1902 – 1997

EAST AFRICAN Standard

THE STANDARD NEWSPAPER GROUP AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 1997

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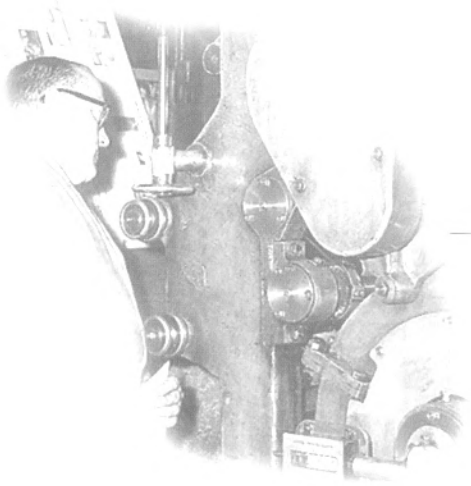

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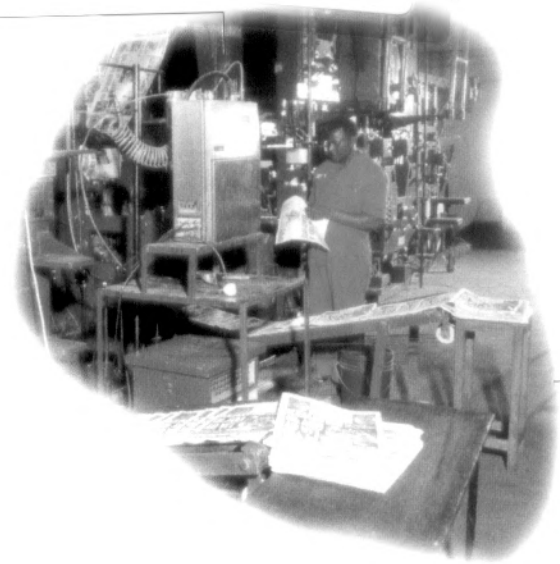

Directorate and Administration

M. K. Too
Chairman

R. S. Holt
Managing Director

P. Welham
Director

D. J. Davies
Finance Director

R. Sewell
Director

A. McCaul
Director

J. Kaleli
Director

2007/1242

Company Secretary

P. Kemei

Registered Office

P.O. Box 11854
Likoni Road
Nairobi

Bankers

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

Auditors

Peat Marwick
P.O. Box 40612
Jubilee Insurance Exchange
Mama Ngina Street
Nairobi

A Journey Through the Ages ...

1959: Sub-editors going through the stories of the day.

1997: Sub-editors editing stories on-line.

1972: The Linotype machices when news was moulded in metal.

1997: The fully computerized DTP Pre-Press department.

A 1939 edition of the East African Standard.

The brighter East African Standard today.

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... Into the Future

Chairman's Statement

It gives me great pride and pleasure to announce that, for the second year running, dramatic improvements in financial performance and product development have been achieved in the Group.

The year ended September 1997 saw an increase in both volume and revenue from advertising sales while newspaper sales continued to increase, even in the face of new competition in the market.

Turnover increased to Ksh 820,332,000, an increase on the previous year of 12.9% and while this increase was, in itself, creditable the profit, before tax, was Ksh 44,936,000 - a massive 164% increase on 1996.

After tax profits at Ksh 34,165,000 were 100% up on the previous year's figure of Khs 17,041,000.

One of the underlying reasons was a relatively stable newsprint price which, as shareholders will know, is governed by the shilling - dollar exchange rate.

Even though there was uncertainty about the date of the General Election the shilling remained at budgeted levels so there was not the volatility hitherto seen in the price of newsprint.

Management systems were introduced to further control and monitor costs and this also contributed significantly to the increase in profits. These systems will further benefit from the ongoing integrated computerisation of key departments.

The year's overall performance, profit and cash flow has confirmed the Board's view of the advisability of expanding further in the media field as opportunities become available. As the millennium approaches and liberalisation continues it is clear that the top advertising clients will favour a multi - media approach to reach their targeted consumer audience. The future of the Group, therefore, will be to focus on investment in the electronic media including both television and radio as an extension to current core activities.

To this end in December, after the end of the year in review, the opportunity arose to acquire the Kenya Television Network and I am happy to report that after intense negotiation KTN was acquired and now forms a key part of our Group.

Even in the light of this acquisition the Directors recommend a dividend of Shs1 per Ordinary Share and are seeking Capital Market Authority approval to further reward shareholder's by issuing bonus shares on the basis of one new share for every two currently held.

In conclusion The Board wishes to place on record its thanks to the employees for their efforts during the year and for the ongoing support of its many shareholders.

Mark Too

CHAIRMAN

Notice of Meeting

The Eightieth Annual General Meeting of The Standard Newspapers Group Limited will be held at the Norfolk Hotel, Harry Thuku Road, Nairobi on 30th April, 1998 at 11.00 to transact the following business:

AGENDA

1. To confirm the minutes of the last Annual General Meeting held on 25th April, 1997
2. Matters arising therefrom
3. To receive and consider the accounts for the year ended 30th September, 1997 with reports of the directors and the auditors thereon.
4. To approve payment of dividend declared by the directors in respect of the year ended 30th September, 1997.
5. To approve payment of dividend to the holders of 8% preference shares for the year ended 30th September, 1997.
6. To re-elect directors, and approve their remuneration for the year ended 30th September, 1997. In accordance with Articles 78 of the Company's Articles of Association, Mr M. K. Too and Mr J. Kaleli retire by rotation and being eligible, offer themselves for re-election. In accordance with article 83, Mr Andrew Macaulay who was appointed to the board by the directors during the year, retires and being eligible, offers himself for re-election.
7. To note that the present auditors, KPMG Peat Marwick, will continue in office in accordance with Section 59(2) of the Companies Act, and to authorise the directors to fix the remuneration of the auditors.

Special Business

8. To consider and if thought fit pass the following resolution as an ordinary resolution:

   "That the Nominal Share Capital of the Company be increased from Shs 50,000,000 to Shs 100,000,000 by the creation of a further 10,000,000 ordinary shares of shillings five each ranking pari passu in all respects with the existing ordinary shares in the capital of the company".
9. To consider and pursuant to the passing of resolution 7 above, pass the following resolution as ordinary resolution.

   "That pursuant to the recommendation of the Board of Directors, and subject to the approval of Capital Markets Authority it is desirable to capitalise the sum of Shs 21,353,100 being part of the amount standing to the credit of Revenue Reserve and accordingly that such amount be set free for distribution amongst the holders of the ordinary shares of the Company on condition that the same be not paid in cash but be applied in payment in full at par for 4,270,620 ordinary shares of shillings five each, credited as fully paid and accordingly allotted and distributed to the members in proportion of one ordinary share for every two ordinary shares held on 15th April and to rank pari passu in all respects with the existing issued ordinary shares of the company".
10. To consider and if thought fit pass the following resolution as a special resolution:

    "That pursuant to Article 8 of the Articles of Association of the Company, the Company hereby exercises its option to redeem its 8% preference shares and in consideration offers the holders an equivalent number of ordinary shares of Shs 5 each at par and that the holders of the preference shares shall forthwith cease to have any special rights with the passing of this resolution."
11. To consider and if thought fit pass the following resolution as a special resolution:

    "That the regulations contained in the printed document submitted to this meeting as new Memorandum and Articles of Association be approved and adopted as the Memorandum and Articles of Association of the Company in substitution for and to the exclusion of all the existing Memorandum and Articles of Association thereof."

By order of the board

PETER KEMEI
COMPANY SECRETARY

Note: A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. If the member is a corporation, the proxy shall be appointed in accordance with articles of the company or represented in accordance with article. Such a proxy need not be a member.

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

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 30th September, 1997.

1. Group results

The trading profit of the Group before taxation was KShs 44,936,000 (1996 KShs 17,041,000). After accounting for taxation the profit attributable to shareholders amounted to KShs. 34,165,000 (1996-Kshs 17,041,000).

2. Dividend

The Directors recommend the payment of a dividend of Kshs. 8,561,000 (1996-Kshs 8.561,000).

3. Share Capital

The Directors recommended that the authorised share capital of the Company be increased from Shs. 50,000,000 to Shs. 100,000,000 by the creation of 10,000,000 ordinary shares of Shillings five each. Subject to obtaining all the necessary approvals, the Directors recommend the conversion of the existing 8 per cent preference shares to ordinary shares by offering one fully paid ordinary share of shilling five for every one preference share held.

4. Bonus Issue

The Directors recommend, subject to all relevant approvals being obtained as necessary, that a bonus issue be made to share holders of one fully paid ordinary share for every two ordinary shares held.

The Bonus share will not qualify for payment of dividend for the year ended 30th September, 1997.

5. Directors

The Directors of the Board since 1 October, 1996 have been:-

R. Sewell*
M. K. Too
R. S. Holt*
D. J. Davies
J. Kaleli
P. R. Welham*
A. Macauley * (Appointed 17th July 1997)

*British

In accordance with Articles 78 of the Company's Articles of Association, Mr M. K. Too and Mr J. Kaleli retire by rotation and being eligible offer themselves for re-election. In accordance with Article 83, Mr A. Macauley who was appointed to the Board by the Directors during the year, retires and being eligible, offers himself for re-election.

6. Auditors

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

7. Approval of accounts

The accounts were approved at a meeting of the Directors held on 26th March, 1998.

BY ORDER OF THE BOARD

Secretary

Date: 26th March 1998.

Report of the Auditors to the Members of The Standard Newspaper Group Limited

We have audited the financial statements set out on pages 9 to 16 which have been prepared on the basis of the accounting policies set out in Note 1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and to provide a reasonable basis for our opinion. The financial statements of the company are in agreement with the books of account.

Under the provisions of the Companies Act, the directors are responsible for the preparation of financial statements which give a true and fair view of the company's state of affairs and its operating results. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

We conducted our audit in accordance with Kenyan Auditing Standards. Those Standards require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Company and of the Group at 30 September 1997 and of the cash flows of the Group for the year then ended in accordance with Kenyan Accounting Standards and comply with the requirements of the Companies Act.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 40612,
NAIROBI.

Date: 26th March 1998

FORM OF PROXY

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 eighteith Annual General Meeting of the said Company, to be held at 11.00 a.m. on Tuesday, 30th April 1998 and at any adjournment thereof.

Signed _____

_____ day of _____ 1997

Signature _____

A Member entitled to attend and vote at this meeting is entitled to appoint a Proxy who need not be a Member.

N.B. - This Form of Proxy must be deposited at the Registered Office, Likoni Road, P.O. Box 11854, Nairobi, not less than 48 hours before the appointment time for the holding of the meeting.

Consolidated Profit and Loss Account

for the year ended 30 September 1997

	Note	1997 KShs'000	1996 KShs'000
TURNOVER		**820,332**	726,520
PROFIT BEFORE TAXATION	2	**44,936**	17,041
TAXATION	3	**(10,771)**	-
PROFIT AFTER TAXATION		**34,165**	17,041
DIVIDENDS		(8,561)	(8,561)
PROFIT RETAINED FOR THE YEAR		**25,604**	8,480
EARNINGS PER ORDINARY SHARE	4	**KShs 4.00**	KShs 1.99

The notes on pages 12 to 16 form part of these accounts.

Balance Sheet
at 30 September 1997

	Note	Group 1997 KShs'000	Group 1996 KShs'000	Company 1997 KShs'000	Company 1996 KShs'000
FIXED ASSETS	5	**88,469**	72,010	**-**	-
INVESTMENT	6	**20**	20	**20**	20
SUBSIDIARIES	7	**-**	-	**101,770**	59,400
		88,489	72,030	**101,790**	59,420
CURRENT ASSETS					
Stocks	8	**41,322**	48,920	-	-
Debtors		**144,732**	116,317	**11,545**	12,480
Bank balances and cash		**21,159**	11,563	**576**	100
		207,213	176,800	**12,121**	12,580
CURRENT LIABILITIES	9	**174,081**	152,813	**20,227**	19,919
NET CURRENT ASSETS/(LIABILITIES)		**33,132**	23,987	(8,106)	(7,339)
		121,621	96,017	**93,684**	52,081
CAPITAL AND RESERVES					
Share capital	10	**42,802**	42,802	**42,802**	42,802
Share premium account	11	**2,380**	2,380	**2,380**	2,380
Profit and loss account	11	**50,044**	24,440	**48,502**	6,899
SHAREHOLDERS FUNDS		**95,226**	69,622	**93,684**	52,081
UNSECURED LOAN	13	**26,395**	26,395	-	-
		121,621	96,017	93,684	52,081

P. Welham

D. J. Davies

Directors

The notes on pages 12 to 16 form part of these accounts.

Cash Flow Statement

for the year ended 30 September 1997

	Note	1997 KShs'000	1996 KShs'000
Net cash inflow from operating activities	14(a)	**70,109**	37,805
Returns on investment and servicing of finance			
Interest paid		**(14,017)**	(19,400)
Dividends paid		**(8,561)**	-
Interest receivable		**2,792**	2,320
Net cash flows from investments and servicing of finance		**(19,786)**	(17,080)
Cash flow from investing activities			
Purchase of fixed assets		**(34,399)**	(38,284)
Proceeds from sale of fixed assets		**915**	1,235
Net cash flow from investing activities		**(33,484)**	(37,049)
Cash flow from financing activities			
Loan obtained from AIFCO		**-**	26,395
Secured loan repayment		**(4,998)**	(43,781)
Net cash outflow from financing activities		**(4,998)**	(17,386)
Net cash inflow/(outflow) in the year		**11,841**	(33,710)
Net increase/(decrease) in cash in the year	14(b)	**11,841**	(33,710)

The notes on pages 12 to 16 form part of these accounts.

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Notes to the Accounts

1. ACCOUNTING POLICIES

The following paragraphs describe the main accounting policies of the Group:-

a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain assets.

b) Turnover

Turnover represents the sale of goods and services outside the Group.

c) Depreciation

Depreciation is calculated on a straight line basis at the following rates per annum estimated to write off carrying values of the assets over their expected useful lives:-

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

d) Stock

Stock is stated at the lower of cost and net realisable value.

e) Foreign currencies

Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. Transactions during the year are translated at the rate ruling when the transactions are recorded. The resulting differences are dealt with in the profit and loss account.

f) Consolidation

The consolidated accounts include the accounts of the company and its subsidiaries made up to 30 September 1997.

The principal subsidiary of the company is shown on Page 16.

g) Deferred taxation

Provision for deferred tax is made only when the directors consider that a tax benefit or charge is likely to crystallise in the foreseeable future. The provision is determined using the liability method.

2. PROFIT BEFORE TAXATION

The following amounts have been charged/(credited) in arriving at the profit before taxation:-

	1997	1996
	KShs'000	KShs'000
Depreciation	**17,918**	14,354
Directors' remuneration		
- Fees	**1,200**	–
- Other emoluments	**17,601**	17,608
Auditors' remuneration	**1,525**	1,350
Net interest payable	**11,225**	17,080
Profit on sale of fixed assets	**(893)**	(1,235)

3. TAXATION

	1997 KShs '000	1996 KShs '000
a) Charge for the year at 35% (1996 - 35%) based on adjusted taxable profit	**10,771**	-

b) Tax relief arising from previous years' tax losses (KShs.18,633,000) in a subsidiary amounting to KShs.6,522,000 has been utilised during the year.

c) No credit has been taken in these accounts for tax relief that will accrue in future years from unrelived tax losses in the holding company and two of its subsidiaries amounting to KShs.10,044,000 (1996 - KShs.10,044,000). At existing tax rates such relief amounts to KShs.3,515,000 (1996 - KShs.3,515,000).

d) Provision has not been made in these accounts for deferred tax arising from the excess of tax written down values at that date over corresponding book values of the assets concerned. At existing rates of tax this would amount to KShs.6,869,000 (1996 - tax liability KShs.6,323,000).

4. EARNINGS PER ORDINARY SHARE

Earnings per share is calculated by reference to the profit after tax and to the average number of ordinary shares in issue during the year.

5. FIXED ASSETS

	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture and fittings KShs'000	Total KShs'000
Cost:				
At 1 October 1996	100,881	20,852	17,887	139,620
Additions	21,939	9553	2,907	34,399
Disposals	-	(1,141)	(22)	(1,163)
At 30 September 1997	122,820	29,264	20,772	172,856
Depreciation:				
At 1 October 1996	49,777	8,085	9,748	67,610
Charge for the year	12,950	3,406	1,562	17,918
Disposals	-	(1,119)	(22)	(1,141)
At 30 September 997	62,727	10,372	11,288	84,387
Net book value: At 30 September 1997	**60,093**	**18,892**	**9,484**	**88,469**
At 30 September 1996	51,104	12,767	8,139	72,010

6. INVESTMENTS

Group and company:-	**1997 KShs'000**	1996 KShs'000
At cost - Chancery Security Limited	**20**	20

7. SUBSIDIARIES

Company:-	**1997 KShs'000**	1996 KShs'000
Shares at cost or valuation	**3,580**	3,580
Amounts due from own subsidiaries	**101,915**	109,700
Amounts due to own subsidiaries	**(3,725)**	(53,880)
	101,770	59,400

8. STOCK

Group
Stock comprises:-

	1997 KShs'000	1996 KShs'000
Raw materials	**23,174**	20,535
Consumable stores	**14,150**	13,446
Goods in transit	**2,079**	14,514
Stocks for resale	**1,919**	425
	41,322	48,920

9. CURRENT LIABILITIES

	Group		Company	
	1997 KShs'000	1996 KShs'000	**1997 KShs'000**	1996 KShs'000
Due within one year:-				
Bank overdraft	**26,528**	28,773	**-**	-
Creditors	**127,800**	97,680	**11,666**	11,358
Taxation	**10,771**	-	**-**	-
Bills payable	**-**	12,380	**-**	-
Dividend payable	**8,561**	8,561	**8,561**	8,561
Term loans	**421**	5,419	**-**	-
	174,081	152,813	**20,227**	19,919
Liabilities				
Secured	**421**	5,419	**-**	-
Unsecured	**173,660**	147,394	**20,227**	19,919

10. SHARE CAPITAL

	1997 KShs'000	1996 KShs'000
Authorised		
8,541,239 Ordinary shares of KSh.5 each	**42,700**	42,700
20,400 Preferred Ordinary shares of KSh.5 each	**102**	102
1,438,361 Undenominated shares of KSh.5 each	**7,198**	7,198
	50,000	**50,000**
Issued and fully paid		
8,541,239 Ordinary shares of KSh.5 each	**42,700**	42,700
20,400 Preferred Ordinary shares of KSh.5 each	**102**	102
	42,802	42,802

11. RESERVES

	Share premium KShs'000	Profit and loss account KShs'000	Total KShs'000
Group:-			
At 1 October 1996	2,380	24,440	26,820
Profit retained for the year	-	25,604	25,604
At 30 September 1997	**2,380**	**50,044**	**52,424**
Company:-			
At 1 October 1996	2,380	6,899	9,279
Provisions against amounts due from own subsidiaries	-	50,164	50,164
Dividends proposed	-	(8,561)	(8,561)
30th September 1997	**2,380**	**48,502**	**50,882**

12. SECURED LOANS

These relate to borrowings from Kenya Commercial Bank Limited Group.
The loans outstanding are secured by a debenture over all the assets of The Standard Newspapers Group Limited stamped for KShs.75.32 million.
The balances outstanding are as follows:-

	1997 KShs'000	1996 KShs'000
Kenya Commercial Finance Company Limited	**421**	5,419

13. UNSECURED LOAN

The loan has no fixed repayment date.

14. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of net profit before tax to net cash inflow from operating activities

	1997 KShs'000	1996 KShs'000
Net profit before taxation	**44,936**	17,041
Depreciation	**17,918**	14,354
Profit on sale of fixed assets	**(893)**	(1,235)
Interest paid	**14,017**	19,400
Interest receivable	**(2,792)**	(2,320)
Operating profit before working capital changes	**73,186**	47,240
Decrease/(Increase) in stocks	**7,598**	(17,860)
(Increase)/Decrease in debtors	**(28,415)**	59,523
Increase/(Decrease) in creditors	**17,740**	(51,098)
Net cash flow from operating activities	**70,109**	37,805

b) Cash and bank balances

	1997 KShs'000	1996 KShs'000	Change in the year KShs'000
Bank balances and cash	**21,159**	11,563	**9,596**
Bank overdraft	**(26,528)**	(28,773)	**2,245**
	(5,369)	(17,210)	**11,841**

15. OTHER LIABILITIES

	Group		Company	
	1997	1996	1997	1996
	KShs'000	KShs'000	KShs'000	KShs'000
Guarantees	-	40	-	40

Contingent liabilities

A civil case filed against The Standard Limited in August 1995 in the High Court of Kenya claiming a substantial amount in aggravated damages for defamation, has not yet been listed for hearing and consequently any amount that may be awarded cannot be estimated with reasonable accuracy.

16. CURRENCY

The accounts are presented in thousands of Kenya Shillings (KShs'000).

17. PRINCIPAL COMPANIES

During the year, the following company materially contributed to the assets and results of the Group, with its main activities described.

The beneficial interest shown below represents the percentage of net profit or loss for the year ended 30 September 1997 attributable to the shareholders of The Standard Newspapers Group Limited.

Subsidiary	Beneficial Interest %	Principal activity
The Standard Limited	100	Publishers of "The East African Standard" and "The Standard on Sunday" Newspapers and distribution of selected local and overseas newspapers, magazines and periodicals