy sector and the overall increase in import demand. Finally, in December 2004, the International Monetary Fund (IMF) released aid to Kenya and this has led to a significant appreciation of the Kenyan Shilling against other major world currencies.

In this generally sombre environment, the majority of Kenyans continued to suffer economic hardship. Income was suppressed and purchasing power was undermined by inflation and high energy costs. The Government continued its policy of a freeze on employment, and retrenchment was still widespread in most sectors. Of particular significance to our business was the low disposable income that most people had.

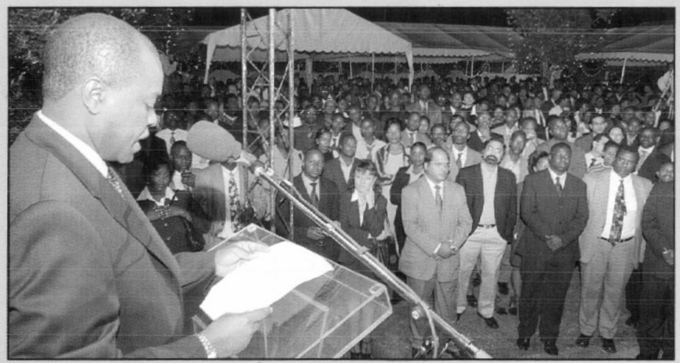
The Media Environment

Overall, the media environment remained dynamic with significant changes in Government policy/opening up the sector to more aggressive competition—most notably in broadcasting. The print sector continued to be dominated by two key players.

The total annual advertising spend for the period under review is estimated at Kshs 6 billion. Out of this, television took 22% (Kshs1.3 billion), print 33% (2 billion) and radio 44% (Kshs 2.65 billion) and this split is expected to continue into the foreseeable future.

During the year, the Group embarked on restructuring measures aimed at enhancing its profitability and competitiveness in the market. This included improvements in our newspaper products, aggressive marketing and repositioning of our products. As a result of these restructuring measures, our newspaper made notable gains in circulation, advertising revenue and market volumes. We developed a strategic plan that sets out our vision and mission and defines what kind of company we wish to be in five years, both locally and regionally. It is a bold and ambitious vision but one that is inspired by the confidence that the market is showing in us.

The improvements in our newspaper products also culminated in the re-launch of Standard publications last October. They are now of better quality and have been repositioned as younger, bold, aggressive and reader-friendly. Their content is endearing them to readers and they have been well received by the market.



Mr Mshindi addresses guests at the Carnivore restaurant during the launch of the new look Standard.

Chairman's Statement (continued)

The ongoing restructuring of the Group will also entail the strategic repositioning of the Group to deal with present and future challenges. The Board and management will continue with the restructuring programme that would include consideration on expansion and growth prospects. This is in line with the desire to ensure that the Group becomes a leading authority and media house.

On broadcasting, the procedure of allocation of frequencies remains unpredictable. It is our wish that the operating environment should become more transparent with respect to issuance of broadcast licences.

We are also keenly monitoring the development of broadcasting law. In the period under review, the Minister for Information initiated a process that should culminate in a law to regulate the media. This is neither unexpected nor unwelcome. However, two matters are of significant concern to us: firstly how the matter of generally regulating content will be handled and secondly the issue of cross-ownership. Among the proposals is one that restricts cross-ownership of media. Our position, which is also the position of the Media Owners Association, is that for this sector to grow and maintain high quality, investors should be free to put their money wherever they think they can make a return.

On regulation, our Group is a strong supporter of the Media Council of Kenya. This is a body set up by the industry as a response to public concerns on unprofessional reporting or behavior. We believe the Council provides an impartial and effective means of speedy resolution of any concerns or issues that may arise and we will continue to support the Council.

The political environment within which the press operates remains unpredictable both at policy and operating environment level. As a result, the media finds itself under criticism due to disclosure on matters of corruption and governance.

Group Performance

I am pleased to report that despite the challenging economic and political environment that I have outlined in this report, the Group continued to perform well in 2004.

Pre-tax profit for the Group increased by an impressive 62% from Kshs 75.1 million in 2003 to Kshs 121.9 million in 2004. This increase is mainly attributable to the ongoing restructuring measures outlined above.

Both the newspaper and television divisions of the Group contributed equally to the growth in profits. Profit from the operations of The Standard Limited grew by 84% from Kshs. 78.1 million in 2003 to Kshs 143.9 million in 2004 while profit from the operations of Baraza Limited grew by an impressive 110% from Kshs. 15.7 million in 2003 to Kshs. 33 million in 2004. The performance of the PDS division has not been satisfactory and measures are being taken to address weaknesses and strengths to generate revenue.

Total income for the Group grew by 17% from Kshs. 1.5 billion to Kshs. 1.7 billion.

The restructuring measures above have seen an increase in circulation income and an increase in advertising income through aggressive selling by the advertising and sales teams.

Revenue is expected to continue to increase in the coming year as a result of the better presentation and improved editorial content. We have also undertaken a complete review of the sales structure – both the physical and the human resource – to ensure total coverage of the market.

Operating expenses for the Group as a percentage of total income decreased from 57.6% in 2003 to 53.3% in 2004 and we intend to bring this down below the industry average of 50%.

Other income for the Group grew from Kshs 3.3 million in 2003 to Kshs. 14.3 million in 2004. This is mainly increased equipment rental income in Baraza Limited.

The restructuring exercise included the rationalisation of staff at a cost of Kshs. 31.8 million.

Chairman's Statement (continued)

Overall, Group achieved an increase in earnings per share from negative Kshs 0.76 in 2003 to positive Kshs 1.19 in 2004.

Total assets grew by 36.6% from Kshs 714.3 million in 2003 to Kshs 975.7 million in 2004. This is mostly an increase in fixed assets from Kshs 233.6 million in 2003 to Kshs 391.7 million in 2004 as a result of the consolidation of the Group's operations into I&M Bank tower.

There was an increase in the Group's short-term bank borrowings due to the financing of the relocation to I&M Bank tower but hopefully this situation is not expected to recur in the coming financial year.

Corporate Social Responsibility

The Group takes its corporate social responsibility very seriously as illustrated by the following activities with which we have been involved during the last year:

Disaster Relief Fund: The Standard Group set up the Standard Group Relief Fund to raise donations to help Kenyans afflicted by hunger in various places. The fund, which was managed jointly with the Red Cross, raised Kshs20, 000,000, - Kshs15 million in kind and Kshs5 million in cash.

Partnerships:

i. Aids Women's Run: We acted in partnership with Aids Women's run and Coca Cola and contributed Kshs 1,000,000 worth of space and airtime.

ii. Girl Child Education: We acted in partnership with Barclays Bank and Unicef to support Girl - Child Education and contributed Kshs 500,000 worth of space and airtime.

iii. Prisoners Support Walk: We contributed Kshs 150,000 worth of space to promote a walk to raise funds to provide reading facilities for prisoners.

iv. Campaign against Violence: The Standard Group joined in partnership with various non-governmental organizations to campaign against violence an effort that continues.

v. Supporting Kawangware youth group: During the re-launch of the Standard, the Group purchased gift items at a cost of Kshs 400,000 from Kawangware youth group, which is composed of former street children, which were given to key customers of the Standard Group.

vi. Christmas cards: Our 2004 Christmas greeting cards were purchased from Unicef in support of the Child's Cause in the World.

These are just some of the more significant activities that we were involved in as part of our corporate social responsibility.

Moving forward, our Group's intention, underlining our commitment to fulfill our social responsibilities, will be to concentrate on activities that have a direct impact on the lives of those less fortunate in our society.

I conclude this report by thanking the board, management and the staff for their exemplary work that has enabled a turnaround in the company. I have no doubt that with their and your ongoing support, the success we have seen over the past two years will be consolidated and the long wait for a return on your investment will be rewarded.

As a result of the restructuring measures of the Group's operations, the financial performance has improved. However, the restructuring cost has necessitated the ploughing back of profits to finance it and invest in the betterment of the Group's growth and future prospects. Consequently, the Directors do not recommend declaration of dividends this year but the future looks promising.

We thank our shareholders for continued support.

Robin Sewell – Chairman

Date: January 26, 2005

Report of the directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 30 September 2004.

1. Principal Activities

The principal activities of the group comprise the publishing of "The East African Standard"(changed to "The Standard" on October 1, 2004) 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 retained profit for the year was Kshs 77,790,000 (2003 – Loss of KShs 49,463,000).

3. Restructuring

During the year the group consolidated its operations at I&M Bank Tower. The project was accomplished by the use of a bank overdraft up to the tune of Kshs 130 million. This affected the net current assets adversely. As at 30 September 2004, current liabilities exceeded current assets by Kshs 12 million. However the consolidation of group's operations is expected to yield savings due to operational efficiency. The operating results have also continued to improve following the restructuring measures undertaken in the past three years leading to an improvement in revenues. This positive performance is expected to continue in the coming year.

The improvement of revenues will be enhanced further by introduction of new products and improvement of our business processes in line with our strategic plan.

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

4. Change of name

During the year the group changed its name from the Standard Newspapers Geroup Limited to The Standard Group Limited.

5. Dividends

The directors do not recommend the payment of a dividend (2003 – Nil).

6. Directors

The directors who served during the year are set out on page 4.

7. Auditors

The directors will table a special resolution at the Annual General Meeting to consider and if thought fit appoint Messers Deloitte as the new auditors in accordance with Section 159 and 160 (1) of the Companies Act Cap 486.

8. Approval of financial statements

The financial statements were approved at a meeting of the directors held on 26th January 2005.

BY ORDER OF THE BOARD

Peter Kemei
Secretary

Date: 26 January 2005

Statement of Directors' responsibilities

The Kenyan 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 the International Financial Reporting Standards and in the manner required by the Kenyan 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 group's 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.

Chris Kisire, Group Finance and Administration Director

Tom Mshindi, Group Managing Director ***Date: January 26, 2005***

Report of the Independent Auditors to the members

We have audited the financial statements set out on pages 14 to 41 for the year ended 30 September 2004. 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. The balance sheet of the Company is in agreement with the books of account.

Respective responsibilities of directors and independent auditors

As stated on page 12, the directors are responsible for the preparation of financial statements that give a true and fair view of the state of affairs of the group and the company and of the group's operating results. Our responsibility is to express an opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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 group and company's financial position at 30 September 2004 and of the group's operating results and cash flows for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which refer to restructuring initiatives that are in progress. On the basis that these activities are successfully concluded, the directors have prepared these financial statements on a going concern basis.

KPMG Kenya
Date: January 26, 2005

Consolidated Profit and Loss Account for the Year ended 30 September 2004

	Notes	*2004 KShs '000*	*2003 KShs '000*
Turnover		1,762,993	1,510,214
Cost of sales		(648,930)	(547,656)
Gross profit		**1,114,063**	**962,558**
Staff Costs	4	(400,008)	(380,196)
Selling Expenses		(183,522)	(171,904)
Administration Expenses		(357,124)	(317,924)
Total Operating Expenses		**(940,654)**	**(870,024)**
Profit from operations		**173,409**	**92,534**
Other income	5	14,289	3,336
Net financing costs	6	(33,993)	(20,697)
Re-organisation costs		(31,797)	-
Profit before tax	7	**121,908**	**75,173**
Income tax expense	8	(29,131)	(27,477)
Net profit for the year		**92,777**	**47,696**
Minority interest	16	(14,987)	(97,159)
Retained profit/(loss) for the year		**77,790**	**(49,463)**
Basic Earnings/(loss) per share	9	**Kshs 1.19**	**KShs (0.76)**

The notes set out on pages 19 to 41 form an integral part of these financial statements.

Balance Sheets at 30 September 2004

		Group		Company	
ASSETS	*Note*	*2004 KShs'000*	*2003 KShs'000'*	*2004 KShs'000*	*2003 KShs'000*
Non Current Assets					
Property, plant and equipment	10	391,762	233,620	-	-
Subsidiaries	11	630	6,060	4,122	9,552
Deferred tax asset	12	42,463	68,123	-	-
		434,855	307,803	4,122	9,552
Current assets					
Stocks	13	209,626	84,689	-	-
Debtors	14	293,316	288,715	1,071	1,555
Taxation		5,737	6,473	-	736
Term deposit		17,971	17,817	17,971	17,817
Cash and Bank balances		14,237	8,890	913	923
		540,887	406,584	19,955	21,031
TOTAL ASSETS		**975,742**	**714,387**	**24,077**	**30,583**
EQUITY AND LIABILITIES					
Capital and Reserves (Page 18)					
Share capital	15	325,769	325,769	325,769	325,769
Share premium		44,473	44,473	44,473	44,473
Revenue reserves		(192,851)	(270,641)	(373,654)	(364,167)
Shareholders funds		177,391	99,601	(3,412)	6,075
Minority interest	16	112,234	97,247	-	-
Non Current Liabilities					
Bank Loan	17	4,026	2,407	-	-
Term Loan	18	115,482	75,458	-	-
Hire Purchase	25	10,242	3,622	-	-
Deferred Tax	12	3,471	-	-	-
		133,221	81,487	-	-

Balance Sheets at 30 September 2004 (continued)

	Note	Group 2004 KShs'000	Group 2003 KShs'000'	Company 2004 KShs'000	Company 2003 KShs'000
Current Liabilities					
Current portion of bank loan	17	-	17,529	-	11,290
Bank Overdraft	19	194,670	65,988		-
Creditors	20	347,344	343,429	7,396	7,789
Dividends payable		5,429	5,429	5,429	5,429
Due to group company		-	-	14,664	-
Hire Purchase	25	5,453	3,677	-	-
		552,896	436,052	27,489	24,508
TOTAL EQUITY AND LIABILITIES		**975,742**	**714,387**	**24,077**	**30,583**

The financial statements on pages 14 to 41 were approved by the Board of Directors on 26th January, 2005 and were signed on its behalf by:

Chris Kisire
Group Finance and Administration Director

Tom Mshindi
Group Managing Director

The notes set out on pages 19 to 41 form an integral part of these financial statements.

Consolidated Cash Flow Statement for the Year ended 30 September 2004

	Note	*2004* *KShs'000*	*2003* *Restated* *KShs'000*
Cash flows from operating activities	22(a)	**67,687**	**9,387**
INVESTING ACTIVITIES			
Proceeds from sale of equipment		3,965	3,303
Purchase of plant and equipment		(224,319)	(65,646)
Cash outflow from investing activities		**(220,354)**	**(62,343)**
FINANCING ACTIVITIES			
Net bank loan repaid		(17,529)	(2,893)
Term loans received		38,619	3,818
Hire Purchase Facilities Received		16,147	9,042
Hire Purchase Facilities Paid		(7,751)	(1,743)
Cash inflow from financing activities		29,486	8,224
Net (decrease)/increase in cash and cash equivalents	22(b)	**(123,181)**	**(44,732)**

The notes set out on pages 19 to 41 form an integral part of these financial statements.

Statement of changes in equity for the year ended 30 September 2004

	Share capital KShs'000	*Share premium KShs'000*	*Revenue reserves KShs'000*	*Total KShs'000*
GROUP:				
At 30 September 2002	**325,769**	**44,473**	**(221,178)**	**149,064**
Net loss for the year	-	-	(49,463)	(49,463)
At 30 September 2003	**325,769**	**44,473**	**(270,641)**	**99,601**
Net loss for the year	-	-	77,790	77,790
At 30 September 2004	**325,769**	**44,473**	**(192,851)**	**177,391**
COMPANY:				
At 30 September 2002	**325,769**	**44,473**	**131,180**	**501,422**
Net loss for the year	-	-	(495,347)	(495,347)
At 30 September 2003	**325,769**	**44,473**	**(364,167)**	**6,075**
Net loss for the year	-	-	(9,487)	(9,487)
At 30 September 2004	**325,769**	**44,473**	**(373,654)**	**(3,412)**

The notes set out on pages 19 to 41 form an integral part of these financial statements.

Notes to the Financial Statements

1. RESTRUCTURING

During the year the group consolidated its operations at I&M Bank Tower. The project was accomplished by the use of a bank overdraft up to the tune of Kshs 130 million. This affected the net current assets adversely. As at 30 September 2004, current liabilities exceeded current assets by Kshs 12 million. However the consolidation of group's operations is expected to yield savings due to operational efficiency. The operating results have also continued to improve following the restructuring measures undertaken in the past three years leading to an improvement in revenues. This positive performance is expected to continue in the coming year.

The improvement of revenues will be enhanced further by introduction of new products and improvement of our business processes in line with our strategic plan.

In view of the above, the directors consider it appropriate to prepare these 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 and comply with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention, modified by revaluation of certain assets. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of currents events, actual results may ultimately differ from those estimates.

(b) Consolidation principles
The consolidated financial statements include the financial statements of the company and some of its subsidiaries made up to 30 September 2004.

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 41.

(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 annual rates of depreciation used are as follows:

■ Plant, machinery and equipment	10%
■ Computer Equipment	33%
■ Motor vehicles	25%
■ Furniture and fittings	10%

(h) Impairment
The carrying amounts of the group's 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.

(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) Financial instruments
A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise.

(i) Classification
Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the group has the interest and ability to hold to maturity. These mainly include term deposits.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the group, or held to maturity. Available-for-sale instruments include cash and bank balances and other investments.

(ii) Recognition
The group recognises available-for-sale assets on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised in the profit and loss account.

Held to maturity assets are recognised on the day they are transferred to the group.

(iii) Measurement
Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition, all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iv) Fair value measurement principles
The fair value of financial instruments is based on their market price at the balance sheet date without any deduction for transaction costs.

(v) Gains and losses on subsequent measurement
Gains and losses arising from a change in the fair value of available-for-sale assets and trading instruments are recognised in the profit and loss account.

(vi) Derecognition
A financial asset is derecognised when the group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the group commits to sell the assets. The group uses the specific identification method to determine the gain or loss on derecognition.

Held-to-maturity instruments are derecognised on the day they are transferred by the group.

(m) 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 year's entitlement is not taken in full.

(n) 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.

(o) 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.

(p) Hire Purchase Facility
Hire purchase contracts in terms of which the company assumes substantially all the risks and rewards of ownership are classified as hire purchase loans. Property and equipment acquired by way of hire purchase is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the contract, less accumulated depreciation and impairment losses.

(q) Comparatives
Where necessary, comparative figures have been adjusted to take into account the adjustments relating to reclassification of hire purchase payables from trade creditors.

(r) Operating leases
Leases where a significant portion of the risks and rewards on ownership are retained by the lessor are classified as operating leases. Payments made under operating lease arrangements (whether prepaid or postpaid) are recognised as an expense in the profit and loss account on a straight line basis over the term of the lease.

3. Segmental Reporting

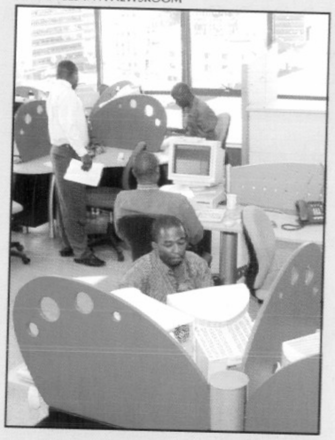
	Publishing		*Broadcasting*		*Other*		*Eliminations*		*Consolidated*	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
	KShs '000	**KShs '000**			**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
External sales	1,365,892	1,118,330	397,101	391,884	-	-			1,762,993	1,510,214
Inter-segment sales	21,645	10,136	22,336	10,180	-	-	(43,981)	(20,316)	-	-
Total sales	**1,387,537**	**1,128,466**	**419,437**	**402,064**	-	-	**(43,981)**	**(20,316)**	**1,762,993**	**1,510,214**
Segment profit/(loss) from operations	143,974	78,165	33,026	15,723	(9,069)	(1,354)	5,478	-	173,409	92,534
Other Income	2,605	631	11,684	2,705	-	-	-	-	14,289	3,336
Net finance (costs)/income	(31,539)	(19,935)	(2,036)	(608)	(418)	(154)	-	-	(33,993)	(20,697)
Exceptional items	(31,797)	152,169	-	341,670	-	(493,839)	-	-	(31,797)	-
Income tax debit	(17,042)	(23,735)	(12,089)	(3,742)	-	-	-	-	(29,131)	(27,477)
Net profit/(loss)	**66,201**	**187,295**	**30,585**	**355,748**	**(9,487)**	**(495,347)**	**5,478**	-	**92,777**	**47,696**
Minority interest									(14,987)	(97,159)
Retained loss for the year									**77,790**	**(49,463)**
OTHER INFORMATION:										
Segment assets	694,780	385,561	310,308	307,211	24,077	30,583	(53,423)	(8,968)	975,742	714,387
Segment liabilities	627,303	384,285	81,259	108,747	27,489	24,508	(49,934)	-	686,117	517,539
Capital expenditure	181,980	32,323	42,339	33,323				-	224,319	65,646
Depreciation expense	37,077	24,737	25,152	26,168		-		-	62,229	50,905

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. Staff Costs

	2004 Kshs'000	2003 Kshs'000
Salaries and Wages	261,798	229,779
Contributions to retirement benefit scheme	6,552	5,069
Allowances and benefits	27,728	50,421
Others	103,930	94,927
	400,008	**380,196**

EMPLOYEES IN A NEWSROOM



The average number of employees engaged during the year were 470 (2003 – 527).

5. Other Income

	2004 KShs '000	2003 KShs '000
Sale of dubbings	972	908
Profit on sale of equipment	2,605	695
Voice overs	64	235
Rent	9,873	1,324
Others	652	-
Waterworld	-	2
KTN Birthday Club	33	138
Re-edits	90	34
	14,289	**3,336**

Leasing fee was received from Nation Media Group and Kiss FM for using Baraza's VSAT facility to uplink their signal from the site at Ngong Hills, to utilise Baraza's facility to downlink their signal in other towns and to lease space at Baraza's transmitter site in Mazeras.

6. Net Finance Costs

	2004 KShs '000	2003 KShs '000
Interest income	(154)	(754)
Interest expense	32,617	22,478
Foreign exchange loss (gain)	1,530	(1,027)
	33,993	**20,697**

7. Profit Before Taxation

	2004 KShs '000	2003 KShs '000
Profit before taxation is arrived at after charging:		
Depreciation	62,229	50,905
Directors emoluments:		
- Fees	4,809	2,302
- Other	44,432	63,285
Auditors remuneration:		
- Current year	2,558	2,530

8. Income Tax Expense

	2004 KShs'000	2003 KShs'000
Current tax expense at 30%	-	-
Deferred tax (Note 12)	29,131	27,477
	29,131	**27,477**

No provision for corporation tax has been made in these financial statements as the entities in the group have accumulated tax losses amounting to Kshs 113,230,000 (2003 – KShs 234,437,000).

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

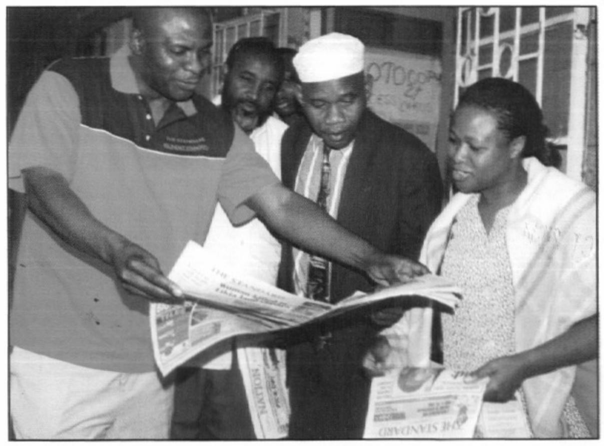
	2004 KShs'000	2003 KShs'000
Accounting profit	**121,908**	**75,173**
Tax at the applicable rate of 30%	36,572	22,552
Tax effect of non-deductible costs and non-taxable income	(7,441)	4,925
Income tax charge	**29,131**	**27,477**

9. Basic Earnings/(Loss) Per Share

	2004	2003
Loss attributable to ordinary shareholders – Kshs'000	77,790	(49,463)
Weighted average number of shares in issue during the year	65,133,359	65,133,359
Basic earnings/(loss) per share – KShs	1.19	(0.76)

KTN PRIME STUDIO AT I&M BUILDING

KWENDO OPANGA ADMIRES THE NEWLOOK STANDARD WITH READERS



10. Property, Plant and Equipment

Group:	*Plant & Machinery KShs '000*	*Motor vehicles KShs '000*	*Furniture& fittings KShs '000*	*Total KShs '000*
Cost				
At 1 October 2003	382,859	49,136	56,837	488,832
Additions	135,905	22,902	65,512	224,319
Disposals	(160)	(16,495)	-	(16,655)
Assets write down	(5,204)	-	-	(5,204)
At 30 September 2004	513,400	55,543	122,349	691,292
Depreciation				
At 1 October 2003	195,030	29,108	31,074	255,212
Charge for the year	42,407	10,533	9,289	62,229
On disposals	-	(15,872)	(131)	(16,003)
Assets write down	(1,908)	-	-	(1,908)
At 30 September 2004	235,529	23,769	40,232	299,530
Net book value				
At 30 September 2004	**277,871**	**31,774**	**82,117**	**391,762**
At 30 September 2003	**187,829**	**20,028**	**25,763**	**233,620**

11. Subsidiaries

Group:	2004 KShs'000	2003 KShs'000
KTN Limited (in receivership)	630	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. The investment has been impaired to its estimated net realisable value in 2004.

Company:	2004 KShs'000	2003 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)	630	6,060
	4,122	9,552

In 2003, the Board of Directors resolved to restructure its inter group indebtedness in consultation with professional financial advisers. This is part of the group's continued restructuring programme.

12. Deferred Tax Asset

Group

Movements during the year are as follows:

Arising from:	*At 1 /10/2003 KShs '000*	*Recognised in income KShs '000*	*At 30/09/2004 KShs '000*
Property, plant & equipment	(1,357)	(1,827)	(3,184)
Tax losses carried forward	(49,466)	15,734	(33,732)
General provisions	(3,729)	(1,818)	(5,547)
	(54,552)	**12,089**	**(42,463)**

Deferred Tax Liability

Property, plant & equipment	14,297	939	15,236
Unrealised exchange losses	(89)	(183)	(272)
Tax losses carried forward	(20,863)	20,626	(237)
General provisions	(6,916)	(4,340)	(11,256)
	(13,571)	**17,042**	**3,471**
Total	**(68,123)**	**29,131**	**-**

13. Stocks

	2004 KShs'000	2003 KShs'000
Group:		
Raw materials	121,435	26,452
Consumable stores	14,117	15,004
Goods in transit	44,803	19,149
Stocks for resale	29,271	24,084
	209,626	**84,689**

14. Debtors

	2004 KShs'000	2003 KShs'000
Group:		
Trade debtors	343,118	417,130
Provision for doubtful debts	(83,098)	(169,826)
	260,020	247,304
Other debtors and prepayments	33,296	41,411
	293,316	**288,715**
Company:		
Other debtors	**1,071**	**1,555**

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.

15. Share Capital

Group and company:

	2004 KShs' 000	2003 KShs' 000
Authorised		
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 paid up		
At 1 October 2003 and 2002 respectively 65,133,359 ordinary shares of KShs 5 each	325,667	325,667
20,400, 8% preference shares of KShs 5 each	102	102
	325,769	**325,769**

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 meeting of the company.

16. Minority Interest

	2004 *KShs' 000*	*2003* *KShs' 000*
Balance at 1 October 2003 and 2002 respectively	97,247	88
Share of results for the year	14,987	174,317
Cumulative losses absorbed by majority shareholders in prior years	-	(77,158)
At 30 September 2004 and 2003 respectively	**112,234**	**97,247**

On 30 June 2001, The Standard 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. As such, the deficit applicable to the minority exceeded the minority share in the equity of the subsidiary and therefore the cumulative excess losses applicable to the minority up to 30 September 2002 had been charged to the group.

In 2003, the subsidiary reported profits giving rise to positive revenue reserves. Consequently, the minority share of the results for the year were recognized after recovering all previous losses applicable to the minority that had been absorbed by the group.

17. Bank Loan

Group:	*Transnational Bank Ltd Kshs'000*	*CFC Bank Ltd Kshs'000*	*2004 KShs '000*	2003 KShs '000
Due in 1 year	-	-	-	17,529
Due after 1 year	-	4,026	4,026	2,407
	-	**4,026**	**4,026**	**19,936**

Company:	*Transnational Bank Ltd Kshs'000*	*CFC Bank Ltd Kshs'000*	*2004 KShs '000*	2003 KShs '000
Due in 1 year	-	-	-	11,290
Due after 1 year	-	-	-	-
	-	**-**	**-**	**11,290**

The loan by Transnational Bank Limited was paid in 30 April 2004. The loan was interest free up to 30 April 2003, thereafter interest is being charged at the bank's prevailing base rate on the remaining balance after this date.

CFC bank loan and overdrafts are secured by first fixed and floating debenture over assets of The Standard Group Limited in the amount of KShs 130 million. In addition, a first legal charge in favour of the bank in the amount of KShs 35 million over property LR NO 21277 registered in the names of Evenannon Limited and lien over fixed deposit No 8103269009 in the amount of KShs 17 million and corporate guarantees and indemnities by the Standard Group.

The weighted average effective interest rate during the year on the loans was 13.5% (2003– 13.5%).

18. Term Loans

Loan movement:	*2004* *Kshs 000*	*2003* *Kshs 000*
Balance brought forward	75,458	71,640
Received in the year	37,000	3,818
Exchange difference	907	-
Interest accrued	2,117	-
	115,482	**75,458**

Due to:	*2004* *Kshs 000*	*2003* *Kshs 000*
Oakside Limited (common Shareholding)	78,482	75,458
Trade World Kenya Limited (Shareholders)	20,000	-
Miller Trustees (Shareholders)	17,000	-
	115,482	**75,458**

The loans from Oakside, Trade World Kenya Limited and Miller Trustees are unsecured. The loan from Oakside Limited attracts interest at 12 % p.a. and has no fixed repayment date. The terms of the other loans are yet to be agreed.

19. Bank Overdraft

Group:	*2004* *KShs'000*	*2003* *KShs'000*
Kenya Commercial Bank Limited	17	21,565
CFC Bank Limited	194,653	44,423
	194,670	**65,988**

The overdraft facility with Kenya Commercial Bank Limited is unsecured.

The facility with CFC bank Limited shares the same security with the bank loan as disclosed in note 17 above. The weighted average effective interest rate on the facilities was 13.5% (2003 – 17.5%).

20. Creditors

Group:	*2004* *KShs'000*	*2003* *KShs'000*
Trade Creditors	170,457	173,594
Other creditors and accruals	176,887	169,835
	347,344	**343,429**
Company:		
Other creditors	**7,396**	**7,789**

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 6,552,000 (2003 – KShs 5,069,000) in contributions payable.

22.Notes To The Cash Flow Statement

	2004 KShs'000	2003 KShs'000
a) Reconciliation of net profit before tax to cash flows from operating activities		
Net profit before tax	121,908	75,173
Adjustments for:		
Depreciation	62,229	50,905
Impairement of Investments in KTN	5,430	-
Unrealised loss on Oakside loan	907	-
Gain on sale of equipment	(3,313)	(695)
Assets write down	3,296	-
Interest expense (net)	32,463	21,724
Withholding tax written off	736	-
Operating profit before working capital changes	**223,656**	**147,107**
Increase in inventories	(124,937)	(25,236)
Decrease/(increase) in debtors	(4,601)	2,207
Decrease in creditors	3,915	(92,622)
Cash generated by operations	**98,033**	**31,456**
Tax paid	-	(345)
Interest expense (net)	(30,346)	(21,724)
Cash flows from operating activities	**67,687**	**9,387**

Notes To The Cash Flow Statement (Continued)

b) Movement in cash and cash equivalent

	2004 *KShs'000*	*2003* *KShs'000*	*Change in the year* *KShs'000*
Cash and bank balances	14,237	8,890	5,347
Fixed Deposits	17,971	17,817	154
Bank overdraft	(194,670)	(65,988)	(128,682)
	(162,462)	**(39,281)**	**(123,181)**

23. 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	**(492,693)**	**592**	**(492,101)**

Source: Un-audited management accounts (approved and signed by the directors) as at 30 September 2004.

24. Related Party Transactions

Group:

a.) Directors and executive directors

As at 30 September 2003 loans to directors amounted to Kshs Nil (2003 – KShs 970,550):

	2004 KShs'000	*2003 KShs'000*
Total directors' remuneration included in personnel expenses are as follows:		
Directors' fees	4,809	2,302
Other Allowances	44,432	63,285
b.) Loans received		
Oakside Limited	-	3,818
Trade World Kenya Ltd.	20,000	-
Miller Trustees	17,000	-
	37,000	3,818

Company:

Amounts due from subsidiaries written off
In 2003, the Board of Directors approved the waiver and write-off of the amounts due from the two operating subsidiaries as follows:

	2004 KShs'000	*2003 KShs'000*
The Standard Limited	-	286,321
Baraza Limited	-	207,518
	-	**493,839**

25. Hire Purchase Facility

The two main subsidiaries have hire purchase facilities with a combined value of KShs 25,976,368 for purchase of motor vehicles. The book value of these motor vehicles as at 30 September 2004 was Kshs 20,953,228 (2003 – KShs 11,319,883). The facility attracts interest at a rate of 5.67% per annum.

a) Future hire-purchase payments:

	2004 ***KShs' 000***	***2003*** ***KShs' 000***
Within one year	5,453	3,677
More than one year and not later than five years	10,242	3,622
	15,695	**7,299**

b) Hire Purchase Movement:

	2004 ***Kshs 000***	***2003*** ***Kshs 000***
Opening balance	7,299	-
Received in the year	16,147	9,042
Paid in the year	(7,751)	(1,743)
Closing Balance	**15,695**	**7,299**

26. Operating Leases

(a) Tenancy payable	*2004 Kshs 000*	*2003 Kshs 000*
Less than 1 year	39,325	36,899
Between 1 and 12 years	464,376	491,447
	503,701	**528,346**
Amounts charged to profit and loss account in respect of operating leases	**43,287**	**23,784**

The company leases a number of premises under operating leases. The leases typically run for an initial period of between one to twelve years with the option to renew the lease after that date.

(b) Lease of vehicles	*2004 Kshs 000*	*2003 Kshs 000*
Less than 1 year	6,738	-
Between 1 and 3 years	9,616	-
	16,354	-
Amounts charged to profit and loss account in respect of operating leases	**3,858**	-

The company has leased vehicles from NIC Bank under operating lease. The lease period is 36 months.

27. Financial Instruments

Interest rate risk

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

2004	**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	-	14,237	-	-	14,237
Deposits	1.00%	17,971	-	-	17,971
Hire Purchase	5.67%	-	(5.453)	(10,242)	(15,695)
Unsecured loan - Oakside	12.00%	-	-	(78,452)	(78,452)
Unsecured other	Not agreed	-	-	(37,000)	(37,000)
Bank overdraft	13.50%	(194,671)	-	-	(194,671)
2003					
Cash and bank balances	-	8,890	-	-	8,890
Deposits	-	17,817	-	-	17,817
Hire Purchase	7.62%	-	(3,677)	(3,622)	(7,299)
Bank loan	-	-	(17,529)	-	(17,529)
Term loan	12.00%	-	-	(75,458)	(75,458)
Bank overdraft	13.50%	(65,988)	-	-	(65,988)

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

28. Contingent Liabilities

As at 30 September 2004, the group has outstanding contingent liabilities amounting to Kshs 59.9 million (2003 – KShs 30 million) in respect of litigation and claims occurring in the normal course of business of which no material losses are expected.

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" (changed to "The Standard" on October 1, 2004) and "The Sunday Standard" newspapers and distribution of selected local and overseas newspapers, magazines and periodicals
Baraza Limited	51	Television station broadcasting in the name of KTN
Kenya Television Network Limited	100	In receivership
Agency Sales and Promotion Limited	100	Dormant

INCORPORATION
The company is incorporated in Kenya under the Companies Act.

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

Company Detailed Profit And Loss Account For The Year Ended 30 September 2004

	2004 KShs'000	2003 KShs'000
Trading income	-	-
Interest income	154	754
Interest expense	(572)	(908)
Gross income	(418)	(154)
Amounts due from subsidiaries written off	-	(493,839)
Expenses:		
Professional fees	(7,772)	-
Other administrative expenses	(1,297)	(1,354)
Loss before taxation	**(9,487)**	**(495,347)**

PROXY FORM

THE STANDARD GROUP LIMITED FOR THE YEAR ENDED 30 SEPTEMBER 2004

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 seventh Annual General Meeting of the said Company to be held on Monday 4th April 2005 at 11.00 a.m. and at any adjournment thereof.

Signed ____

______________________ day of ______________________ 2005

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, I&M Bldg, P.O. Box 30080, Nairobi, not less than 48 hours before the appointment time for the holding of the meeting.