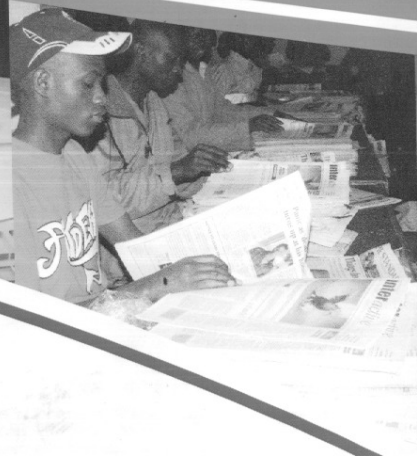




**KTN
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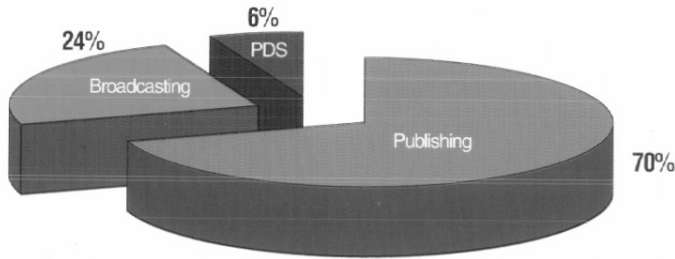
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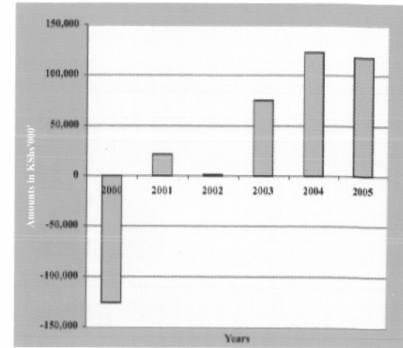
1. Standard Newspaper group --- Periodical
2. Media group --- Kenya --- Periodical

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Revenue composition for 2005 (% age)

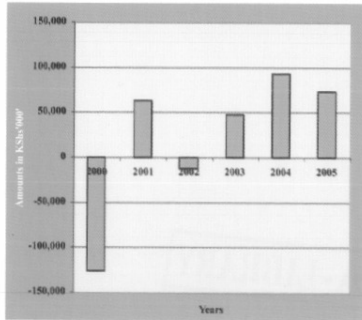


Profit before tax in Sh '000'

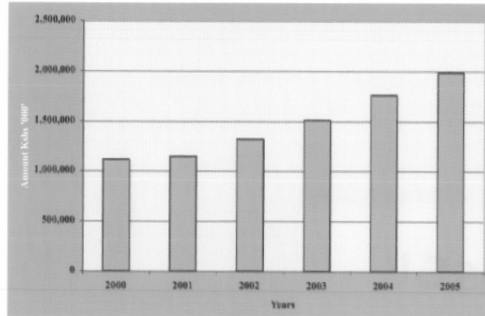


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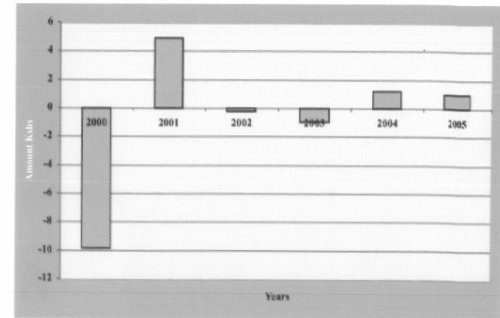
Profit after tax in Sh '000'



Turnover in Sh '000'



Earnings per share in Sh





Corporate information

DIRECTORS

R. Sewell*	Chairman <i>Nig</i>
P. Melly	Deputy Chairman and Strategy Advisor
B. Chepkoi	Director <i>Nig</i>
T. Mshindi	Group Chief Executive Officer
C. Kisire	Finance and Administration Director

SECRETARY

Nelly Matheka
I&M Bank Tower
Kenyatta Avenue
P O Box 30080, 00100 GPO
Nairobi

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
P O Box 40092, 00100 GPO
Nairobi

LEGAL ADVISERS

Mohammed & Muigai Advocates
Hazina Towers
P O Box 61323, 00200 City Square
Nairobi

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

The Standard Group Limited
I&M Bank Tower
Kenyatta Avenue
P O Box 30080, 00100 GPO
Nairobi

PRINCIPAL BANKERS

CFC Bank Limited
CFC Centre
Chiromo Road
P O Box 72833, 00200 City Square
Nairobi

Kenya Commercial Bank Ltd
Moi Avenue
P O Box 30081, 00100 GPO
Nairobi

* British

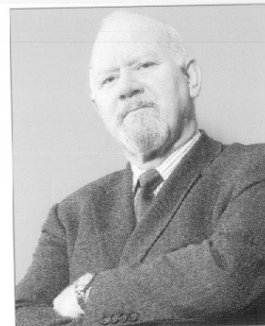


Board of Directors



Seated (L-R)
Tom Mshindi, Paul Mely,
Ben Chepkoiit

Standing (L-R)
Paul Wanyagah, John
Opiyo, Nelly Matheka, Chris
Kisire, Kwendo Opanga



DIRECTORS

Robin Sewell*
Chairman

Paul Mely
Deputy Chairman and Strategy Advisor

Ben Chepkoiit
Director

Tom Mshindi
Group Chief Executive Officer

Chris Kisire
Group Finance and
Administration Director

SENIOR MANAGEMENT

Paul Wanyagah
Group Commercial and Business
Development Director

John Opiyo
Group Technical and Broadcasting
Services Director

Kwendo Opanga
Group Editorial Director

Nelly Matheka
Company Secretary

* British



Board of Directors (continued)

ROBIN SEWELL

Chairman

Mr Sewell is a partner in MGI Midgley Shelling, an English firm of chartered accountants. He is a fellow of the Institute of Chartered Accountants in England and Wales. He has been the chairman of the Group since 1st November, 2000.

PAUL MELLY

Deputy Chairman and Strategy Advisor

Mr Melly is an independent business consultant on corporate and financial markets. He served previously as the CEO of the Capital Markets Authority for a period of 9 years. He is a holder of a 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. He joined the Board in December 2004 and was appointed Deputy Chairman and Strategy Advisor in April 2005.

BEN CHEPKOIT

Director

Mr Chepkait is the Managing Director of Sovereign Group Limited. He is a holder of a Bachelor of Science degree in Accounting, Finance and 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. He has been a Director of the Group since 24th August 2002.

TOM MSHINDI

Group Chief Executive Officer

Mr Mshindi was appointed the Group Chief Executive Officer 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 18 years and joined the Group from the UN for which he worked in New York and in Nigeria for five years. He is a holder of a BA (Hons.) degree in Political Science and Literature from the University of Nairobi, a post-graduate diploma in journalism and has an MBA in International Affairs from Columbia University in New York.

CHRIS KISIRE

Group Finance and Administration Director

Mr Kisire was appointed the Group Finance and Administration Director in January 2003. He is a holder of a B.Com. Accounting option degree & an MBA both from the University of Nairobi. He has worked for more than 14 years in this field both locally and internationally (Zimbabwe and UK). He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



Annual General Meeting

The Eighty Eighth Annual General meeting of The Standard Group Limited will be held at The Norfolk Hotel, Nairobi on Thursday 13th April 2006 at 11.00 a.m to transact the following business:

AGENDA

1. To confirm the minutes of the 87th Annual General Meeting held on 4th April 2005.
2. Matters arising therefrom.
3. Brief on the balance sheet restructuring
4. To receive and consider the audited financial statements for the year ended 30th September 2005 together with the Chairman's statement, report of the Directors' and the Auditors' report thereon.
5. To approve payment of dividend to the holders of 8% Preference shares for the year ended 30th September 2005.
6. To re-elect Directors, and approve their remuneration for the year ended 30th September 2005. In accordance with article 69 of the Company's Articles of Association, Mr. Ben Chepkoiit retire by rotation and being eligible offer himself for re-election.
7. Appointment of Executive Directors to the Board in accordance with Article 73 of the Company's Articles of Association.

8. To note that the present auditors, Messrs Deloitte & Touche will continue in office in accordance with section 159(2) of the Companies Act Cap 486 and to authorize the Directors to fix their remuneration.

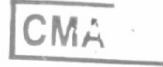
9. To transact any other business that may be legally transacted at the meeting.

By Order of the Board

Nelly Matheka
Company Secretary
Date: 17th February 2006

Note: A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote. If the member is a corporation, the proxy shall be appointed in accordance with articles of the company or represented in accordance with Article 63 of the Company's Act. Such a proxy need not be a member.

A proxy form is attached herewith, and if used, shall be deposited with the Company Secretary not later than 48 hours before the time appointed for holding the meeting.



Corporate governance and social responsibility

The Board is committed to ensuring that our business is run according to the highest standards of Corporate Governance. The role of the Board is to assist in determining the Group's direction and strategy, monitor the achievement of business objectives, ensure the Group meets its responsibilities to its shareholders and that the control environment adequately protects the Group's assets against risks.

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. The key features of the governance structure and process are outlined below.

BOARD OF DIRECTORS

The Board comprises five directors, two of whom are executive while three are non-executive. In addition to seeking a fair balance between executive and non-executive directors, the appointment of board members also takes into cognizance of the need for a good mix of skills, experience and competencies required in the various fields of expertise, for effective management of the Group's business.

All non-executive directors are independent from management. The board has delegated the authority of day to day management to the Group Chief Executive Officer. It however retains the overall responsibility for financial and operating decisions, and monitoring performance of senior management.

The Board's role is to ensure conformance by providing the Group's 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 meets on a quarterly basis and has four standing committees, as outlined below:

Board Audit Committee

The Committee is chaired by a non-executive director and meets quarterly or when the need arises. The Audit Committee plays the key role of reinforcing best practice in Corporate Governance particularly in the areas of internal controls and risk management. The functions of the committee include:

- Defining responsibilities of the internal control function;
- Ensuring that the systems of internal control are soundly conceived and effectively administered to seek assurance that effective control systems are in place and are regularly monitored;
- Reviewing financial statements 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.



Corporate governance and social responsibility (continued)

Finance and Strategy Committee

This committee is chaired by the Deputy Chairman and Strategy Advisor and is charged with the responsibility of strategic reorientation and transformation of the Group operations to achieve a positive impact. It meets on a regular basis to review the Group's financial performance and progress of implementation of the strategic plan.

Management Committee

Weekly senior management meetings are also 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 plans.

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.

PLANNING AND CONTROL

There is a comprehensive management cycle system that includes the long term strategic plan, medium term performance improvement plan and the budgets. The strategic plan gives the group long-term direction while the performance plan enables management to focus on key actions to achieve its strategy. The budget or annual business plan is approved by the Board each year and must be consistent with the strategic and performance plan. At every board meeting, management accounts containing actual versus budgeted results are reviewed by the board. These monthly management accounts analyse and explain variances against the plan and report on key financial indicators.

There is a clearly defined organizational structure within which individual responsibilities are identified in relation to internal controls. The structure is complemented by policies and management operate the business in compliance with these policies. The policies include guidelines for authorization and approval of revenue and capital expenditure.

The group has defined procedures and controls, including information systems controls, to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that the assets are subject to proper physical controls and that the business remains appropriately structured to ensure adequate segregation of duties.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to ensuring that our Group operates within the highest standards of professionalism - pursuing our strategy of sustainable profitable growth while showing awareness of environmental and stakeholder issues. We ensure that our business respects the public interest at all levels.

The Group takes corporate social responsibility very seriously. This is best illustrated by the various activities that we have been involved in during the year as outlined in the Chairman's statement. We ensure that our staff are competitively remunerated, give them every opportunity to contribute and develop their own talents in a conducive and challenging work environment, as well as delivering an equitable return to our shareholders.



Chairman's Statement

Dear Shareholders,

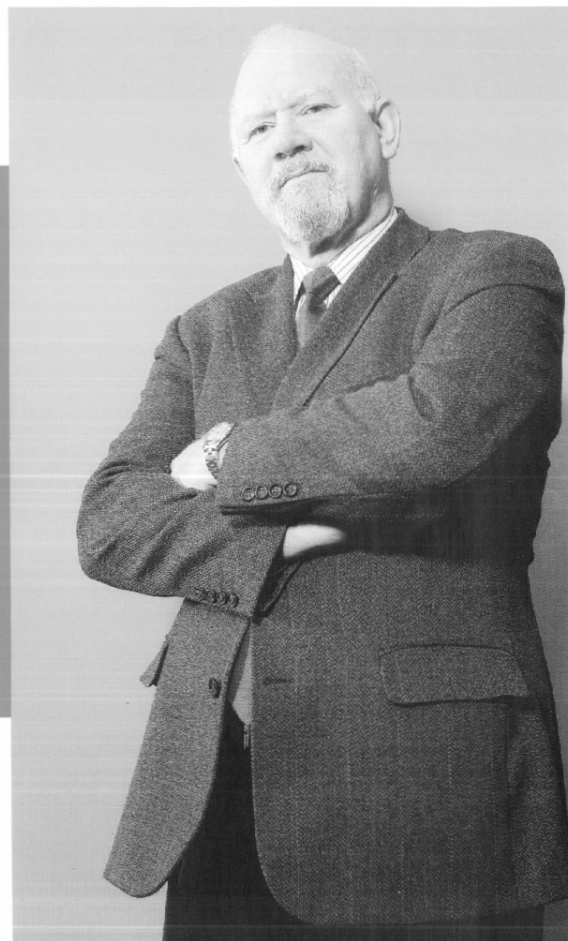
I am pleased to once again update you on your company's performance and the challenges facing us and measures being pursued by the Board and management to strengthen and competitively re-position the Group's operations.

Economic overview and prospects

I am delighted to also present to you the audited financial statements for the year ended 30 September 2005. During 2005, the economy registered a GDP growth of 5%, up from 2.8% in 2004 and 1.8% in 2003. This was a significant turnaround in spite of the highly charged political environment and sustained economic turmoil during the last five years. Among the sectors registering strong growth were horticulture, tea, textiles and tourism. The other macro economic indicators during the year were positive with relatively low interest rates/average inflation levels of 4.1%, a stable exchange rate and indeed marginal strengthening of the local currency against the US Dollar, Euro and Pound Sterling.

As we came to the end of the financial year, a very serious drought was reported in several areas of our country inflicting major suffering on both the human and animal population. The sustained drought is projected to last beyond the second half of 2006 and will have both a negative impact on the economy and require the diversion of development funds to cater for emergency needs.

ROBIN SEWELL
Chairman.





Chairman's Statement (continued)

The continued revelations of high level corruption and the governance issues facing the present Administration have dampened investor confidence and are likely to undermine the flow of support from development partners and multi-lateral agencies. This is a major challenge which, coupled with the drought and famine situation is likely to seriously undermine macro economic stability as well as the sustained growth of the economy.

Operating environment

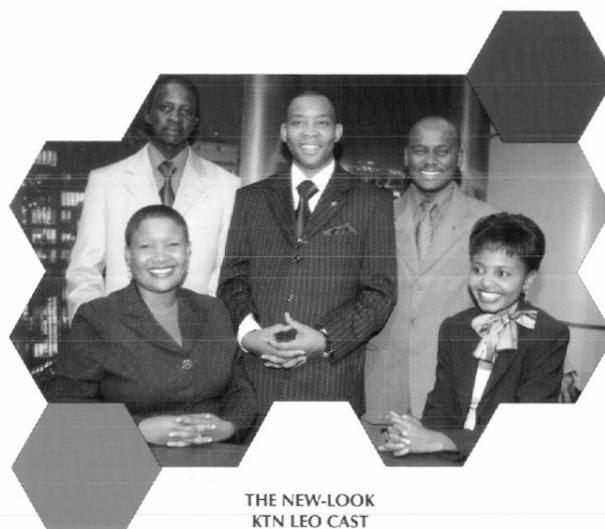
Business operating costs in Kenya continue to be a major challenge due to the poor state of the road infrastructure, energy supply, and telecommunications services and high tariffs on essential raw materials such as newsprint. This has been a major concern to the private sector, which continues to agitate and lobby for the policy and institutional reforms necessary to create an enabling environment and lower the cost of doing business. In this regard, the constraints that inhibit private sector growth and development must be addressed and the privatisation programme accelerated.

The state of insecurity is also a major concern for businesses and the population and decisive action to address this problem is urgent. In order to address these governance issues, the public service institutions which are the pillars of our society, such as the judiciary, police, civil service and the anti-corruption agencies must be strengthened.

The media environment

The environment in which the media operates remains uncertain with legislation being proposed that will have an impact on the structure and obligations of media houses. On the table are the Media Council Bill, the Freedom of Information Bill, the Broadcasting Bill and those parts of the ICT Bill that include aspects of broadcasting. We are participating in the debate on these Bills as an industry through the Media Owners Association, the Editors Guild, the Media Industry

Stakeholders and the Media Council of Kenya. The future legal and regulatory environment is therefore uncertain, as the final form of legislations will only be known after passage through Parliament. It is our hope, however, that the emerging legal environment will strengthen the right of freedom of expression and the knowledge of the workings of all public institutions including Government whenever it serves public interest. As an industry, we support and seek to promote the principle of self-regulation in order to preserve the role of the media as guardian of public interest, free from any interference. We however also recognize that such freedoms



THE NEW-LOOK
KTN LEO CAST



Chairman's Statement (continued)

must be exercised responsibly. It is for this reason that we continue to invest significantly in training and other quality control support services to enable our journalists to execute their tasks efficiently as well as professionally.

The news scene, which had been dull for the better part of the year, as the wrangling in the Government grew tiresome, exploded into activity later in 2005 with the referendum campaigns on the proposed new Constitution.

This was a welcome news opportunity for our titles, The Standard, The Sunday Standard and also the television-broadcasting arm KTN. We strove to report, analyze and comment authoritatively, fairly and in a well balanced way. We are encouraged in the way that our news consumers received our coverage as demonstrated by their enormous support. Editorially, we have seen great movement of talent across the media, a fact that has underscored the need for management to very carefully plan matters of succession across the company.

The trading environment continues to be extremely competitive with more players laying claim to an advertising revenue cake that is not growing. Advertisers, as expected, are also increasingly demanding real value for their money and we believe we have succeeded in delivering this value.

Group Operating Performance

The Group registered a turnover of Kshs.1,987 billion, an increase of 13% over last year's figure of Kshs.1,762 billion. This is attributable to the ongoing strategic initiatives that continue to improve the Group's competitiveness in the market. The strategic repositioning has also led to a steady growth in market share. This has further resulted in a general improvement in the cash flow position of the Group and a reduction in short term borrowings by 31% at the year end, a situation that is expected to improve even further in 2006.

The realised operating profit for 2005 amounted to Kshs. 154.6 million as compared with 156.6 million in 2004. Overall, there was a small reduction in Group pre-tax profits from Kshs 122 million in 2004 to Kshs 118 million in 2005. Earnings per share also reduced slightly from Kshs 1.19 in 2004 to Kshs 1.01 in 2005.

During the year, direct costs increased largely due to a 30% increase in newsprint costs. However, during the year, Board and management instituted further measures that have led to optimization of newsprint usage. Stock levels are being closely managed and the order and re-order levels have now been set at optimal levels to ensure that we do not carry more stock than necessary.

The newsprint supply situation is an area in which the Board and management are taking close interest since the global price is unlikely to come down. Our consumption levels are also insignificant relative to the large global consumers, which places us in a weak bargaining position. We are however, exploring various options to ensure the most competitive procurement of all our raw materials needs.

The level of operating costs increased marginally over last year due to greater marketing initiatives with respect to brand building, the escalation in fuel costs and the general increase in costs due to dilapidated infrastructure. There was also a slight increase in personnel costs because of the need to maintain competitiveness and harmonise staff remuneration.

Strengthening of Board and Management

During the year, the Board made significant changes in management, including the appointment in April 2005 of Mr. Paul K. Melly as Deputy Chairman and Strategy Advisor. This new position is aimed at strengthening the Board and management by providing strategic leadership and advice to the group in transformation of the business.



Chairman's Statement (continued)

The other important senior management appointments are those of Kwendo Opanga as Group Editorial Director, John Opiyo as Group Technical and Broadcasting Director and Paul Wanyagah as Group Commercial and Business Development Director. In a further effort to strengthen the Board and expand the range as well as diversity of expertise, we propose the appointment of more executive directors to the Board. As a media house, we recognise the unique circumstances that requires a balanced board structure composition where executive directors are more than the non-executive directors to preserve the editorial independence and hedge against the risk of potential interference.

In an effort to ensure continued attraction and retention of diverse expertise the core management of the group has been reorganised, which involved additional appointments being made, coupled with the refinement of divisions and department responsibilities.

During the year, one of our long-serving Directors, Mr John Macaulay retired. I would like to recognise and thank Mr Macaulay for his invaluable and positive contribution to the Board and wish him well in his future endeavours.

Strategic Initiatives and Balance Sheet Restructuring

During the year, the Board established a Finance and Strategy Committee, which is chaired by the Deputy Chairman and Strategy Advisor. The committee serves as an invaluable pillar for strategic reorientation and transformation of the group operations. A key initiative during the year was a strategic and operations efficiency audit of all the company's operations by the Deputy Chairman and Strategy Advisor. The audit came up with very useful findings and recommendations covering all aspects of the business, resulting in a comprehensive action plan. The plan is now being implemented in an effort to consolidate the Group's return to profitability and assure its competitiveness.

A significant proposal that the Board is studying and which shareholders are invited to note is a further balance sheet restructuring that would transform Standard Group Limited, the holding company, into the main trading company for the print part of the business. The envisaged changes will focus on the Standard Limited and will not affect Baraza Limited, which is the broadcasting part of the business. The proposed balance sheet restructuring would not affect in any way the shareholders' position in the group or the beneficial interest of the holding company. The restructuring is aimed purely at strengthening all shareholders value and positioning the group to be in a position to pay the much anticipated dividend sooner rather than later. Actual details of the proposed restructuring will be provided later.

Corporate Social Responsibility

We are committed to ensuring that our Group operates within the highest standards of professionalism in pursuing our strategy of sustainable growth whilst being a socially responsible corporate citizen. Our vision on sustainable development is to be seen as a good neighbour and an environmentally and socially responsible corporate entity. Our business, therefore, must respect the public interest at all levels and we shall continue to play our part in this quest.

It is against this background that the Group regularly participates in Corporate Social Responsibility activities. We contributed close to Kshs. 10 million worth of space and airtime to various activities. Some of the more notable ones were:

1. **Famine Relief:** We launched a famine relief fund in response to calls from the public. In September 2005, we invited the Vice-President to flag off a consignment of food bought from the Group's famine relief fund contributions of Kshs 3 million to Turkana, Marsabit and Kajado. This consignment benefited over 3,000 children and 2,100 households.



Chairman's Statement (continued)

2. Standard Chartered Marathon: We donated Kshs 2.5 million worth of media sponsorship. All proceeds from the registration for the marathon go to Kikuyu Eye Unit and Ol Malo Trust Trachoma Eradication campaign in Laikipia.
3. Dettol Heart Run: This is an event that seeks to support children who have heart problems. We gave a media sponsorship of Kshs 1 million.
4. Educating the Girl Child: We partnered with UNICEF and contributed kSh1.5 million worth of space to promote the case for educating of the girl child. The campaign targeted communities in the North Eastern areas of Kenya.

Outlook for 2006

As we begin the New Financial Year 2005/2006, the Board is proud of the Group's repositioning to enhance efficiency and take advantage of the opportunities available to strengthen our competitiveness. We have instituted an aggressive marketing strategy for our products, instituted plans for improving editorial content and reorganised management. We have also instituted various cost management and cost saving measures to manage unsold stock returns, reduce production losses, and are in the process of streamlining the transport operations and service costs.

Looking ahead, we have also embarked on an extensive management training programme for all our staff that will address necessary cultural transformation issues and shift towards performance-led management, as well as improved customer service. This will happen concurrently with the continuous drive to improve the quality of our products and expand the product range in both the television and the newspaper divisions.

We have restructured key processes to harmonise operations and cluster related activities in both the newspaper and the television division. As an example, programming operations are now grouped together, commercial activities both being externally oriented. In editorial, we have restructured to ensure that our news management capacity is able to sustain our high expectations and deliver quality work consistently. On electronic media, we are engaged in a geographical expansion that will enable us transmit to other key areas in the country.

Despite the very difficult environment in which we have had to operate, the results of the past financial year are a tribute to the commitment and dedication of all our staff and the Board and we hope that the strategies being pursued now will have a significant positive impact on the group's results in the financial year ending 30 September 2006 and beyond. The Board wishes to express its appreciation and congratulations to management and staff for their continued commitment towards improving the Group's performance. I also wish to thank the board of directors for their strategic leadership and value creation to the Group business.

I wish to end by thanking you, the shareholders, for your continued support and assure you that we will continue to strive to achieve a profitable position so that appropriate returns can be forthcoming soon.

Robin Sewell
Chairman

Date: 29 December 2005



Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 September 2005.

1. Principal Activity

The principal activities of the group are the publishing of "East African Standard" (changed to "The Standard" as from October 2004) and "The Sunday Standard" newspapers, distribution of selected local and international newspapers, magazines and periodicals and television broadcasting under the name of KTN.

2. Group Results

	Shs '000
Profit before taxation	118,051
Taxation charge	(45,063)
Profit after taxation	72,988
Minority interest	(6,580)
Net profit for the year transferred to revenue reserves	66,408
	=====

3. Dividend

The directors do not recommend the payment of a dividend in respect of the year ended

30 September 2005 (2004 – Nil).

4. Directors

The present membership of the directors is set out on page 4.

Mr Ian Fernandes resigned as a director on 1 January 2005 while A Macauley resigned as a director on 26 April 2005.

Mr Paul Melly was appointed as a director on 4 April 2005.

5. Auditors

Deloitte & Touche were appointed on 4 April 2005 and having expressed their willingness, continue in office in accordance with section 159(2) of the Companies Act.

BY ORDER OF THE BOARD

Nelly Matheka

Secretary

Date: 29 December 2005



Statement of Directors' Responsibilities

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 at any time 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 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 its 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 subsidiary will not remain a going concern for at least the next twelve months from the date of this statement.

Paul Melly
Group Deputy Chairman and Strategy Advisor

Chris Kisire
Group Finance and Administration Director

Date: 29 December 2005





Independent Auditors' Report to Members

We have audited the financial statements on pages 17 to 42 for the year ended 30 September 2005 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As described on page 15, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those 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, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion:

- (a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;
- (b) the financial statements give a true and fair view of the state of affairs of the company and the Group at 30 September 2005 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

Deloitte and Touche

Date: 29 December 2005



Consolidated Income Statement

	Note	2005 Sh'000	2004 Sh'000
Revenue		1,987,670	1,762,993
Direct Costs		(811,983)	(696,812)
Gross profit		1,175,687	1,066,181
Selling and Distribution Costs		(178,143)	(135,640)
Administration Expenses		(852,431)	(756,396)
Other income		9,491	14,289
Re-organisation costs	4	-	(31,797)
Operating profit	5	154,604	156,637
Finance Costs (net)	6	(36,553)	(33,993)
Profit before tax		118,051	122,644
Taxation Charge	7	(45,063)	(29,867)
Profit after tax		72,988	92,777
Minority interest	16	(6,580)	(14,987)
Net profit for the year attributable to shareholders	8	66,408	77,790
Earnings per Share – Basic/diluted	9	1.01	1.19
Dividend per Share		NIL	NIL



Consolidated Balance Sheet

	Note	2005 Sh'000	2004 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	10	390,844	391,762
Investment	11	630	630
Deferred tax asset	12	30,193	42,463
		<u>421,667</u>	<u>434,855</u>
Current assets			
Inventories	13	134,806	209,626
Trade and other receivables	14	385,218	293,316
Taxation recoverable		-	5,737
Bank and cash balances		39,873	32,208
		<u>559,897</u>	<u>540,887</u>
Total assets		<u>981,564</u>	<u>975,742</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	325,769	325,769
Share premium		44,473	44,473
Revenue deficit		(126,443)	(192,851)
Shareholders equity		<u>243,799</u>	<u>177,391</u>
Minority interest	16	<u>118,814</u>	<u>112,234</u>
Non current liabilities			
Due to related parties	17	84,000	37,000
Deferred tax liability	12	2,335	3,471
Borrowings	18	-	14,268
		<u>86,335</u>	<u>54,739</u>
Current liabilities			
Payables	19	291,981	352,773
Borrowings	18	137,910	200,123
Due to related parties	17	73,961	78,482
Taxation payable		28,764	-
		<u>532,616</u>	<u>631,378</u>
Total equity and liabilities		<u>981,564</u>	<u>975,742</u>

The financial statements on pages 17 to 42 were approved by the board of directors on 29 December 2005 and were signed on its behalf by:

Paul Melly
Group Deputy Chairman and Strategy Advisor

Chris Kisire
Group Finance and Administration Director



Company Balance Sheet

	Note	2005 Sh'000	2004 Sh'000
ASSETS			
Non current assets			
Investments	11	4,122	4,122
Current assets			
Trade and other receivables	14	1,234	1,071
Bank and cash balances		18,828	18,884
		<u>20,062</u>	<u>19,955</u>
Total assets		<u>24,184</u>	<u>24,077</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	15	325,769	325,769
Share premium		44,473	44,473
Revenue - deficit		(381,379)	(373,654)
Shareholders equity		<u>(11,137)</u>	<u>(3,412)</u>
Current liabilities			
Due to related parties	17	29,288	14,664
Payables	19	6,033	12,825
		<u>35,321</u>	<u>27,489</u>
Total equity and liabilities		<u>24,184</u>	<u>24,077</u>

The financial statements on pages 17 to 42 were approved by the board of directors on 29 December 2005 and were signed on its behalf by:

Paul Melly
Group Deputy Chairman and Strategy Advisor

Chris Kisire
Group Finance and Administration Director

The notes set out on pages 22 to 42 form an integral part of these financial statements.



Consolidated and Company Statement of changes in equity

	Share capital Sh'000	Share premium Sh'000	Revenue reserve/ (deficit) Sh'000	Total Sh'000
GROUP				
At 1 October 2003	325,769	44,473	(270,641)	99,601
Net profit for the year	-	-	77,790	77,790
At 30 September 2004	<u>325,769</u>	<u>44,473</u>	<u>(192,851)</u>	<u>177,391</u>
At 1 October 2004	325,769	44,473	(192,851)	177,391
Net profit for the year	-	-	66,408	66,408
At 30 September 2005	<u>325,769</u>	<u>44,473</u>	<u>(126,443)</u>	<u>243,799</u>
COMPANY				
At 1 October 2003	325,769	44,473	(364,167)	6,075
Net profit for the year	-	-	(9,487)	(9,487)
At 30 September 2004	<u>325,769</u>	<u>44,473</u>	<u>(373,654)</u>	<u>(3,412)</u>
At 1 October 2004	325,769	44,473	(373,654)	(3,412)
Net loss for the year	-	-	(7,725)	(7,725)
At 30 September 2005	<u>325,769</u>	<u>44,473</u>	<u>(381,379)</u>	<u>(11,137)</u>

The notes set out on pages 22 to 42 form an integral part of these financial statements.



Consolidated Cash Flow Statement

	<i>Note</i>	2005 Sh'000	2004 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	20(a)	213,906	137,150
Interest paid		(40,632)	(32,617)
Interest received		150	154
Tax refund		572	-
Net cash generated from operating activities		<u>173,996</u>	<u>104,687</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(96,183)	(224,319)
Proceeds from sale of property, plant and equipment		6,333	3,965
Net cash used in investing activities		<u>(89,850)</u>	<u>(220,354)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans repayment		(18,279)	(62,280)
Loan received		-	54,766
Net cash (used in) financing activities		<u>(18,279)</u>	<u>(7,514)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		65,867	(123,181)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(162,462)	(39,281)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20(b)	<u>(96,595)</u>	<u>(162,462)</u>

The notes set out on pages 22 to 42 form an integral part of these financial statements.



Notes to the Financial Statements

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted which are set out below remain unchanged from the previous year.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention.

(b) Basis of consolidation

Subsidiary undertakings, being those companies in which the Group either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated as from the date of disposal. All inter company balances and unrealised surpluses and deficits on transactions with the subsidiary company have been eliminated.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, The Standard Limited, Baraza Limited and Agency Sales and Promotion Limited, all made up to 30 September. Kenya Television Network Limited (in receivership) 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.

(c) Revenue recognition

Revenue from sale of newspapers and magazines is recognised upon delivery of goods to customers and when title has passed to customers. Advertisement revenue is recognised when advertisements are published in the newspaper or aired on television. All revenue is stated net of VAT and discounts.

Interest income is recognised as it accrues, unless its collectibility is in doubt.

Other income is recognised on accrual basis.

(d) Taxation

Tax on the profit or loss for the year comprises current tax and the change in deferred tax.

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

(e) Property, plant and equipment

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

(f) Depreciation

Depreciation on property, plant and equipment is calculated to write off the cost in equal annual instalments over their expected useful lives. The annual rates used are:

■ Plant and machinery	10%
■ Motor vehicles	25%
■ Furniture, fittings and equipment	10% - 33 1/3%



Notes to the Financial Statements (Continued)

1. ACCOUNTING POLICIES (Continued)

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the group as the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are amortised on the straight line basis over the term of the relevant lease.

(h) Impairment

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it's not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and the overheads incurred in bringing the inventories to



their present location and condition. Costs of direct materials are determined on the first-in first-out basis while those of general consumable stores are determined on the weighted average cost basis. Net realisable value represents the estimated selling price less the estimated cost to completion and costs to be incurred in marketing, selling and distribution.

(j) Currency translations

Assets and liabilities that are denominated in foreign currencies are translated into Kenya shillings at the rates of exchange ruling on the balance sheet date. Transactions during the year, which are expressed in foreign currencies, are translated at the rates ruling on the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

(k) Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments

Investments are recognised on a trade date basis and are initially measured at cost, including transaction costs. Quoted investments and unit trusts are stated at market value. Changes in their carrying amounts are dealt with in the income statement.



Notes to the Financial Statements (Continued)

1. ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Trade payables

Trade payables are stated at their nominal value.

Treasury bills

Treasury bills are stated at redemption value less unearned discounts on purchase. Discounts on purchase are recognised to income over the period to maturity of the related instruments.

Corporate bonds

Investments in corporate bonds are stated at amortised cost. Interest receivable is recognised to income on the accrual basis.

Commercial papers

Commercial papers are stated at redemption value less unearned discounts on purchase. Discounts on purchase are recognised to income over the period to maturity of the related instruments.

(l) Pension obligations

The group operates a defined contribution pension scheme for eligible employees. The scheme is externally

administered and is funded by contributions from both the company and employees.

The group also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Sh 200 per employee per month.

The group's obligations to these schemes are recognised in the income statement as they fall due.

(m) Provision for employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the balance sheet date.

(n) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include short term liquid investments which are readily convertible to known amounts of cash

and which were within three months to maturity when acquired less advances from banks repayable within three months from date of disbursement or confirmation of the advance.

(o) Comparatives

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



Notes to the Financial Statements (Continued)

2. SEGMENT REPORTING

a) Primary reporting format - business segments

	PUBLISHING		BROADCASTING		OTHERS		ELIMINATIONS		CONSOLIDATED	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
External Sales	1,532,504	1,365,892	455,166	397,101	-	-	-	-	1,987,670	1,762,993
Inter-segmental sales	25,256	21,645	25,256	22,336	-	-	(50,512)	(43,981)	-	-
Total Sales	1,557,760	1,387,537	480,422	419,437	-	-	(50,512)	(43,981)	1,987,670	1,762,993
Segment profit/(loss) from operations	134,543	114,782	27,502	44,710	(7,875)	(9,069)	-	5,478	154,170	155,901
Net Finance(costs)/income	(34,900)	(31,539)	(1,803)	(2,036)	150	(418)	-	-	(36,553)	(33,993)
Income tax debit	(32,359)	(17,042)	(12,270)	(12,089)	-	-	-	-	(44,629)	(29,131)
Net profit/(loss)	67,284	66,201	13,429	30,585	(7,725)	(9,487)	-	5,478	72,988	92,777
Minority Interest									(6,580)	(14,987)
Retained Profit for the year									66,408	77,790
OTHER INFORMATION										
Segment Assets	681,647	694,780	347,231	310,308	24,420	24,076	(71,734)	(53,422)	981,564	975,742
Segment Liabilities	546,886	627,303	104,753	81,259	33,666	27,489	(66,354)	(49,934)	618,951	686,117
Capital Expenditure	65,334	181,980	30,849	42,339	-	-	-	-	96,183	224,319
Depreciation Expense	55,146	37,077	32,452	25,152	-	-	-	-	87,598	62,229



Notes to the Financial Statements (Continued)

2. SEGMENT REPORTING (continued)

(b) Secondary reporting format – geographical segments

The group's sales to Uganda and Tanzania constitute less than 10% of gross revenue and have therefore not been reported separately.

3. STAFF COSTS

	2005 Sh'000	2004 Sh'000
Salaries and wages	436,200	330,148
Pension contribution	11,589	10,272
Other personnel costs	67,772	64,680
Staff welfare	8,914	29,697
	<u>524,475</u>	<u>434,797</u>

The average number of people engaged during the year was 554 (2004 - 470).

4. REORGANISATION COSTS

Reorganisation costs reported in 2004 related to redundancy costs incurred due to rationalisation of operations of the group after the move to I&M building.



Notes to the Financial Statements (Continued)

5. OPERATING PROFIT

The operating profit is arrived at after charging/(crediting):

	2005 Sh'000	2004 Sh'000
Depreciation	87,598	62,299
Directors' remuneration	-	-
- Fees	3,158	-
- Other emoluments	1,800	2,558
Auditors' remuneration	524,475	434,797
Staff costs (note 3)	2,807	(3,313)
Loss/(profit) on disposal of property, plant and equipment	43,329	37,379
Operating leases	7,112	3,858
- rental property		
- vehicles hire		

6. NET FINANCE COSTS

	2005 Sh'000	2004 Sh'000
Interest expense	40,632	32,617
Interest income	(150)	(154)
Foreign exchange (gain)/loss	(3,929)	1,530
	<u>36,553</u>	<u>33,993</u>



Notes to the Financial Statements (Continued)

7. TAXATION

a) Tax Expense

	2005 Sh'000	2004 Sh'000
Current taxation charge based on adjusted profit at 30%	33,929	736
Deferred tax (credit)/charge		
- current year (note 12(a))	8,939	12,089
- current year (note 12(b))	(294)	17,042
	<u>8,645</u>	<u>29,131</u>
- prior year (note 12(a))	3,331	-
- prior year (note 12(b))	(842)	-
	<u>2,489</u>	<u>-</u>
Net deferred tax charge	11,134	29,131
Total tax expense	<u>45,063</u>	<u>29,867</u>

b) Reconciliation of expected tax based on accounting profit to tax expense

	2005 Sh'000	2004 Sh'000
Profit before taxation	118,051	122,644
Tax at the applicable rate of 30%	35,415	36,793
Tax effect on expenses/(income) not deductible for tax	7,159	(6,926)
Prior year over accrual and deferred tax	2,489	-
	<u>45,063</u>	<u>29,867</u>



Notes to the Financial Statements (Continued)

8. A loss of Sh 7,725,000 (2004 – Sh 9,487,000) has been dealt with in the books of The Standard Goup Limited.

9. EARNINGS PER SHARE – BASIC/DILUTED

	2005	2004
Profit attributable to ordinary shareholders - Sh'000	66,408	77,790
Weighted average number of share in issue during the year	65,133,359	65,133,359
Basic earning per share - Sh	1.01	1.19



Notes to the Financial Statements (Continued)

10. PROPERTY, PLANT AND EQUIPMENT

GROUP COST	Plant and machinery Sh'000	Motor vehicles Sh'000	Furniture, Fittings and equipment Sh'000	Total Sh'000
At 1 October 2004	513,400	55,543	122,349	691,292
Reclassification	(93,837)	(393)	94,230	-
Additions	51,839	10,076	34,268	96,183
Disposals	(48,656)	(4,753)	(19,424)	(72,833)
Assets written off	-	-	(940)	(940)
At 30 September 2005	422,746	60,473	230,483	713,702
Depreciation:				
At 1 October 2004	235,529	23,769	40,232	299,530
Reclassification	(74,365)	(817)	75,182	-
Charge for the year	45,977	12,893	28,728	87,598
Disposals	(43,865)	(3,333)	(16,495)	(63,693)
Assets written off	-	-	(577)	(577)
At 30 September 2005	163,276	32,512	127,070	322,858
Net Book Value				
At 30 September 2005	259,470	27,961	103,413	390,844
At 30 September 2004	277,871	31,774	82,117	391,762

At 30 September 2005, plant and machinery, motor vehicles and furniture and equipment with cost amounting to Sh 49,000,368, Sh 3,246,000 and Sh 80,900,248 respectively (2004 – Sh 39,635,054, Sh 1,837,000 and Sh 78,225,739) were fully depreciated. The notional depreciation charge on these assets would have been Sh 7,740,673, Sh 811,250 and Sh 26,212,342 respectively (2004 – Sh 5,870,611, Sh 459,000 and Sh 25,444,822).



Notes to the Financial Statements (Continued)

11. INVESTMENTS

GROUP

	2005 Sh'000	2004 Sh'000
Kenya Television Network Limited (in receivership)	630	630

This balance represents equity investment in Kenya Television Network Limited (in receivership) stated at cost less impairment loss. 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 was impaired to its estimated net realisable value in 2004.

COMPANY

	Shareholding %	2005 Sh'000	2004 Sh'000
Investment in subsidiaries (unquoted)			
The Standard Limited	100	3,398	3,398
Baraza Limited	51	92	92
Agency Sales and Promotion Limited	100	2	2
Kenya Television Network Limited (in receivership)	100	630	630
		4,122	4,122

The investment in The Standard Limited, Baraza Limited and Agency Sales and Promotion Limited are at cost.



Notes to the Financial Statements (Continued)

12. DEFERRED TAX

GROUP

(a) Deferred Tax Asset

	2005 Sh'000	2004 Sh'000
General provisions	(1,947)	(5,547)
Accelerated capital allowances	(5,840)	(3,184)
Unrealised exchange differences	9	-
Tax losses carried forward	(22,415)	(33,732)
	<u>(30,193)</u>	<u>(42,463)</u>

Movement on the deferred tax asset is as follows:

At 1 October	(42,463)	(54,552)
Income statement charge - current year (note 7(a))	8,939	12,089
- prior year (note 7(a))	3,331	-
At 30 September	<u>(30,193)</u>	<u>(42,463)</u>

The deferred tax asset relates to a subsidiary company.



Notes to the Financial Statements (Continued)

12. DEFERRED TAX (Continued)

(b) Deferred Tax Liability

General provisions
Accelerated capital allowances
Unrealised exchange differences
Tax losses carried forward

2005 Sh'000	2004 Sh'000
(7,145)	(11,256)
8,207	15,236
1,273	(272)
-	(237)
<u>2,335</u>	<u>3,471</u>

Movement on the deferred liability is as follows:

At 1 October

3,471 (13,571)

Income statement (credit)/charge - current year (note 7(a))
- prior year (note 7(a))

(294) 17,042
(842) -

At 30 September

2,335 3,471

The deferred tax liability relates to a subsidiary company.

13. INVENTORIES

GROUP

Raw materials
Consumables
Goods in transit
Stocks for resale

2005 Sh'000	2004 Sh'000
68,840	121,435
11,565	14,117
21,437	44,803
32,964	29,271
<u>134,806</u>	<u>209,626</u>

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Notes to the Financial Statements (Continued)

14. TRADE AND OTHER RECEIVABLES

GROUP

	2005 Sh'000	2004 Sh'000
Trade receivables	395,270	343,118
Provision for doubtful receivables	(92,436)	(83,098)
	<u>302,834</u>	<u>260,020</u>
Other receivables and prepayments	48,163	33,278
Value Added tax (VAT)	33,770	-
Due from an officer of the company	451	18
	<u>385,218</u>	<u>293,316</u>

COMPANY

Due from an officer of the company	451	18
Other receivables	783	1,053
	<u>1,234</u>	<u>1,071</u>



Notes to the Financial Statements (Continued)

15. SHARE CAPITAL

GROUP AND COMPANY

	2005 Sh'000	2004 Sh'000
Authorised		
103,979,600 ordinary shares of Sh 5 each	519,898	519,898
20,400 8% preference shares of Sh 5 each	102	102
	<u>520,000</u>	<u>520,000</u>
Issued and fully paid		
65,133,359 ordinary shares of Sh 5 each	325,667	325,667
20,400 8% preference share of Sh 5 each	102	102
	<u>325,769</u>	<u>325,769</u>
16. MINORITY INTEREST		
At 1 October	112,234	97,247
Share of results for the year	6,580	14,987
At 30 September	<u>118,814</u>	<u>112,234</u>

On 30 June 2001, The Standard Group Limited disposed of 49% of its shareholding in Baraza Limited. At that time the subsidiary equity reflected a deficit of Sh 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 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 have been recognised after recovering all previous losses applicable to the minority that had been absorbed by the group.



Notes to the Financial Statements (Continued)

17. RELATED PARTY BALANCES

GROUP

	2005 Sh'000	2004 Sh'000
Oakside Limited (common Shareholding)	73,961	78,482
Trade World Kenya Limited (Shareholders)	28,000	20,000
Miller Trustees (Shareholders)	56,000	17,000
	157,961	115,482

Balances due to related parties are repayable as follows

On demand and within one year	73,961	78,482
Between 1 and 2 years	-	-
Between 2 and 5 years	84,000	37,000
	157,961	115,482
Amount due for settlement within one year	73,961	78,482
Amount due for settlement after one year	84,000	37,000

COMPANY

Baraza Limited	14,495	2,800
The Standard Limited	7,993	11,864
Kenya Television Network Limited (in receivership)	6,800	-
	29,288	14,664



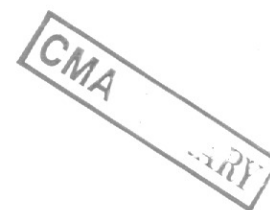
Notes to the Financial Statements

17. RELATED PARTY BALANCES (Continued)

The loans from Oakside Limited, Trade World Kenya Limited and Miller Trustees are unsecured, interest free and has no fixed repayment date. The group has transactions with shareholders and companies in which directors of The Standard Group Limited (TSL) are also directors. These transactions relate to advertising done, expenses paid on behalf of other companies and loans received.

18. BORROWINGS

	2005 Sh'000	2004 Sh'000
CFC Bank Limited (Term loan)	1,442	4,026
CFC Bank Limited (Bank overdraft)	136,468	194,653
CFC Bank Limited (Hire purchase loan)	-	15,695
Kenya Commercial Bank Limited (Bank overdraft)	-	17
	137,910	214,391
The borrowings are repayable as follows:		
On demand and within one year	137,910	200,123
Between 1 and 2 years	-	14,268
Between 2 and 5 years	-	-
	137,910	214,391
Amount due for settlement within one year	137,910	200,123
Amounts due for settlement after one year	-	14,268



The CFC Bank Limited overdraft is secured by a first fixed and floating debenture over assets of The Standard Group Limited in the amount of Sh 130 million and corporate guarantees and indemnity by The Standard Group Limited in the amount of Sh 30 million.



Notes to the Financial Statements (Continued)

18. BORROWINGS (Continued)

The effective interest rates on the borrowings are as follows:

	2005 %	2004 %
CFC Bank Limited (Bank overdraft and term loan)	16.5	14.5
CFC Bank Limited (Hire purchase loan)	<u>7.06</u>	<u>5.67</u>

19. PAYABLES

GROUP

	2005 Sh'000	2004 Sh'000
Trade payables	159,348	170,457
Other payables and accruals	99,171	143,678
Dividend payable	5,429	5,429
VAT payable	4,674	2,465
Leave provision	23,359	30,744
	<u>291,981</u>	<u>352,773</u>

COMPANY

Dividends payable	5,429	5,429
Other payables	604	7,396
	<u>6,033</u>	<u>12,825</u>



Notes to the Financial Statements (Continued)

20. NOTES TO THE CASH FLOW STATEMENT(Continued)

a) Reconciliation of operating profit to cash generated from operations

	2005 Sh'000	2004 Sh'000
Operating profit	154,604	156,637
Adjustments for:		
Depreciation	87,598	62,229
Loss/(gain) on sale of property, plant and equipment	2,807	(3,313)
Exchange gains/(losses)	3,929	(1,530)
Assets written off	363	-
Impairment of investment in KTN	-	5,430
Impairment of property, plant and equipment	-	3,296
Operating profit before working capital changes	<u>249,301</u>	<u>222,749</u>
Decrease/(increase) in inventories	74,820	(124,937)
Increase in receivables	(91,902)	(4,601)
(Decrease)/increase in payables	(60,792)	3,915
Increase in due to related parties	42,479	40,024
Cash generated from operations	<u>213,906</u>	<u>137,150</u>
b) Cash and cash equivalents		
Bank and cash balances	39,873	32,208
Bank overdraft	(136,468)	(194,670)
	<u>(96,595)</u>	<u>(162,462)</u>



Notes to the Financial Statements (Continued)

21. RETIREMENT BENEFIT OBLIGATIONS

The group contributes to a pension and provident plan established for the benefit of its employees. The pension 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. The provident fund is a defined non-contributory scheme whereby the employer contributes Sh 300 per month for each employee.

During the year, the group expensed Sh 11,589,000 (2004 – Sh 10,272,000) in contributions payable.

22. OPERATING LEASES

	2005 Sh'000	2004 Sh'000
Outstanding commitments under operating leases are as follows:		
Tenancy payable		
Not later than one year	50,603	26,717
Between one and two years	220,600	378,213
Between two and five years	231,620	-
	<u>502,823</u>	<u>404,930</u>
Amounts charged to profit and loss account in the year in respect of operating leases	<u>43,329</u>	<u>37,379</u>

The group 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.



Notes to the Financial Statements (Continued)

22. OPERATING LEASES (CONTINUED)

	2005 Sh'000	2004 Sh'000
Lease of vehicles		
Less than 1 year	7,979	6,738
Between 1 and 3 years	6,083	9,616
	<u>14,062</u>	<u>16,354</u>
Amounts charged to profit and loss account in the year in respect of operating leases	<u>7,112</u>	<u>3,858</u>

The group has leased vehicles from NIC Bank Limited under an operating lease. The lease period is 36 months. The monthly lease rentals are Sh 664,916.

23. RELATED PARTIES TRANSACTIONS

The group has transactions with shareholders and companies in which directors of The Standard Group Limited (TSL) are also directors. These transactions relate to advertising done, expenses paid on behalf of other companies and loans received.

Intercompany transactions

a) Advertising

Advertising done by TSL for Baraza Limited
Advertising done by Baraza Limited for TSL

	2005 Sh'000	2004 Sh'000
Advertising done by TSL for Baraza Limited	25,256	10,136
Advertising done by Baraza Limited for TSL	25,256	10,180

b) Loans received

Trade World Kenya Limited (Shareholders)
Miller Trustees (Shareholders)

	2005 Sh'000	2004 Sh'000
	-	(44)
Trade World Kenya Limited (Shareholders)	8,000	20,000
Miller Trustees (Shareholders)	39,000	17,000
	<u>47,000</u>	<u>37,000</u>

Related parties balances not settled at year end are disclosed on note 17.



Notes to the Financial Statements (Continued)

24. CAPITAL COMMITMENTS

Authorised and contracted for
Authorised but not contracted for

2005 Sh'000	2004 Sh'000
-	-
118,559	30,850
<u>118,559</u>	<u>30,850</u>

25. CONTINGENT LIABILITIES

As at 30 September 2005, the group had outstanding contingent liabilities amounting to Sh 26 million (2004 – Sh 59.9 million) in respect of on-going litigations arising in the normal course of business.

26. ULTIMATE HOLDING COMPANY

The ultimate holding company is SNG Holdings Limited, which is incorporated in the United Kingdom.

27. INCORPORATION

The company is domiciled and incorporated in Kenya under the Companies Act.

28. CURRENCY

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

Shareholding

PRINCIPAL SHAREHOLDERS AS AT 30 SEPTEMBER 2005

	<i>Name of Shareholder</i>	<i>Number of Shares Held</i>	<i>% Total TSGL Shares</i>
1.	S.N.G. Holdings Limited	45,084,354	69.20
2.	Miller Trustees Limited	6,874,378	10.60
3.	Trade World Kenya Limited	7,111,945	11.00
4.	Kirtesh Premchand Shah	439,963	0.70
5.	Julius Kariuki Gecau	176,315	0.30
6.	The Heritage All Insurance	175,000	0.30
7.	Savitaben Velji Raichand Shah	166,156	0.30
8.	Eufrazio Juliao Goes	140,969	0.20
9.	Sherali Gulam Hussein Parpia	106,327	0.20
10.	Co-op Bank Custodial Services	68,307	0.10

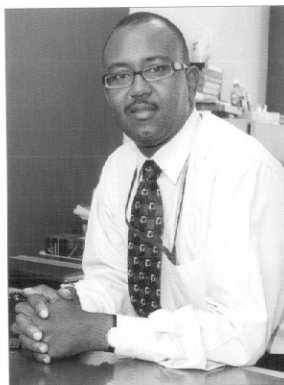
DISTRIBUTION OF SHAREHOLDING AS AT 30 SEPTEMBER 2005

<i>Shareholding (Number of Shares)</i>	<i>Number of Shareholders</i>	<i>Number of Shares Held</i>	<i>% Shareholding</i>
Less than 5,000	1,330	1,642,699	2.5
5,001 – 50,000	226	3,026,629	4.6
50,001 – 150,000	5	435,920	0.7
Over 150,000	8	60,028,111	92.2
	1,569	65,133,359	100.0

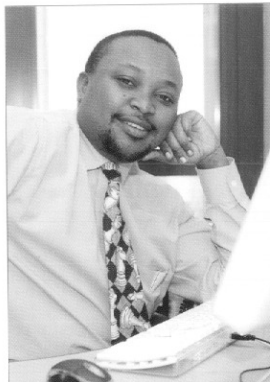


Management team

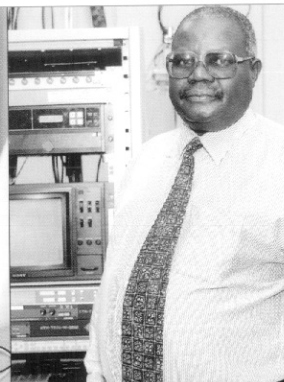
**KABUTHA
NDUATI**
Commercial
Manager



**CHAAACHA
MWITA**
Managing Editor,
Weekend



**FRANCIS
KIMORE**
Technical
Manager, TV



**PAMELA
SITTONI**
Managing
Editor, Daily



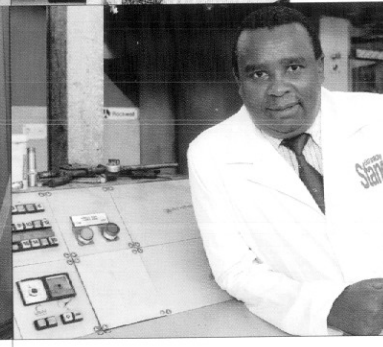
FARIDA KARONEY
Managing Editor, TV



LAWRENCE NJIRU
Finance Manager



JENIFFER OKUNGU
Head of Programming and Business Development



NICK KIOKO
Production Manager, Print



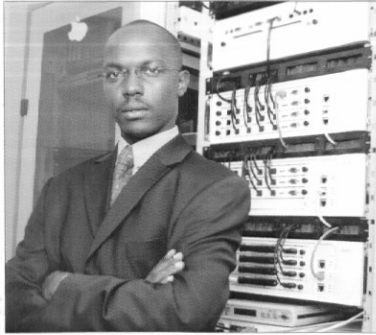
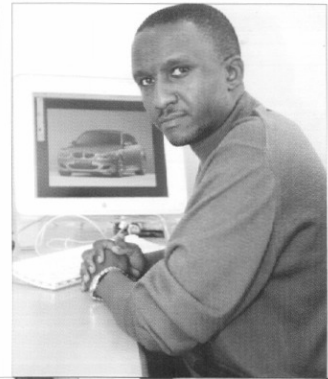
Management team (continued)

SAM MUTETEI
Sales and Distribution
Manager



ANNE MAKORI
HR Manager

MICHAEL MWAI
Head of Design



VINCENT EGESSA
IT Manager



CHARLES MBINDO
Administration and Purchasing Manager



MBURUGU GIKUNDA
Head of TV Production



JAMES MAINGI
Security Manager



Proxy form

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

THE STANDARD GROUP LIMITED FOR THE YEAR ENDED 30 SEPTEMBER 2005

I/We _____

of _____ being 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 eighth Annual General Meeting of the said Company to be held on Thursday 13th April 2006 at 11 a.m. and at any adjournment thereof.

Signed _____

_____ day of _____ 2006

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