...scaling new heights

2018

ANNUAL REPORT AND FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31ST DECEMBER 2018


Tap Pap!

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	Dr. Julius Kipngetich	- Deputy Chairman
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	Dr. Githinji Gitahi	
	Julianna Rotich	
	Zehrabanu Janmohamed	
	Lerionka S. Tiampati	
	Dr. James Boyd Mcfie	
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	* British	
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DIAMOND PLATNUMZ
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CHAIRMAN'S STATEMENT

ROBIN SEWELL
CHAIRMAN

FOR THE YEAR ENDED 31 DECEMBER 2018

The year 2018 was one filled with positive energy as the country made spirited effort to recover from the economic downturn experienced in 2017. It is against this backdrop that I am pleased to present the Standard Group PLC's Annual Report and Audited Financial Results for the year ended 31 December 2018, which show a turn-around in performance.

The Group's strategy has for the last couple of years been to increase our presence in the broadcast area as Television and Radio become the preferred media for an increasing number of the Kenyan population. Overall, in the year under review, the Group therefore further diversified its product offerings with the aim of providing niche products to targeted consumers.

The Kenyan Economy

The year 2018 was a turning point for the Kenyan economy, after a politically tumultuous 2017. Real GDP grew to an estimated 5.9% in 2018 from 4.9% in 2017, helped by good weather, eased political uncertainties, improved business confidence and strong private consumption.

Real GDP is projected to grow by 6.0% in 2019 and 6.1% in 2020 driven by improved business confidence, continued macroeconomic stability, tourism and the strengthening global economy. Furthermore, the government plans to continue fiscal consolidation and stabilise public debt by enhancing revenues whilst rationalising expenditure.

Kenya continues to face the challenges of inadequate infrastructure, high income inequality, and high levels of poverty exacerbated by high unemployment, which varies across locations and groups (such as young people). Kenya is exposed to risks related to external shocks, climate change, and security. The population in extreme poverty (living on less than $1.90 a day) improved from 46% in 2006 to 36% in 2016. But the trend is not enough to eradicate extreme poverty by 2030.

Kenya's Big Four (B4) agenda, introduced in 2017, focuses on manufacturing, affordable housing, universal health coverage, and food and nutrition security. It envisages enhancing structural transformation,

CHAIRMAN'S STATEMENT (CONTINUED)

addressing deep-seated social and economic challenges, and accelerating economic growth to at least 7% a year. By implementing the B4 strategy, Kenya hopes to reduce poverty rapidly and create decent jobs for all.

The Media Industry

In 2018 our industry showed a turn-around in business compared to 2017. Political stability led to increased spending by private corporations who had in the year 2017 held back on advertising spending as they adopted a "wait and see" stance.

The industry has over the years relied heavily on Government advertising and "above the line" advertising from privately owned businesses to generate advertising revenue. Government spending was, however, vastly reduced in 2015 following the introduction of centralised advertising through the Government Advertising Agency (GAA). Additionally, over the past couple of years, revenue from the private sector has been affected by both economic and political instability as a result of which the major players reduced their advertising allocations.

This has driven our industry to create new revenue lines by developing products that are more aligned towards specific customer needs. This is a trend that will drive innovation and creativity in the industry as all players race towards providing customer-driven products.

The Standard Group

Our agenda in 2018 was to diversify revenue streams and create customer focused product offerings. In line with this, the Group introduced new products and formed various partnerships to achieve our stated goal - "To inspire lives through media and entertainment," as a result, making us the media house of choice for those pursuing various activities in the country.

Among the Group's big agendas is to ensure that our presence in the media industry contributes towards a positive attitude in society. It is our belief that the media can and should play a pivotal role in choosing the direction the country takes. We belive this will be achieved by us doing things differently and thereby becoming the leader in creating this positive attitude. As a key player in the industry, we are helping to achieve this by bringing together stakeholders in various parts of society, and providing the platform for candid conversations on matters that are directly affecting society.

Dividends

The Board recommends a dividend of KShs. 0.60 per ordinary share for the year.

Share price and market capitalisation

The Group had a total of 81.7 million issued shares as at 31 December 2018 with a market capitalization of KShs 2.22 billion, compared to KShs 2.53 billion at the same time in 2017. The Group's earnings per share were KShs 2.41 in the period under review compared to KShs. (3.32) in 2017.

Outlook – 2019 and beyond

The Board is confident that the Group will continue to build on its positive performance in 2019. This will require a stable macro-economic environment and following up on the strategies management already has in place to ensure the Group is well equipped to withstand both existing and future industry challenges.

The Group will therefore continue to implement its 5-year strategic plan, deepen its engagement with customers and offer more niche products and services that are responsive to market needs.

Acknowledgment

The Board wishes to commend the efforts by management to improve existing revenue streams, create new revenue sources and implement operational efficiencies to ensure an improved bottom line.

We also wish to thank all our staff, readers, viewers, listeners and business partners for their continued and invaluable support without which we would not succeed.

We look forward to years of growth and better performance by both the Kenyan economy and the Group.

Thank you
Robin Sewell
Chairman

TAARIFA YA MWENYEKITI KWA MWAKA ULIOMALIZIKA 31 DISEMBA, 2018

Mwaka wa 2018 ulijawa na juhudi chanya wakati nchi ilipofanya jitihada kubwa ya kujinasua kutokana na mdororo wa uchumi ulioshuhudiwa 2017. Ni kinyume na hali hii ambapo nina furaha kutoa Ripoti ya Kila ya Mwaka ya Shirika la Standard Group PLC na matokeo ya Ukaguzi wa Kifedha ya mwaka uliomalizika tarehe 31 Disemba 2018, ambayo yanaonesha mabadiliko katika matokeo.

Mkakati wa Shirika katika kipindi cha miaka michache umekuwa kuongeza uwepo wetu katika kitengo cha matangazo wakati Runinga na Redio vinakuwa vyombo vya habari vinavyopendelewa na idadi kubwa ya Wakenya inayozidi kuongezeka. Kwa ujumla, katika mwaka unaoangaziwa, Shirika hivyo basi liliongeza huduma mbalimbali zinazotolewa kwa lengo la kutoa huduma zinazohitajika kwa wateja wanaolengwa.

Uchumi wa Kenya

Mwaka wa 2018 ulikuwa wenye mwamko mpya kwa uchumi wa Kenya, baada ya kuondokana na msukosuko wa kisiasa wa mwaka 2017. Pato Halisi la Taifa (Real GDP) lilikua kwa takribani 5.9% mwaka 2018 kutoka 4.9% mwaka 2017, lililochangiwa na hali nzuri ya hewa, kupungua kwa msukosuko wa kisiasa, kuboreka kwa matumaini ya kibiashara na kuimarika kwa matumizi miongoni mwa wateja.

Pato Halisi la Taifa linatarajiwa kukua kwa 6.0% mwaka 2019 na 6.1% mwaka 2020 kutokana na kuimarika kwa matumaini kuhusu biashara, mwendelezo wa uthabiti wa uchumi mpana, utalii na kuimarika kwa uchumi wa dunia. Zaidi ya hayo, serikali inapanga kuendeleza sera za kupunguza nakisi ya fedha na kudhibiti viwango vya madeni kwa kuimarisha mapato na wakati uo huo kuwianisha matumizi.

Kenya inaendelea kukumbwa na changamoto za miundombinu duni, tofauti kubwa za kimapato, na umaskini uliokithiri unaosababishwa na ukosefu mkubwa wa ajira, ambao hutofautiana kote kwenye maeneo na katika makundi ya watu (mfano watu wenye umri mdogo). Kenya inakabiliwa na hatari zinazohusiana na misukosuko nje ya nchi, mabadiliko ya hali ya hewa, na usalama. Idadi ya wanaokabiliwa na umaskini mkubwa (wanaoishi chini ya $ 1.90 kwa siku) ilipungua kutoka 46% mwaka 2006 hadi 36% mwaka 2016 lakini mwelekeo huu hautoshi kutokomeza umaskini uliokithiri kufikia mwaka wa 2030.

Ajenda Nne Kuu za Serikali (B4), zilizoanzishwa mwaka 2017, zinalenga uzalishaji viwandani, nyumba ya bei nafuu, afya kwa wote, na utoshelezo wa chakula na viinilishe. Zinalenga kuimarisha mageuzi ya kimiundo, kuangazia changamoto kuu za kijamii na kiuchumi, na kuharakisha ukuaji wa uchumi hadi angalau 7% kila mwaka. Kwa kutekeleza mkakati wa B4, Kenya inatarajia kupunguza haraka umaskini na kubuni nafasi za kazi nzuri.

Sekta ya Vyombo vya Habari

Sekta hii katika mwaka 2018 ilishuhudia mabadiliko katika biashara kulinganisha na mwaka 2017. Uthabiti wa kisiasa uliruhusu matumizi yaliyoboreka ya fedha miongoni mwa mashirika ya binafsi ambayo katika mwaka 2017 yalikuwa yamebadili hali zao za matumizi kwa vile yaliamua kusubiri ili kuona hali itakavyokuwa.

Kwa miaka sekta hii imetegemea mno matangazo kutoka kwa Serikali na pia matangazo kutoka kampuni za binafsi ili kujipatia mapato yatokanayo na matangazo. Hata hivyo, matumizi ya Serikali yalipunguzwa pakubwa mwaka 2015 kufuatia kuanzishwa kwa jukwaa moja la matangazo kupitia Shirika la Matangazo la Serikali (GAA). Zaidi ya hayo, mapato kutoka sekta za binafsi yameathiriwa na ukosefu wa uthabiti wa kiuchumi vilevile wa kisiasa na kuwalazimu wahusika wakuu kupunguza fedha zinazotengewa matangazo. Hali hii imeifanya sekta yetu kubuni njia mpya za kujipatia mapato kwa kuanzisha huduma ambazo zinaendana zaidi na mahitaji ya wateja. Huu ni mkondo ambao utaongoza uvumbuzi na ubunifu kwa sekta hii kwa vile wahusika wote wanashindania

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huduma zinazoendana na mahitaji ya wateja.

Ajenda yetu mwaka wa 2018 ilikuwa kupanua njia za kujipatia mapato na kuanzisha huduma zinazowafaa wateja. Kwa kuendana na hili, Shirika lilianzisha huduma mpya na kubuni ushirikiano mbalimbali ili kuafikia lengo letu - "Kuwahamasisha watu kupitia vyombo vya habari na burudani" na matokeo yake, kutufanya kuwa shirika la habari linalopendelewa kwa shughuli mbalimbali nchini.

Miongoni mwa ajenda kuu za shirika hili ni kuhakikisha kwamba uwepo wetu katika sekta ya habari unachangia mwelekeo chanya kwenye jamii. Ni imani yetu kuwa vyombo vya habari vinaweza na vinapaswa kutekeleza jukumu muhimu la kuamua mwelekeo ambao nchi inachukua. Tunaamini kwamba hili litaafikiwa tukifanya mambo kwa namna tofauti na hivyo kuongoza katika kuchangia mwelekeo huu chanya. Kama mhusika muhimu katika sekta hii, tunachangia kuafikiwa kwa hili kwa kuwaleta pamoja washikadau katika sehemu mbalimbali za jamii na kutoa majukwaa ya mazungumzo ya wazi kuhusu masuala ambayo yanaiathiri jamiii moja kwa moja.

Magawio (dividends)

Bodi inapendekeza gawio la Kshs. 0.60 kwa kila hisa ya kawaida kwa mwaka.

Thamani ya hisa na mtaji wa soko

Shirika lilikuwa na jumla ya hisa milioni 81.7 zilizotolewa kufikia 31 Disemba 2018 na mtaji wa soko wa shilingi bilioni 2.22, kulinganisha na shilingi bilioni 2.53 kipindi sawa na hicho mwaka 2017. Mapato ya shirika kwa kila hisa yalikuwa Kshs 2.41 kwa kipindi kinachoangaziwa kulinganisha na Kshs. (3.32) mwaka 2017.

Matarajio - 2019 kwenda mbele

Bodi ina imani kwamba Shirika litaendeleza matokeo mazuri yaliyoshuhudiwa mwaka 2018. Hii itahitaji mazingira imara ya uchumi mpana na kufuatilia mikakati iliyopo iliyowekwa na kampuni katika kuhakikisha kuwa Shirika hili lina uwezo wa kutosha kustahimili changamoto za sasa na za baadaye katika sekta hii.

Shirika hivyo basi litaendelea kutekeleza mpango wa kimkakati wa miaka mitano, kuimarisha ushirikiano wake na wateja na kutoa bidhaa zaidi na huduma ambazo zinashughulikia mahitaji ya soko.

Shukrani

Bodi ingependa kuzisifu juhudi za wakurugenzi waandamizi katika kuboresha njia zilizopo za kujipatia mapato, kubuni njia mpya za kujipatia mapato na kutekeleza njia za kuboresha utendakazi ili kuimarisha mapato.

Pia tungependa kuwapongeza wafanyakazi wetu wote, wasomaji wetu, watazamaji, wasikilizaji na washirika wa kibiashara kwa kuendelea kutupa usaidizi muhimu ambapo bila wao tusingefaulu.

Tunatarajia miaka ijayo yenye ukuaji na matokeo bora kwa uchumi wa Kenya na wa Shirika hili.

Asante

Robin Sewell

Mwenyekiti

CEO'S STATEMENT

ORLANDO LYOMU
GROUP CHIEF EXECUTIVE OFFICER

FOR THE YEAR ENDED 31 DECEMBER 2018

I am honored to present the business highlights for the financial year ended 31 December 2018.

The Group's turnover increased by 4% to close at KShs 4.8 billion in 2018 compared to KShs 4.7 billion in 2017 driven largely by improved performance across our brands.

The Group embarked on cost optimization initiatives which resulted in reduced direct and indirect costs. Direct costs decreased by 12%, closing at KShs 1.22 billion from KShs 1.38 billion in 2017. Overhead costs decreased by 11% to close at KShs 3.2 billion compared to KShs 3.6 billion in 2017.

Key to note, is the fact that the Group achieved the savings without sending employees home.

The Group closed 2018 at a profit before tax of KShs 397 million against a loss before tax of KShs (282) million in 2017.

Challenges and Opportunities

The year 2018 was a significant year for the Standard Group as it marked 100 years since the incorporation of the company in 1918. Our flagship, The Standard, was established a couple of years earlier, in 1902. It is, therefore, a milestone for the Group that we moved from a loss-making position in 2017 to post a relatively good profit during our centenary year.

Coming out of the 2017 election year, 2018 was expected to be a year of political healing and economic recovery. While political reconciliation appeared to be on track, the economic recovery was slow in coming – with the economy experiencing a financial crunch. This was partly attributed to the Government's failure to pay its debts, running into billions of shillings, which adversely affected economic activity.

The debt owed to the Standard Group by the Government Advertising Agency (GAA) rose to almost Kshs 1 billion. On the other hand, the effect of the economic slow-down on the private sector led to a reduction in spending on advertising, which adversely affected our share of the advertising revenue.

CEO'S STATEMENT (CONTINUED)

It is against this backdrop that we focused our turn-around strategy on cost optimization and investment in new products that would generate new revenue streams going forward. In the broadcast business, we invested in two new TV channels, KTN Farmers TV and KTN Burudani, and two new English radio stations, Spice Fm and Vybez. These are already on air and initial reports indicate that they have been received very well by the market.

The business also acquired and revamped two regional publications, the Mt Kenya Star, and Pambazuko – a Kiswahili newspaper. These are weekly publications aimed at specific niche markets. Additionally, we developed two new monthly publications, which were launched in Quarter 1 of 2019 – the Pulser, a stand-alone entertainment magazine, and Travelog, a tours and travel magazine distributed within the Thursday Standard.

In order to tap into new business opportunities, we are placing emphasis on strategic partnerships and collaborations. We believe that the future of our business will be strongly driven by investing in emerging future opportunities which will call for different business models. This is where we believe, lies the value of strategic partnerships.

Product Performance

Copy circulation during the year remained depressed, but focus on niche readership through new regional publications offered an opportunity to address the gaps in areas of low uptake of our flagship publications. New non-traditional distribution channels through our business partners are being implemented to help grow copy circulation. New magazines in the flagship publication, The Standard, have been introduced to serve niche markets. The Nairobian remains a popular paper across the country.

KTN Home has maintained popularity among Kenyan viewers. Programming continued to be refreshed with new offerings targeting different categories of viewers. KTN News marked three years in the market, entrenching itself as the only 24-hour news channel in East Africa. Radio Maisha has recorded steady revenue growth and management is positive that further growth will be realized in 2019. It was voted the Number One Station in Kenya by the public during the Communications Authority of Kenya's KUZA Broadcasting Awards 2018, under the People's Choice Category.

Standard Digital is the leading online publisher in Kenya with over 50 million page views on the main site.

The Group's outdoor business unit has a national footprint with presence in the major towns across the country.

People and Talent Management

The Group continues to invest in staff training, development and engagement, which are key in ensuring that the Group's staff can deliver products and services that resonate with the rapidly changing consumer preferences.

To entrench a performance-driven work culture and ensure efficiency and transparency in performance monitoring and evaluation, we implemented an automated performance management tool.

Among the highlights of the year, was formation of the Standard Group Women's Network that provides a platform for engagement, mutual support and career growth for the company's female employees.

Future Prospects

While the Group managed to post a good performance in 2018, moving to a profit status from a loss-making position in 2017, it is important to note that this milestone was achieved despite the harsh economic environment that caused many corporates to flounder.

Indications are that 2019 will be a more difficult year financially, but we hope that our innovative spirit, agility and resilience will produce results that will give us impetus for sustainable growth into the future.

Acknowledgement

I sincerely thank the directors, management team, staff, customers and all our stakeholders for their invaluable support and commitment to the company.

Orlando Lyomu

Group Chief Executive Officer

TAARIFA YA AFISA MKUU MTENDAJI KWA MWAKA ULIOMALIZIKA 31 DISEMBA, 2018

Ni fahari yangu kuwasilisha mambo muhimu kuhusu biashara kwa mwaka wa kifedha uliomalizika 31 Disemba, 2018.

Mapato ya kampuni yaliongezeka kwa 4% kufikia shilingi bilioni 4.8 mwaka 2018 kulinganisha na shilingi bilioni 4.7 mwaka 2017 hali iliyochangiwa pakubwa na kuimarika kwa matokeo katika vitengo vyote.

Kampuni ilianza kutekeleza njia za kupunguza gharama hatua iliyopunguza gharama za moja kwa moja na zisizo za moja kwa moja. Gharama za moja kwa moja zilipungua kwa 12%, mwaka ulipomalizika zilikuwa shilingi bilioni 1.22 kutoka shilingi bilioni 1.38 mwaka 2017. Gharama za uendeshaji shughuli zilipungua kwa 11% na mwaka ulipomalizika zilikuwa shilingi bilioni 3.2 zikilinganishwa na shilingi bilioni 3.6 mwaka 2017.

La muhimu kutambua, ni kwamba kampuni iliafikia lengo la kupunguza matumizi ya fedha bila kuwafuta wafanyakazi.

Kampuni ilikamilisha mwaka 2018 kwa faida ya shilingi milioni 397 kabla ya kutozwa kodi dhidi ya hasara ya shilingi milioni (282) kabla ya kutozwa kodi mwaka 2017.

Changamoto na fursa zilizopo

Mwaka wa 2018 ulikuwa muhimu kwa Kampuni ya Standard kwani iliadhimisha miaka 100 tangu kuanzishwa kwake mwaka 1918. La muhimu, Standard, ilianzishwa mapema, mwaka 1902. Kwa hivyo, ni muhimu kwamba Kampuni iliondokana na hali ya kupata hasara mwaka 2017 na kupata faida nzuri wakati wa maadhimisho ya miaka mia moja.

Baada ya uchaguzi wa 2017, mwaka 2018 ulitarajiwa kuwa wa kuondokana na athari za kisiasa na ufufuaji wa kiuchumi. Wakati mapatano ya kisiasa yalipoonekana kuwa katika mkondo wake, kasi ya ufufuaji wa kiuchumi ilipungua - na uchumi kuathirika kifedha. Hali hii ilichangiwa kwa kiasi fulani na suala la serikali kukosa kulipia madeni yake, yanayofikia mabilioni ya fedha, hali iliyoathiri vibaya shughuli za kiuchumi.

Madeni ambayo Standard Group inalidai Shirika la Matangazo la Serikali (GAA) yaliongezeka hadi karibu shilingi bilioni 1. Kwa upande mwingine, athari za kupungua kwa kasi ya ukuaji wa uchumi katika sekta za binafsi zilichangia kupunguzwa kwa fedha za matangazo, hali iliyoathiri pakubwa mapato yetu yatokanayo na matangazo.

Kwa kuzingatia hali hii ndipo tulilenga mkakati wetu wa kubadili matokeo kwa kupunguza gharama ya uendeshaji shughuli na uwekezaji katika huduma mpya ambazo zitatoa njia mpya za mapato kwenda mbele. Katika biashara ya matangazo, tuliwekeza katika vituo viwili vya runinga, KTN Famers TV na KTN Burudani, na vituo viwili vya redio za Kiingereza, Spice Fm na Vybes. Tayari vituo hivi viko hewani na ripoti za awali zinaonesha kuwa vimepokelewa vyema sana na wasikilizaji.

Kampuni pia ilinunua na kufanyia mabadiliko machapisho mawili ya kila wiki ya kikanda, Mt Kenya Star, na Pambazuko - gazeti la Kiswahili. Haya ni machapisho ya kila wiki kwa ajili ya soko maalumu. Pia, tulianzisha machapisho mawili mapya ya kila mwezi, ambayo yalizinduliwa katika Robo ya 1 ya 2019 - the Pulser, jarida la kujisimamia la burudani, na Travelog, jarida kuhusu ziara za kitalii na za kawaida linalochopekwa ndani ya Gazeti la Standard la Alhamisi.

Ili kupata fursa mpya za kibiashara, tunaweka msisitizo katika ushirikiano wa kimkakati na mahusiano. Tunaamini kuwa mustakabali wa biashara yetu utaongozwa pakubwa na uwekezaji katika fursa za baadaye zinazojitokeza hali itakayohitaji mbinu mpya za kibiashara.

Matokeo ya Vitengo

Usambazaji wa nakala za magazeti katika mwaka huo uliendelea kutatizika, lakini kuzingatia wasomaji mbalimbali kupitia machapisho mapya ya kikanda kulitoa fursa ya kushughulikia mapungufu katika maeneo

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ambayo ununuaji wa magazeti yetu uko chini. Njia mpya na zisizo za kawaida za usambazaji kupitia washirika wetu wa kibiashara zinatekelezwa ili kuimarisha usambazaji wa magazeti. Majarida mapya yameanzishwa kwa ajili ya wasomaji mbalimbali. Nairobian inasalia kuwa gazeti maarufu kote nchini.

KTN Home imedumisha umaarufu wake miongoni mwa watazamaji wa Kenya. Matangazo yalizidi kuboreshwa kupitia vipindi vinavyoyalenga makundi mbalimbali ya watazamaji. KTN News iliadhimisha miaka mitatu 2018 tangu kuanzishwa, ikiwa runinga ya pekee ya saa 24 ya habari Afrika Mashariki. Radio Maisha imenakili ukuaji usiotetereka wa mapato na uongozi una imani kwamba ukuaji hata zaidi utashuhudiwa mwaka 2019. Ilipigiwa kura na umma kuwa Kituo Namba Moja nchini Kenya wakati wa Tuzo za KUZA zinazoandaliwa na Mamlaka ya Mawasiliano 2018 kitengo cha People's Choice Category.

Standard Digital ni jukwaa namba moja la habari za mitandaoni, ikiwa na zaidi ya watu milioni 50 wanaofungua kurasa zake katika jukwaa kuu.

Kitengo cha Outdoor cha Kampuni kina taswira ya kitaifa na kupatikana katika miji mikuu kote nchini.

Usimamizi wa Wafanyakazi na Vipaji

Kampuni inaendelea kuwekeza katika mafunzo ya wafanyakazi, maendeleo na ushirikishaji, masuala ambayo ni muhimu katika kuhakikisha kwamba wafanyakazi wa Kampuni wanafanikisha bidhaa na huduma zinazoendana na mahitaji ya wateja ambayo yanabadilika kwa kasi.

Ili kuimarisha mwenendo wa utendakazi unaolenga ufanisi na kuhakikisha utendakazi bora na uwazi katika ufuatiliaji na tathmini, tulianzisha mfumo wa kidijitali wa tathmini ya utendakazi.

Mojawapo ya mambo muhimu ya mwaka, ni kubuniwa kwa Kundi la Wanawake wa Standard Group linalotoa jukwaa la kubadilishana mawazo, kusaidiana na ukuaji wa kikazi miongoni mwa wafanyakazi wa kike wa kampuni hii.

Matarajio ya baadaye

Wakati Kampuni ilipofanikiwa kupata matokeo mazuri mwaka wa 2018, na kufikia hatua ya kupata faida kutoka hasara iliyoshuhudiwa mwaka 2017, ni muhimu kutambua kuwa hatua hii ya mafanikio iliafikiwa licha ya hali ngumu ya kiuchumi ambayo imesababisha mashirika mengi kuyumbayumba.

Dalili zinaonesha kwamba mwaka 2019 utakuwa mgumu zaidi kifedha, lakini tunatarajia kwamba moyo wetu wa ubunifu, unyumbufu na ukakamavu utazalisha matokeo ambayo yatatupa nguvu za ukuaji endelevu katika siku zijazo.

Shukrani

Ninawashukuru kwa dhati wakurugenzi, wasimamizi, wafanyakazi, wateja na washikadau wetu wote kwa msaada wao mkubwa na kujitolea kwa Kampuni.

Orlando Lyomu

Afisa Mkuu Mtendaji wa Kampuni


FIRE EXIT


STANDARD
GROUP
The
Standard
Kenya's Bold Newspaper
Feel The Change
SIGNS

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of the Company and the Group.

1. Principal activities

The principal activities of the Group are the publishing of The Standard Newspaper, television broadcasting under the name of Kenya Television Network (KTN), radio broadcasting under the name of Radio Maisha, outdoor media advertising under the trade name of Think Outdoor and online business under the trade name of Standard Digital.

2. Group results

	2018 KShs'000	2017 KShs'000
Profit/(loss) before taxation	397,225	(282,186)
Taxation (expense)/credit	(135,940)	71,348
Profit/(loss) for the year transferred to retained earnings	**261,285**	**(210,838)**
Attributable to:		
Non-controlling interests	64,400	60,254
Owners of the Company	196,885	(271,092)
	261,285	**(210,838)**

3. Dividend

The directors recommend a dividend payment of Kshs.0.60 per ordinary share for the year ended 31 December 2018 (2017 – Nil).

4. Directors

The directors who served since 1 January 2018 and upto the date of this report are set out on page 4.

5. Relevant audit information

The directors in office at the date of this report confirm that:

- There is no relevant audit information of which the Company's auditor is unaware; and
- Each director has taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

6. Auditors

The auditors, KPMG Kenya, are eligible and hereby offer themselves for re-appointment in accordance with the requirements of the Kenyan Companies Act, 2015.

7. Business overview

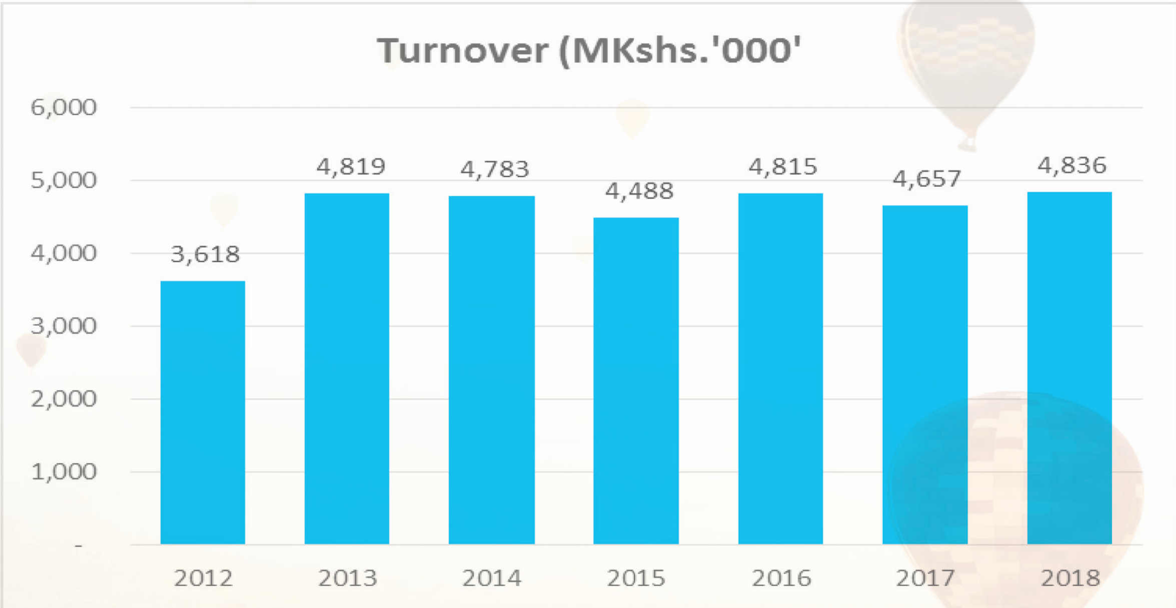
Summary of results

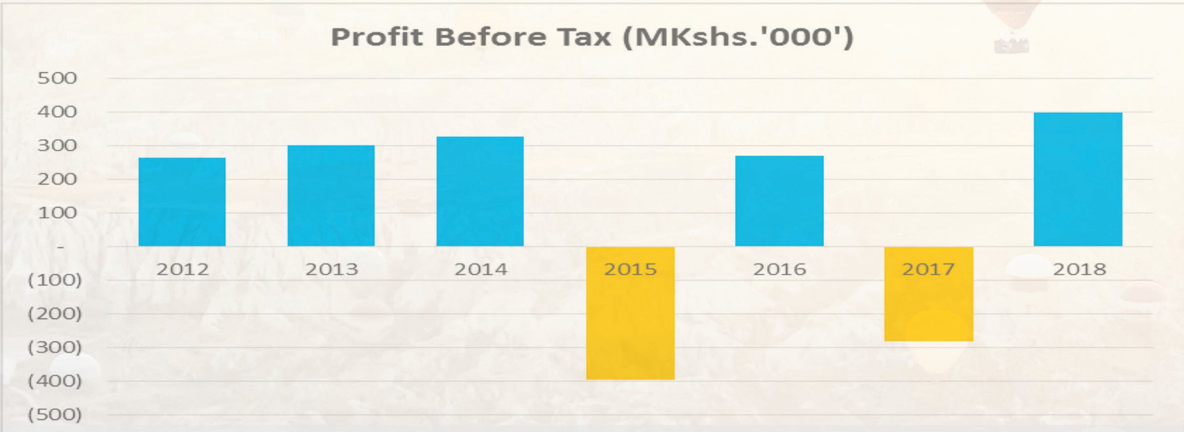
The year 2018 saw the country make spirited efforts to recover from the economic downturn of the 2017 election year. Whereas this meant a shift back to a focus on growth, the journey of recovery has been slow, with many challenges along the way.

The Group realized a profit before tax of Kshs.397 million compared to a loss before tax of Kshs. (282) million in 2017, driven by improved efficiencies resulting from investment in process automation and cost optimization.

The Group Revenue increased by 4% to KShs 4.8 billion from KShs 4.6 billion in the prior year largely driven by introduction of new revenue products across our brands.

Annual direct and overhead cost decreased by 11% and 12% respectively which is attributable to cost management initiatives implemented throughout the group.





REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

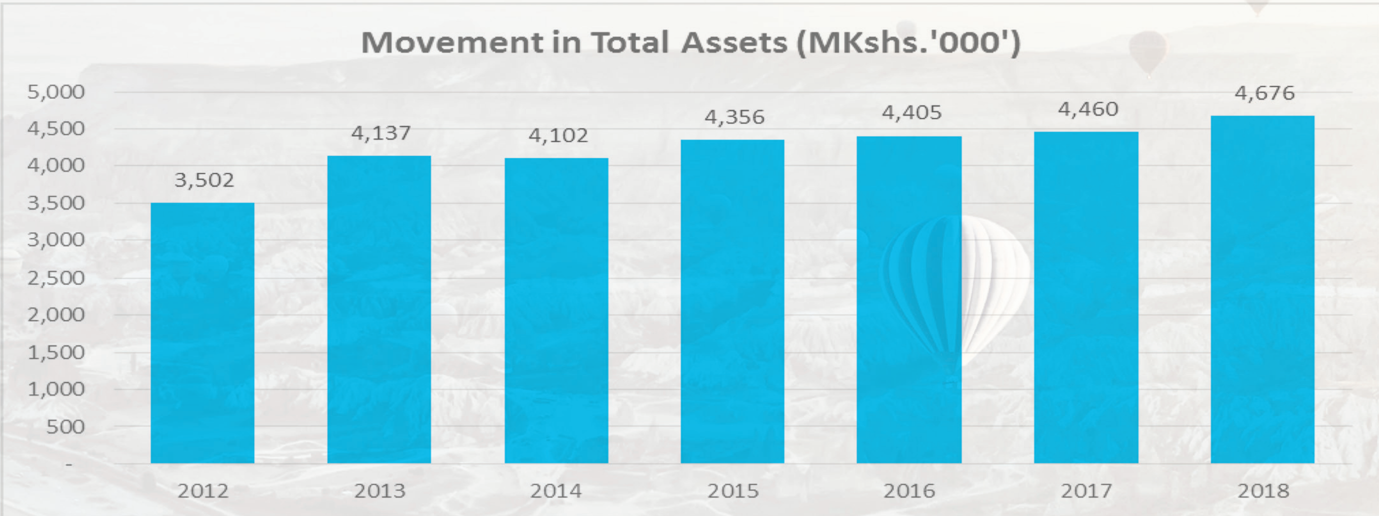
Group business segments

The Group's business segments are:

- Print includes newspaper copy sales and print advertising. Print has 4 publications, The Standard newspaper, The Nairobian, The Mount Kenya Star and Pambazuko.
- Broadcast TV, includes 4 television stations KTN-Home, KTN-News, KTN Burudani and KTN Farmers TV. KTN-News is the first 24 hour news channel in East Africa, while KTN Burudani is a Kiswahili station catering for the entertainment needs of the youth and Swahili speaking population. KTN Farmers TV was rolled out as part of the Group's Farm Kenya Initiative and aims to connect all stakeholders in the agribusiness sector.
- Broadcast Radio includes three radio stations, namely Radio Maisha and two new English stations; Spice FM and Vybez Radio.
- Out of Home advertising provides billboard advertising across the country.
- Standard Digital is our online platform

Financial position

The Group has maintained a strong financial position recording a growth of 3% in total assets. This affirms the company strategy to enhance growth for all its business units and has seen a growth in the revenue streams as well as significant efficiencies around operating costs.



8. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the directors held on 15th March 2019.

BY ORDER OF THE BOARD

Secretary

Date: 15th March 2019


Transform
KENYA
EMPOWER OUR NATION


STANDARD
GROUP
Transform
KENYA

STRATEGY REPORT

The Standard Group PLC has in place a five-year strategic framework for transformation developed in a context of a dynamic media landscape that is vulnerable to decline with the growth of digital platforms and changing demographics globally and Kenya in particular.

Over the years, the Group's journalism has been anchored on a bold and courageous approach with a distinct edge in investigative stories. We continue to pursue our purpose to inspire lives through media and entertainment with our vision being the voice of society. Our core values, Achievement, Agility, Courage, Excellence and Innovation, have been clarified to enable our staff build a distinctive and attractive culture in which they find a satisfying work environment.

We shall continue to accomplish what we set out to do; move quickly and easily to take advantage of new opportunities; venture into unchartered territories; offer quality content and services; and as has been our distinction, continuously introduce something new into the market. We shall invest in building a learning organization that encourages staff to take calculated risks and launch new products that resonate with the target audiences.

PURPOSE

To inspire lives through media and entertainment.

VISION

Voice of society.

MISSION

Disseminate media content that provides a voice to society.

CORE VALUES

STATEMENT OF CORPORATE GOVERNANCE

Good corporate governance practices are essential to the delivery of sustainable stakeholder value. At The Standard Group PLC (the “Group” or “Company”), we continue to recognize the fact that implementation of good corporate governance practices gives shareholders and stakeholders the assurance and confidence that no effort is being spared to manage their wealth sustainably.

The Group continues to endeavour to comply with the provisions of the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code).

In addition to the Governance Audit carried out as prescribed by the Code, the Group regularly reviews its corporate governance arrangements and practices and ensures that the same reflects the regulatory requirements, best market practice and stakeholder expectations. This report highlights the Group’s level of compliance with the Code to-date.

The Board of Directors

The Board is collectively responsible for the overall direction of the Group with oversight and review of the management, administration and overall governance. The Board exercises its oversight role by setting appropriate business strategy and overseeing delivery against the set strategy. The composition of the Board is stipulated in the Group’s Articles of Association which provides that the Board shall comprise of a minimum of twelve (12) directors. The Board currently consists of nine (9) directors; one (1) executive director and eight (8) non-executive directors, including the Chairman, of whom three (3) are independent directors. The Board is responsible for recommending directors for election by shareholders at the Annual General Meeting (AGM). Nominated directors undergo screening by the Board’s Nomination Committee guided by the Board Appointed Guidelines duly approved by the Board. All the directors’ appointments are subject to confirmation by shareholders at the AGM and one third of the directors, except the Group Chief Executive Officer, retire by rotation annually and are eligible for re-election at the Annual General Meeting.

Board Operations

The Board has in place an annual programme that sets out the Board’s activities for the year. This enables the Board to have detailed review of the Group’s operations and strategy, approve business plans, budgets and financial statements. The Board meets at least four times a year and additionally as may be necessary. The Board Chairman, in conjunction with the Group Chief Executive Officer and Company Secretary, sets the agenda for each meeting. The Board receives all information relevant to the discharge of its obligations in accurate and timely manner enabling it to maintain effective control over strategic, financial, operational and compliance issues. As provided in the Board Charter, the Board is entitled to seek independent professional advice at the company’s expense on any matter connected with the discharge of its responsibilities.

Board Charter

The Board has adopted a Board Charter that provides a framework for the effective operation of the Board, which sets out the:

- Board’s roles, composition and responsibilities;
- Relationship and interaction between the Board and Management; and
- Authority delegated by the Board to Management and Board Committees.

Board of Directors Responsibilities

The Board has the following key responsibilities as are enumerated in the Board Charter:

- Provide effective leadership and collaborate with the Executive Management in articulating the organization's values, vision, mission and strategies and developing the strategic plan and ordering strategic priorities of the Company that are sustainable.
- Develop an organizational structure to support the achievement of strategic objectives; monitor the operational performance and establish policies and processes that ensure the integrity of the Company's internal controls and risk management.
- Review and approve the business plans and annual budget proposed by the Executive Management and evaluate the outcomes thereof.
- Establish such Committees, Policies and Procedures that will facilitate effective discharge of the Board's fiduciary and leadership functions.
- Establish and oversee the Company's corporate governance framework that promotes standards of ethical behaviour.
- Ensure the Company's compliance with all applicable laws, regulations, governance codes, guidelines and regulations and establish systems to effectively monitor and control compliance across the Company.
- Ensure that systems and procedures are in place for the Company to run effectively and efficiently.
- Establish appropriate staffing and remuneration policies for all employees.
- Appoint and evaluate the performance of the Group Chief Executive Officer (GCEO) and the Executive Directors.
- Act in the best interest of the Company and its business taking into consideration the interest of the Company's shareholders and stakeholders.
- Ensure that the Group is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of the Group, but also the impact the business operations have on the environment and the society within which it operates.

Board Meetings

Board Meetings are held every quarter and in exceptional circumstances as dictated by requirements of business operations. During the year ended 31 December 2018, a total of six (6) Board Meetings were held.

Board meetings and members' attendance for 2018

Member	Position	23.02.2018 Special	16.03.2018	25.05.2018	17.08.2018	03.09.2018 Special	23.11.2018
Robin Sewell	Chairman	×	√	√	×	×	√
Julius Kipngetich	Independent Non-Executive	√	√	√	√	√	×
Orlando Lyomu	Executive Director/GCEO	√	√	√	√	√	√
James Mcfie	Non-Executive	√	√	√	√	√	√
Zehrabanu Janmohamed	Non-Executive	×	×	√	√	√	×
Samuel L. Tiampati	Non-Executive Director	√	√	√	√	√	×
Shaun Zambuni	Non-Executive Director	√	√	√	√	√	√
Juliana Rotich[1]	Independent Non-Executive	N/A	N/A	×	×	√	√
Githinji Gitahi[1]	Independent Non-Executive	N/A	N/A	√	√	√	√

[1]Appointed on 16 March 2018

Board skills and diversity

The Standard Group PLC seeks to have a Board that has a diverse mix of individuals with relevant attributes, skills, knowledge and experience. The Board has the appropriate mix of skills, knowledge and experience to deal with current and emerging issues and effectively guide management in attainment of its strategic objectives. The areas of expertise of the current Board are general management, finance, marketing, media, IT and legal. Women constitute 20% of our Board. Short biographies of the Directors, including details of their relevant skills, experience, and nationalities, are set out in the Directors and Statutory Information and Directors' Profile pages.

The Board promotes diversity and encourages initiatives to improve gender diversity in Senior Management roles. The Standard Group PLC launched the Standard Group Women Network on 12.10.2018 a new initiative to articulate the voice of women within the organisation and position them for leadership.

CORPORATE GOVERNANCE (CONTINUED)

Board Induction and Development

New Directors receive induction upon appointment. The induction program consists of detailed presentations and briefings from the Executive Directors, Executive Management and the Company Secretary on company operations.

The Board receives regular briefings from the Executive management on developments in the media industry both locally and globally. The Board is also appraised of regulatory changes that directly impact the operations of the Group. Additionally, directors undergo regular training to enable them fulfil their responsibilities. During the year under review, the Board underwent training on areas of Corporate Governance as prescribed by the Code.

Board Evaluation

In line with the provisions of the Code, the Board reviews its performance and that of its Committees, the Executive and Non-Executive Directors, the Chairman and Company Secretary, on an annual basis. The Evaluation is facilitated by an independent external facilitator. The evaluation is conducted by each Director completing a Board Evaluation Form which is designed to obtain feedback on the Board's performance in key thematic areas. The Evaluation also seeks to identify development opportunities and areas of improvement.

The Board Evaluation for the year ended 31 December 2018 was conducted in November 2018 and the report presented to the Board in March 2019. The report established that the Board continues to operate effectively and the members have a good understanding of the operating environment.

Board Independence and Conflicts of interest

The Board comprises of eight (8) Non-Executive directors, of whom three (3) are Independent as defined in the Code and the Board Charter. As per the Board Charter, the Board only considers directors to be Independent where they have served for a period of less than nine (9) years and are independent of management and free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the directors' capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Group or the shareholders generally.

The directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to the directors' attention, whether direct or indirect. All business transactions with all parties, directors or their related parties are carried out at arm's length. Directors are required to give advance notice of any conflict issues to the Chairman or Company Secretary. The Board maintains a Conflict of Interest register and this is tabled as the first agenda item of all Board meetings. Directors are excluded from the quorum and vote in respect of any matters in which they have an interest. There were no conflicts reported by Directors in the financial year ended 31 December 2018.

Board Committees

The Board has approved the delegation of certain authorities to Board Committees where applicable, and to management.

The Board has four Committees, all of which are guided by clear terms of reference. The Charters for the respective Committees are available on the Company's website. The Committees are instrumental in monitoring Group operations, conduct of business, systems and internal controls. The Committees are the Finance and Audit Committee, the Human Resources and Remuneration Committee, the Editorial Committee and the Nomination Committee.

Following the appointment of additional directors, the Board reconstituted membership of the various committees and appointed chairpersons of the respective committees as enumerated in this report.

1. Finance and Audit committee

This Committee consists of five (5) directors, comprising the Chairman who is an Independent Non-Executive Director and other directors. The Committee meets quarterly or as required.

The Committee plays a vital role in ensuring the Integrity of the financial statements and any formal announcements relating to the Company's performance; reviews the consistency of the accounting policies and systems applied by the Company and, when appropriate, makes recommendations to the Board on business risks, internal controls and compliance. It assists the Board in evaluating financial and management controls and recommending improvements. The Committee further ensures that the financial reporting is accurate and timely.

The Committee is also responsible for monitoring compliance with the applicable laws and regulation, the Group's Policies and Procedures and monitoring and reviewing the performance, effectiveness, independence and objectivity of the Group's external auditors. The Committee makes recommendations as to the external Auditor's reappointment/change, terms of engagement and the level of audit fees payable to them. The Committee has established and maintains an appropriate and transparent relationship with the external auditors.

The Committee is also responsible for monitoring and reviewing the effectiveness of the internal audit Function. Internal audit reports, findings and recommendations are presented to the Committee to ensure implementation. The Audit Committee also reviews the performance of Internal Audit and approves the Audit Plan for the year.

The Committee met five (5) times during the year.
The current members of the committee are:

1. Githinji Gitahi - Chairman
2. Shaun Zambuni
3. Juliana Rotich
4. Julius Kipngetich
5. James Mcfie

Finance and Audit Committee meetings and members' attendance for 2018

Member	Position	23.02.2018	17.05.2018	27.07.2018	26.10.2018	20.11.2018
Githinji Gitahi[1]	Independent (Chair)	N/A	N/A	√	√	√
Shaun Zambuni	Non-Executive	√	√	√	√	√
Juliana Rotich[1]	Independent	N/A	N/A	√	√	√
Julius Kipngetich	Independent	√	N/A	×	√	×
James Mcfie	Non-Executive	√	√	√	√	√
Zehrabanu Janmohamed[2]	Non-Executive	×	√	N/A	N/A	N/A
Samuel L. Tiampati[2]	Non-Executive	√	√	N/A	N/A	N/A

1 Appointed to the Committee with effect from 25 May 2018
2 Ceased to be a member of the Committee with effect from 25 May 2018

CORPORATE GOVERNANCE (CONTINUED)

1. Human Resources and Remuneration Committee

This Committee consists of 4 directors, comprising the Chairman who is a Non-Executive director and other directors. The Committee meets quarterly or as required. This Committee is also responsible for monitoring and appraising the performance of senior management and review of all human resource policies.
The Committee met Seven (7) times during the year.

The current members of the committee are:

1. Zehrabanu Janmohamed - Chairperson
2. James Mcfie
3. Shaun Zambuni
4. Lerionka Tiampati

Human Resources and Remuneration Committee meetings and members' attendance for 2018

Member	Position	01.03.2018	14.03.2018 Special	18.05.2018	22.05.2018 Special	12.06.2018 Special	27.07.2018	26.10.2018
Zehrabanu Janmohamed	Non-Executive (Chair)	√	√	√	×	√	√	×
Jim Mcfie	Non-Executive	√	√	√	√	√	√	√
Samuel Tiampati	Non-Executive	√	√	√	√	√	√	√
Shaun Zambuni	Non-Executive	√	√	√	√	√	√	√
Julius Kipngetich[1]	Independent	N/A	√	N/A	N/A	N/A	N/A	N/A

1 In-attendance by invitation

2. Editorial Committee

This Committee consists of 6 (six) directors, comprising of a Chairman who is an Independent Non-Executive director and other directors. The Committee meets quarterly or as required. The role of the Committee is to develop the Group's Editorial Policies and provide overall leadership and oversight over its journalism and media content.

The Committee met six (6) times during the year.
The current members of the Committee are:

1. Julius Kipngetich - Chairman
2. Zehrabanu Janmohamed
3. Shaun Zambuni
4. Lerionka Tiampati
5. Juliana Rotich
6. Githinji Gitahi

OUR PRODUCTS

CORPORATE GOVERNANCE (CONTINUED)

Editorial Committee meetings and members' attendance for 2018

Member	Position	01.02.2018 Special	01.03.2018	14.03.2018	18.05.2018	03.08.2018	06.11.2018
Julius Kipngetich	Independent (Chair)	√	√	√	×	√	√
Zehrabanu Janmohamed	Non-Executive	×	√	√	√	×	×
Shaun Zambuni	Non-Executive	√	√	√	√	√	√
Lerionka Tiampati	Non-Executive	√	√	√	√	√	√
Juliana Rotich[1]	Independent	N/A	N/A	N/A	√	√	×
Githinji Gitahi[1]	Independent	N/A	N/A	N/A	N/A	√	√
James Mcfie[2]	Non-Executive	√	√	√	√	N/A	N/A

1. Appointed to the Committee with effect from 25th May 2018
2. Ceased to be a member of the Committee with effect from 25 May 2018

Nomination Committee

The Nomination Committee is an ad hoc Committee that assists the Board in discharging corporate governance responsibilities in relation to appointment and re-election of directors, evaluation of the Board, its Committees and individual directors and remuneration of the directors. The Committee keeps under review the structure, size, composition and development of the Board as well as succession planning for directors. The Committee oversees a transparent process for recruitment of directors to the Board in line with the Appointment Guidelines approved by the Board.

The Committee holds meetings at least once per year or as necessary to consider issues within the scope of its terms of reference. The composition of the Committee shall be determined by the Board from time to time as and when the Committee is constituted, provided the membership shall comprise of at least three (3) Independent Directors.

Nomination Committee meetings and members' attendance for 2018

Member	Position	16.03.2018
Robin Sewell	Chairman	√
Julius Kipngetich	Independent	√
James Mcfie	Non-Executive Director	√
Samuel L. Tiampati	Non-Executive Director	√
Shaun Zambuni	Non-Executive Director	√
Zehrabanu Janmohamed	Non-Executive Director	×

Role of the Company Secretary

The Company Secretary's roles and responsibilities include:

- Providing a central source of guidance and advice to the Board, and within the Company, on matters of statutory and regulatory compliance and governance.
- Providing guidance to the Board on how responsibilities can be discharged in the best interest of the Company.
- Facilitating induction training for new directors and assisting with the Board's professional development.
- In consultation with the Group Chief Executive Officer and Chairman, ensure effective flow of information within the Board and its Committees and between senior management and Non-Executive Directors. This includes timely compilation and distribution of Board papers and minutes, as well as communication of resolutions from Board meetings.
- Assist the Board with the evaluation exercise and co-ordinate the governance audit process.
- Facilitate effective communication between the organization and shareholders, customers and other stakeholders.
- Keeping formal records of Board discussions and following up on the timely execution of agreed actions.

Communication with shareholders

The Group is committed to ensuring that shareholders and the financial markets are provided with timely information in regard to its performance. This is achieved by issuing notices in the press of its half-yearly and annual financial results. The full annual report and financial statements are posted on the Group's website and also distributed to all shareholders and to other parties who have an interest in the Group's performance, on request. The Company has also retained the services of a shares registrar firm which handles day-to-day requirements of shareholders.

The AGM is an opportunity for shareholder engagement and for the Chairman and the Group Chief Executive Officer to brief members on the Group's full year performance. Copies of the annual reports are made available to shareholders at least 21 days before the date of the AGM. The Board uses this forum to receive questions and obtain feedback from shareholders.

The Group also responds to numerous letters from shareholders and interested parties on a wide range of issues.

CORPORATE GOVERNANCE (CONTINUED)

Code of Ethics and Conduct

The Code seeks to guide the Board and employees in ethical conduct of business and embodies their commitment to pursue the highest standards of ethical behaviour when dealing with customers, suppliers, regulatory authorities and other stakeholders.

Legal and Governance Audit

The Group in compliance with the CMA code conducted an independent Legal Audit for the year ended 31 December 2018. The Audit confirmed that during the year under review, the Group was generally in compliance with applicable laws and regulations.

The Group in compliance with the Code, also conducted a Governance Audit for the year ended 31 December 2018. The Audit confirmed that during the year under review, the Group was generally in compliance with the governance practices set out in the Code.

Whistle Blowing Policy

The Group has a Whistle blowing Policy which provides a platform for employees, suppliers, dealers and agents to raise concerns regarding any suspected wrong doing. The Policy also outlines the framework through which such concerns are identified and addressed.

Procurement Policy

The Group maintains a Procurement Policy which governs the procedures for purchase of goods and services within the Group. The Policy seeks to ensure that the most appropriate and effective controls are applied in the purchase of goods and services for the company. The Policy also advocates for fair and transparent procurement procedures in the purchase and disposal of goods and services.

CORPORATE SOCIAL INVESTMENT REPORT

The Standard Group's Corporate Social Investment (CSI) agenda focuses on the most material issues for our business and our stakeholders in four key areas: education, environment, health and disability.

These are not only sustainability issues; they are fundamental business imperatives that the Company has been focusing on, touching on society and ultimately all elements of the economy. They ensure we have an ongoing focus on matters that have the most relevance for our stakeholders and consequently the future of the business.

Education

Children Living with Disability Campaign: The Standard Group in partnership with Kenya Society for the Blind (KSB) and Jubilee Insurance Company, donated spectacles to Children with visual impairment at the Kilimani Primary School, Nairobi. The aim of the campaign was to ensure that no student misses school because of disability challenges.

Hult Prize Competition: The Group sponsored Kabarak University for their participation in the Hult Prize 2018 Canada Innovation Competition. In line with our commitment that students explore their full potential and talent, the Group sponsored return tickets for two of the 12 students picked to participate in the global competition and participated in the evaluation of their project.

BobLeo Children's Home for the Physically Handicapped: The Standard Group mobilized support for the children's home in West Pokot County from its partner, the Manu Chandaria Foundation through the Jain Social Group, who donated wheelchairs and other household and educational materials to the students. This is part of on-going efforts to support the home.

Health

In the year under review, The Group was intentional about putting more focus on the health agenda not only because it is one of the CSR pillars but also because it is now one of Kenya's Big Four Agendas. The company was therefore involved in the following sustainable health projects;

Step In Campaign: The Group sponsored Cure International's *Step In Campaign* to raise funds for corrective surgery for children with physical disabilities. Standard Group is the long-term media partner, providing advertising, media coverage and PR support.

Transform Kenya Forum on Health: The Group held a forum on health under its initiative—Transform Kenya Forum (TKF). TKF is a forum that provides an opportunity for industry stakeholders, businesses, National & County Governments, and the citizenry to engage on issues affecting the nation and offer possible solutions. The forum attracted key stakeholders in the health sector, creating an integrated platform that eventually sparked a national conversation on the status of the country's health system.

My Eyes Your Eyes Campaign: The Group partnered with the Kenya Society for the Blind (KSB), for the 6th year running to help it reach out to Kenyans by creating awareness on visual disability. The Group held various activities to support this campaign, including: Charity Golf, Blind Walk and Mt. Longonot Climb. The Group, through its media platforms, contributed to the success of this campaign.

Coast Hospice: Located in Mombasa, Coast Hospice is a facility that provides palliative care to patients with life limiting illnesses. The Group sponsored a golf tournament and a charity walk to raise funds for health services at the Hospice.

Cancer Awareness: Using the Group's media platforms, we partnered with three major organizations: Kenya Cancer Association (Kencansa), Zambezi Hospital, and Women 4Cancer, to raise awareness on early detection and prevention of cancer. The campaigns involved cancer walks, golf tournaments and screening.

Disability: In the year under review, The Standard Group in partnership with Kenya Reinsurance Corporation handed over a refurbished home for children with disability in Mukuru slums, Nairobi. This was done under the Group's partnership on Niko Fiti Campaign run by Kenya Re.

Environment

The Standard Group is keen on promoting sustainable development through the conservation of the environment. During the year under review, The Standard Group took part in the following initiatives;

Transform Kenya Forum on Environment: As part of the Company's focus on environmental conservation, the Transform Kenya Forum on environment was held in Kwale during the World Environment Day. The forum created a platform for critical examination of key environmental challenges such as global warming, waste management, impact of the plastic ban and opportunities that Kenyans can leverage on in the environmental conservation sphere.

DIRECTORS PROFILE

MR. ROBIN SEWELL

Chairman

Mr. Sewell, was formerly managing partner in MGI Midgley Snelling, an English firm of Chartered Accountants. He was also a Fellow of the Institute of Chartered Accountants in England and Wales until his recent retirement. He has been a non-executive director of the group since 1995 and is currently Chairman of the Group, a position he has held since 1st November, 2000.

DR. JULIUS KIPNGETICH

Deputy Chairman/Independent Director

Dr. Kipngetich was appointed Deputy Chairman on 7th October 2017. He is the Regional Chief Executive Officer of Jubilee Holdings. Previously, Dr. Kipngetich served as Chief Executive Officer of Uchumi Supermarket and Chief Operating Officer of Equity Group Holdings Limited.
He had an illustrious career as Director and CEO of Kenya Wildlife Service between December 2004 and September 2012. He holds a Master's degree in Business Administration and a Bachelors of Commerce degree from University of Nairobi.

MR. ORLANDO LYOMU

Group Chief Executive Officer

Mr. Orlando Lyomu has over 15 years of senior management and board level experience covering Strategy Formulation and Execution, Financial, Risk and Operations Management. He has worked in the petroleum industry overseeing operations across Kenya, Uganda, Rwanda and Tanzania. He has also worked in the media sector as the Group Chief Operating Officer, Finance Director and Chief Financial Officer among other senior positions in the past. He is currently finalizing his MBA for Executives at the Strathmore Business School, holds a Bachelors of Commerce (Accounting) Degree from University of Nairobi and is a CPA (K) and a member of ICPAK.

DR. JAMES BOYD MCFIE

Non-Executive Director

Dr. Mcfie was appointed a Non-Executive Director in July 2007. He is a holder of a PhD. from the Graduate School of Business, University of Strathclyde, Glasgow, Scotland and is currently a Senior Lecturer at Strathmore Business School with over 40 years lecturing experience.
He has also previously served as a Director of the Capital Markets Authority and a member of the Value Added Tax Tribunal of Kenya.

MR. SHAUN ZAMBUNI

Non-Executive Director

Mr. Zambuni has a BSc in Management Systems from City University London. He has extensive commercial and operational experience in businesses spanning energy, health care and business service sectors in the UK, Australia and Kenya. He is currently CEO of a private investment group.

MS. ZEHRABANU JANMOHAMED

Non-Executive Director

Ms. Janmohamed was appointed a Non-Executive Director in July 2007. She is an Advocate of the High Court of Kenya and a Barrister at Lincolns Inn (UK) with over 20 years legal practice experience. She is a partner at Archer & Wilcock Advocates.

MR. SAMUEL L. TIAMPATI

Non-Executive Director

Mr. Tiampati was appointed a Non-Executive Director in July 2007. He holds an Msc. degree in Marketing and Product Management from Cranfield University, United Kingdom and a Bachelor of Commerce degree from the University of Nairobi. He previously served as the Managing Director of Kenya Tea Packers Limited (KETEPA). He is currently the Chief Executive Officer of the Kenya Tea Development Agency (KTDA)-Holdings Limited.

DR GITHINJI GITAHI

Independent Non-Executive Director

Dr. Githinji is the Group Chief Executive Officer of AMREF Health Africa. Previously, he served as International VP and Regional Director, Africa, of Smile Train and International Regional Director, Africa.
He worked at Nation Media Group as Managing Director, Monitor Publications Ltd (an NMG subsidiary in Uganda) and General Manager (Marketing and Circulation). He has held various senior marketing positions at GlaxoSmithkline. Dr. Githinji is also the International Co-Chair for UHC2030, a World Bank and WHO initiative for Universal Health Coverage. He holds a Master's degree in Business Administration (Marketing option) from USIU and a Bachelor of Medicine and Surgery from University of Nairobi.

MS JULIANA ROTICH

Independent Non-Executive Director

Ms. Rotich is an entrepreneur, consultant and advisor. She was previously Executive Director at BRCK.org and a Director at BRCK Inc. She was a Co-Founder and CEO at Ushahidi Inc. in Chicago and Kenya in the years 2011 to 2015. She has also held various positions as Program Director, Data Analyst, and Consultant at several high technology companies. She holds a degree in Computer Science from University of Missouri, Kansas City, is a Sr. TED Fellow, MIT Media Lab Director's Fellow and has a wealth of experience in the IT industry spanning over 15 years.

CORPORATE GOVERNANCE (CONTINUED)

Keep Kenya Breathing Campaign: The Group partnered with the World Wide Fund for Nature (WWF) in their tree planting campaign dubbed "Keep Kenya Breathing". Using our platforms, the Group was able to raise awareness and mobilize Kenyans to take action for conservation.

The Save Tsavo Campaign: The Group partnered with The Tsavo Heritage Foundation and Sarova Hotels & Lodges in highlighting environmental and heritage activities undertaken in Taita Taveta County to mark 100 years of World War1. These included the Tsavo Run and the WW1 centenary museum at Sarova Taita Hills Game Lodge which drew attention to the urgent need to rehabilitate the WW1 battle field sites and conserve them for posterity.
In recognition of the Standard Group's own heritage-having been founded in Mombasa in 1918 (and The Standard in 1902), the Group marked its centenary together with partners at the Sarova Taita Hills Game Lodge in December 2018 to celebrate our heritage and commit to saving the Tsavo Ecosystem and Dispersal Areas (TIDA)

Going Concern

The Directors confirm that the Group has adequate resources to continue in business for the foreseeable future and therefore to continue to use the going concern basis when preparing the financial statements.

SIGNIFICANT CHANGE IN SHAREHOLDERS

The Company through its Registrars, files monthly and quarterly investor returns in line with the requirements of the Capital Markets Authority and the Nairobi Securities Exchange.

Top ten shareholders at 31 December 2018

The ten largest shareholders of the Company as at 31 December 2018 were as follows:

No.	Name of shareholder	No. of shares	% Shareholding
1.	S.N.G Holdings Limited	56,422,699	69.03%
2.	Trade World Kenya Limited	8,906,068	10.90%
3.	Miller Trustees Limited	8,608,569	10.53%
4.	Gulamali Ismail	2,081,700	2.55%
5.	The Standard Group Limited ESOP Trust	266,880	0.33%
6.	Denroma Investment Limited	238,640	0.29%
7.	Julius Gecau	220,793	0.27%
8.	Eufrazio Juliao Goes	220,000	0.27%
9.	Savitaben Velji Raichand Shah	208,070	0.25%
10.	Saraj Properties Limited	186,900	0.23%

Shares Distribution Schedule as at 31 December 2018

	Range	Number of shareholders	Number of share held	Percentage
1	1 to 500	2,414	310,133	0.38 %
2	501 to 1000	395	288.870	0.35 %
3	1001 to 5000	574	1,134,361	1.39 %
4	5001 to 10000	111	763,913	0.93 %
5	10001 to 50000	76	1,466,566	1.79 %
6	50001 to 100000	2	145,000	0.18 %
7	100001 to 500000	8	1,603.929	1.96 %
8	500001 to 1000000	-	-	- %
9	1000001 to 2000000000	4	76,019,036	93.01 %
Total		**3,584**	**81,731,808**	100.00%

COPORATE PARTNERSHIPS

Clockwise: My Eyes Your Eyes Campaign with Kenya Society for the Blind; Panelists at the Transform Kenya Forum on Basic Education; Media partner of the Magical Kenya Open Golf at Karen Country Club; Eldoret City Marathon; Step In Campaign launch with Cure International.

Clockwise: Standard Group board members from left Dr. Githinji Gitahi, Dr. Julius Kipng'etich and the Group C.E.O Mr. Orlando Lyomu share a moment at the Farm Kenya Initiative launch; Newspaper in Education campaign; Beyond Zero campaign receives the Group's donation; Group Board members, staff and clients at the Standard Group's 100 years celebration at Sarova Taita Hills Game Lodge; Eldoret bureau chief interacts with clients.

DIRECTORS REMUNERATION REPORT

The Standard Group PLC is pleased to present the Director's Remuneration report for the year ended 31 December 2018. The report sets out the remuneration arrangements for the Directors for the year under review.

The Group's strategic purpose is to inspire lives through media and entertainment. A key provision of the Group's principles is that reward will directly support the business strategy with clear and measurable linkage to business performance.

Details of Directors

The Board comprises of a mix of Non-Executive and Executive Directors who served during the year (collectively Referred to as Directors), as follows:

Name	Position
Robin Sewell	Chairman (Non-Executive Director)
Julius Kipngetich	Deputy Chairman / Independent Director
Orlando Lyomu	Group Chief Executive Officer
Zehrabanu Janmohamed	Non-Executive Director
Lerionka S. Tiampati	Non-Executive Director
Dr. James Boyd Mcfie	Non-Executive Director
Shaun Zambuni	Non-Executive Director
Juliana Rotich	Independent Director (Appointed w.e.f. 16.03.2018)
Githinji Gitahi	Independent Director (Appointed w.e.f. 16.03.2018)
Francis Munywoki	Executive Director (Resigned w.e.f. 31.01.2018)

Remuneration Policy

The Group Policy has an approved remuneration policy for the Board. The policy seeks to recognize the contribution the directors make to the success of the Group while reflecting the value of the roles they play, as well as the level to which they perform them. Our approach to recognizing our director's contribution to the business is based on the following principles:

- Competitive remuneration - The remuneration is sufficient to attract and retain highly experienced Directors to effectively direct the affairs of the Group.
- Affordability and sustainability - Our remuneration is sustainable and affordable in the face of the Group's performance in the industry.
- Equitable - The reward is equitable and commensurate to the amount of time and skill in delivering the Group's strategic objectives.

Remuneration structure for Executive Directors:

The remuneration of the Executive Directors is based on the terms of engagement negotiated and outlined in the contract of employment. The Group's Policy is to appoint the Executive Director for an initial four-year period, which may be extended for a further term by mutual consent. The initial appointments and any subsequent reappointments are subject to annual performance review by the Human Resources & Remuneration Committee.

The salary for the Executive Directors is set at a level which is considered appropriate to attract an individual with the necessary skills, experience and ability to oversee the business. Judgement is used but consideration is given to a number of internal and external factors including responsibilities, market positioning, inflation and The Standard Group PLC Reward Policies. The salary is subject to annual reviews upon attainment of specific objectives.

Other benefits provided include: medical cover, gratuity and club membership which are payable as per The Standard Group PLC Reward Policies in force from time to time. Travel and other reasonable expenses incurred in the course of performing duty are paid as per the Group's Travel and Subsistence Policies. These ensure the package is competitive.

Name	Date of contract	Unexpired term	Notice period	Amount payable on termination KShs'000
Orlando Lyomu	24/5/2018	42 months	6	15,300

	2018 KShs'000				2017 KShs'000			
Name	Basic pay and bonus	Insurance	Gratuity	Total	Basic pay and bonus	Insurance	Gratuity	Total
Sam Shollei	-	-	-		24,127	1,004	3,600	**28,731**
Orlando Lyomu	26,174	1,104	3,270	**30,548**	23,440	353	2,556	**26,349**
Francis Munywoki	-	-	-	-	19,200	289	2,520	**22,009**
Total	**26,174**	**1,104**	**3,270**	**30,548**	**66,767**	**1,646**	**8,676**	**77,089**

Remuneration structure for Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board upon recommendation by the Nomination Committee. In determining the remuneration for Non-Executive Directors, the Board considers the nature and extent of their contribution and responsibilities. In addition, Director's remuneration is subject to regular reviews and external benchmarking to ensure that we continually offer a competitive package commensurate with the remuneration for other Non-Executive Directors in the same industry.

Non-Executive Directors receive honoraria fees in recognition of the services rendered to the Group, which is payable quarterly in arrears. In addition, the Non-Executive Directors are paid an attendance fee in recognition of the time spent attending Board and Committee meetings.

DIRECTORS REMUNERATION REPORT (CONTINUED)

Remuneration structure for Non-Executive Directors (Continued)

The Group also provides for travel and accommodation costs incurred by the Non-Executive Directors in connection with the Group's business in line with the Group's Travel and Subsistence Policies in force from time to time.

Non-Executive Directors are not entitled to any performance related pay or pension. These Directors do not have service contracts and their appointment, reappointment and retirement is subject to terms of the Group's Articles of Association.

Non-Executive Directors

	Fees and sitting allowance	
	2018 KShs'000	**2017 KShs'000**
Robin Sewell	1,080	1,800
Julius Kipngetich	1,845	645
Dr. James Boyd Mcfie*	2,020	2,000
Zehrabanu Janmohamed	1,545	860
Shaun Zambuni	2,340	2,110
Samuel Lerionka Tiampati	1,965	2,065
Juliana Rotich	945	-
Evanson Githinji Gitahi	1,135	-
Total	**12,875**	**9,480**

**Funds are donated to charity*

Changes to Directors' remuneration

There were no substantial changes relating to the Directors' remuneration policy made during the year (2017: None).

Approval of the Directors' remuneration report

The Directors confirm that this report is in compliance with the Capital Markets Authority guidelines on Director's remuneration and the Companies Act, 2015.

By order of the board

Dr. Githinji Gitahi

Director

Date: 15th March 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the financial statements of The Standard Group PLC set out on pages 52 to 121 which comprise the statements of financial positions of the Group and of the company as at 31 December 2018, and the Group statement of profit or loss and other comprehensive income, the Group and company statements of changes in equity and Group statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of 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 company and its subsidiaries keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and the company.

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 Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and the company.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of Company's financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Group and the company's ability to continue as a going concern and have no reason to believe the company and its subsidiaries will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 15th March 2019.

Dr. Githinji Gitahi
Director

Orlando Lyomu
Director

Date: 15th March 2019

EXECUTIVE MANAGEMENT

MR. JOE MUNENE
Managing Director, Broadcast

MR. NICHOLAS SIWATOM
Group Human Resources Director

MS. IRENE KIMANI
Commercial Director

MR. ROBERT TOROITICH
General Manager, Digital

MR. MOSES OCHOLA
General Manager, Sales & Distribution

MR. KIPKOECH TANUI
Deputy Editorial Director

MR. CHARLES KIMATHI
Head of Corporate Affairs

MS. MILLICENT NG'ETICH
Head of Legal

MR. BENEDICT OMOLLO
Head of Strategy and Operations

MR. AUSTIN OKOTH
Ag. Chief Financial Officer

MS. EDDAH MBOGO
Head of ICT

MR. KEN MUOKI
Head of Audit

MR. KIZITO NAMULANDA
Head of Outdoor Advertising

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE STANDARD GROUP PLC

Report on the audit of the financial statements

OPINION

We have audited the financial statements of The Standard Group PLC (the 'Group' and 'Company') set out on pages 52 to 121, which comprise the consolidated and company statements of financial position as at 31st December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated and separate financial position of The Standard Group PLC as at 31st December 2018, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Kenyan Companies Act, 2015.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Valuation of trade receivables</td></tr>
<tr><td colspan="2">See Note 6 and 23 to the financial statements.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed</td></tr>
<tr><td>Trade receivables constitute more than 31% and 30% of the Group and Company total assets respectively. The profile of the customers who constitute the trade receivables balance varies in character and risk. Amounts due from customers may be outstanding for long periods of time before being received by the Group and Company thus potentially rendering the amounts impaired. This could result in an overstatement of the value of trade receivables if the recoverability of the amounts is in doubt.

Valuation of trade receivables is considered a key audit matter because the directors make subjective significant judgments over both timing of recognition of impairment and the estimation of the size of any such impairment.</td><td>Our audit procedures in this area included, among others:

› Testing the adequacy and appropriateness of controls over the existence and recoverability of trade receivables balances.

› Evaluating directors' judgments and assumptions with regards to the application of provisions to potentially impaired trade receivables.</td></tr>
<tr><td colspan="2">Provisions and contingent liabilities in respect of litigations</td></tr>
<tr><td colspan="2">See Note 6, 30 and 39 to the financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed</td></tr>
<tr><td>The Group and Company are subject to claims, which could have a significant impact on the Group's and Company's results if the potential exposures were to materialise.

The Directors apply judgement when considering whether, and how much, to provide for the potential exposure of each litigation.

We focused on this area given the magnitude of potential exposures across the Group, and the complexity and judgement necessary to determine whether to provide for, disclose or not disclose certain exposures.</td><td>Our audit procedures in this area included, amongst others:

› Assessing the processes and controls over litigations operated by the Group and Company.

› Discussing with the Group and Company in-house legal counsel to understand the nature of ongoing claims, and to assess the latest status, accounting and disclosure implications.

› Inspecting formal confirmations from the Group and Company external legal counsel for significant litigation matters to assess completeness of provisioning and disclosure.

› Assessing relevant historical information and recent judgments made by the courts of law alongside legal opinion from external lawyers to challenge the basis used for the provisions recorded or disclosures made by Directors.

› Considering the adequacy and completeness of the Group and Company disclosures made in relation to contingent liabilities where provisions were not required.</td></tr>
</table>

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE STANDARD GROUP PLC (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information contained in the *Annual Report and Financial Statements*, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

As stated on page 43, the Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and in the manner required by Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015, we report to you based on our audit, that:

(i) In our opinion, the information given in the Report of the Directors on page 16 to 19 is consistent with the financial statements;
(i) In our opinion, the auditable part of the Directors' Remuneration Report on pages 40 to 42 has been properly prepared in accordance with the Kenya Companies Act, 2015; and
(i) Our audit report on the annual financial statements is unqualified.

The Signing Partner responsible for the audit resulting in this independent auditors' report is CPA Jacob Gathecha – P/1610

KPMG Kenya

KPMG Kenya

Certified Public Accountants

8th Floor, ABC Towers, Waiyaki Way

PO Box 40612,

00100 Nairobi GPO

Date: 15TH MARCH 2019

PRINT MEDIA

The Standard

Kenya's Bold Newspaper

The paper is one of Kenya's largest national newspaper and the flagship product of the Standard Group.

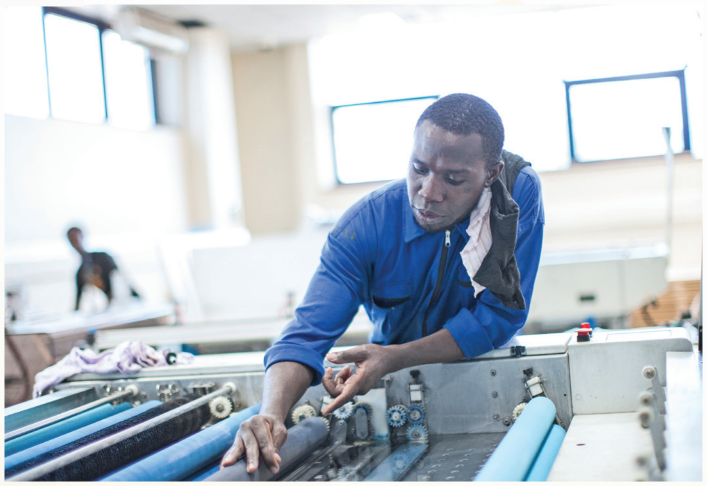
Its reach cuts across all market segments, with clear leadership in some niche segments, such as the youth, and some key markets, including Nyanza, Coast, Western and Rift Valley.

The newspaper has loyal readership among a cross-section of the Kenyan population, with niche products especially popular among Kenya's youthful population.

The Standard is also a leader in innovative advertising - through unique advert designs and executions, as well as high quality printing - which give unrivalled value to clients.

The Standard is a strong brand, recognized across the East African region, having been established in 1902.

Three titles are published under this brand – The Standard (Daily) and the weekend editions: The Saturday Standard and the Sunday Standard. The three editions carry unique magazines for each day of the week which are recognized as market leaders in their segments. They include Crazy Monday, Financial Standard, Hustle, Hashtag Education Matters, Home & Away, Pulse, Eve, Smart Harvest and Sunday.



THE NAIROBIAN

Launched in 2013, The Nairobian has grown to be one of Kenya's leading newspapers. The weekly has grown rapidly, expanding its circulation from its Nairobi domain to major towns across Kenya and some cities in East Africa.

The paper's unique content, focusing on the lifestyles of the high and mighty as well as on the ordinary folk, has quickly won it an increasing number of loyal readers.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 KShs'000	2017 KShs'000
Revenue	8	4,836,030	4,657,488
Direct costs	9	(1,225,452)	(1,384,302)
Other gains	10	120,077	184,110
Selling and distribution costs	11	(409,960)	(443,117)
Administrative expenses	12	(2,755,638)	(3,115,314)
Finance costs	13	(167,832)	(181,051)
Profit/(loss) before taxation	14	**397,225**	**(282,186)**
Taxation (expense)/credit	16(a)	(135,940)	71,348
Profit/(loss) for the year		**261,285**	**(210,838)**
Total comprehensive income for the year		**261,285**	**(210,838)**
Attributable to:			
Non-controlling interests	26	64,400	60,254
Owners of the parent		196,885	(271,092)
		261,285	**(210,838)**
Earnings per share – Basic and diluted (KShs)	17	**2.41**	**(3.32)**

The notes set out on pages 61 to 121 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 KShs'000	2017 KShs'000
ASSETS			
Non-current assets			
Property, plant and equipment	18(a)	1,818,879	1,796,645
Prepaid operating lease rentals	19	112,391	114,024
Intangible assets	20(a)	596,411	659,198
Equity accounted investee	21	42,250	-
Deferred tax asset	28(a)	114,605	15,308
		2,684,536	2,585,175
Current assets			
Inventories	**22(a)**	**361,842**	**311,361**
Trade and other receivables	**23(a)**	**1,608,119**	**1,509,789**
Taxation recoverable	**16(c)**	**-**	**18,629**
Cash and bank balances	**32(b)**	**21,636**	**34,683**
		1,991,597	**1,874,462**
TOTAL ASSETS		**4,676,133**	**4,459,637**
EQUITY AND LIABILITIES			
Capital and reserves (Page 55)			
Share capital	24(a)	408,654	408,654
Share premium	24(b)	39,380	39,380
Capital redemption reserve	25(a)	102	102
Retained earnings	25(b)	1,212,482	1,156,922
Attributable to owners of the company		1,660,618	1,605,058
Non-controlling interests	**26**	**293,698**	**260,198**
Total equity		**1,954,316**	**1,865,256**
Non-current liabilities			
Deferred tax liability	28(a)	-	21,446
Borrowings	29(a)	538,136	360,603
		538,136	**382,049**
Current liabilities			
Borrowings	29(a)	711,170	854,899
Employee benefits	31(a)	33,038	30,548
Trade and other payables	30(a)	1,240,939	1,223,228
Taxation payable	16(c)	126,143	25,657
Due to related parties	27(b)	72,391	78,000
		2,183,681	2,212,332
TOTAL EQUITY AND LIABILITIES		**4,676,133**	**4,459,637**

The financial statements on pages 52 to 121 were approved and authorised for issue by the Board of Directors on 15th March 2019.

Dr. Githinji Gitahi
Director

Orlando Lyomu
Director

The notes set out on pages 61 to 121 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

ASSETS	Note	2018 KShs'000	2017 KShs'000
Non-current assets			
Property, plant and equipment	18(b)	1,571,406	1,504,397
Prepaid operating lease	19	112,391	114,024
Intangible assets	20(b)	505,704	561,994
Deferred tax asset	28(b)	66,488	-
Investments	21	112,617	70,367
		2,368,606	2,250,782
Current assets			
Inventories	22(b)	357,758	305,130
Trade and other receivables	23(b)	1,324,314	1,037,245
Due from group company	27(a)	-	10,480
Tax recoverable	16(c)	-	18,629
Cash and bank balances		21,397	32,739
		1,703,469	1,404,223
TOTAL ASSETS		**4,072,075**	**3,655,005**
EQUITY AND LIABILITIES			
Capital and reserves (Page 56)			
Share capital	24(a)	408,654	408,654
Share premium	24(b)	39,380	39,380
Capital redemption reserve	25(a)	102	102
Retained earnings	25(b)	899,695	879,001
Shareholders' equity		1,347,831	1,327,137
Non-current liabilities			
Deferred tax liability	28(b)	-	21,446
Borrowings	29(b)	538,136	360,603
		538,136	382,049
Current liabilities			
Borrowings	29(b)	684,273	828,984
Employee benefits	31(b)	27,291	27,395
Trade and other payables	30(b)	1,051,784	1,000,848
Tax payable	16(c)	97,533	-
Due to related parties	27(b)	325,227	88,592
		2,186,108	1,945,819
TOTAL EQUITY AND LIABILITIES		**4,072,075**	**3,655,005**

The financial statements on pages 52 to 121 were approved and authorised for issue by the Board of Directors on 15th March 2019.

Dr. Githinji Gitahi
Director

Orlando Lyomu
Director

The notes set out on pages 61 to 121 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital KShs'000	Share premium KShs'000	Capital redemption reserve KShs'000	Retained earnings KShs'000	Attributable to equity holders of parent KShs'000	Non-controlling interests KShs'000	Total Shareholders' equity KShs'000
2018:							
At 1 January 2018	408,654	39,380	102	1,156,922	1,605,058	260,198	1,865,256
Accounting policy change (IFRS 9)(Note 5(a))	-	-	-	(201,875)	(201,875)	(44,144)	(246,019)
Tax impact of IFRS 9 (Note 28(a))	-	-	-	60,550	60,550	13,244	73,794
Total comprehensive income							
Profit for the year	-	-	-	196,885	196,885	64,400	261,285
At 31 December 2018	408,654	39,380	102	1,212,482	1,660,618	293,698	1,954,316
2017:							
At 1 January 2017	408,654	39,380	102	1,428,014	1,876,150	199,944	2,076,094
Total comprehensive income							
Loss for the year	-	-	-	(271,092)	(271,092)	60,254	(210,838)
At 31 December 2017	**408,654**	**39,380**	**102**	**1,156,922**	**1,605,058**	**260,198**	**1,865,256**

The notes set out on pages 61 to 121 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital KShs'000	Share premium KShs'000	Capital redemption reserve KShs'000	Retained earnings KShs'000	Total KShs'000
2018:					
At 1 January 2018	408,654	39,380	102	879,001	1,327,137
Accounting policy change (IFRS 9) (Note 5(a))	-	-	-	(155,930)	(155,930)
Tax impact of IFRS 9) (Note 28(b))	-	-	-	46,767	46,767
Total comprehensive income					
Profit for the year	-	-	-	129,857	129,857
At 31 December 2018	408,654	39,380	102	899,695	1,347,831
2017:					
At 1 January 2017	408,654	39,380	102	1,212,807	,660,943
Total comprehensive income for the year					
Loss for the year	-	-	-	(333,806)	(333,806)
At 31 December 2017	**408,654**	**39,380**	**102**	**879,001**	**1,327,137**

The notes set out on pages 61 to 121 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 KShs'000	2017 KShs'000
Cash flows from operating activities			
Cash generated from operations	32(a)	520,013	870,766
Interest paid	13	(167,832)	(181,051)
Tax paid	16(c)	(63,774)	(36,490)
Net cash generated from operating activities		**288,407**	**653,225**
Cash flows from investing activities			
Purchase of intangible assets	20(a)	(22,577)	(359,009)
Purchase of investments	21	(42,250)	-
Purchase of property, plant and equipment	18(a)	(277,646)	(307,425)
Proceeds from disposal of property, plant and equipment		7,215	10,338
Net cash used in investing activities		**(335,258)**	**(656,096)**
Cash flows from financing activities			
Bank loans received	29(a)	1,632,357	1,014,482
Bank loans repaid	29(a)	(1,367,332)	(1,081,300)
Net cash generated from/(used in) financing activities		**265,025**	**(66,818)**
Net increase/(decrease) in cash and cash equivalents		218,174	(69,689)
Cash and cash equivalents at 1 January		(369,851)	(300,162)
Cash and cash equivalents at 31 December	32(b)	**(151,677)**	**(369,851)**

The notes set out on pages 61 to 121 form an integral part of these financial statements.

REGIONAL PAPERS

Pambazuko Newspaper

It targets the Swahili heritage and culture at the coast. Get a copy of Pambazuko for news in the Coastal counties of Mombasa, Kwale, Kilifi, Taita Taveta and Lamu. News focuses on coastal issues of land and natural resources like the port (Bandari), Interests of the Swahili culture, education aspects and coastal governance issues.

The Mt. Kenya Star

Get a copy of Mt. Kenya Star every week for content on agriculture, business and local political news in the larger Mt. Kenya region. It is circulated in the counties of Nyeri, Embu, Kirinyaga, Muranga, Meru, Tharaka Nithi, Laikipia, Nyandarua and Nakuru. Editorial pillars are agriculture, education, saccos, profiles of Mt.Kenya business leaders, development opportunities in counties and local county politics.

BROADCAST MEDIA

ktn

Welcome Home

Established in 1990 as Kenya's first private, independent TV station, KTN has a strong reputation for bold, objective and authoritative news reporting, as well as entertainment for the whole family.

Now popularly known as KTN Home, this iconic channel, with its slogan – "Welcome Home" – continues to offer heart-warming programs that have made it a darling to viewers.

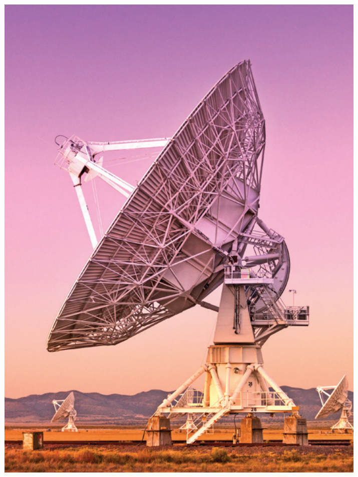
ktn NEWS

Get The Whole Story

This is a 24 hour news channel – the only one providing round-the-clock local and East African news in Kenya today. Launched in July 2015, KTN News has quickly established itself as the channel of choice for breaking news, live coverage and non-stop current affairs programs from Kenya, across Africa and the world.

ktn Burudani TV

A national Swahili channel that connects with viewers living in different parts of the country, despite language or ethnicity, through entertainment ranging from comedy, drama, music, business features and sports.



ktn FARMERS tv

KTN Farmers TV is a channel committed to providing 24/7 coverage of the agriculture sector, from farming practices, latest innovations and technology to agri-business value chain. Language used is English & Kiswahili.
The target profile for the channel is farmers & aspiring farmers, investors in agri-business and all stakeholders in Kenya's agricultural sector. Executional styles includes magazine programs, documentaries, health and nutrition, talk shows, news bulletins, coverage of live events, reality shows and info-dramas.

Transform Kenya Forum

A Standard Group PLC initiative

Transform Kenya Forum (TKF) is an initiative by the **Standard Group PLC** that provides a public platform for industry stakeholders, small, medium and large businesses, the National Government, its agencies and parastatals, County governments, NGOs, other non-State actors and citizens to engage by sharing views on issues affecting the nation and offer possible solutions.

This forum is driven by all Standard Group's media platforms – TV, Radio, Print and Digital - culminating in a three-hour town hall debate, with an audience representing across-section of interest groups, and transmitted Live on KTN News and streamed live on our Digital Platform.

Transform Kenya Forum encourages and facilitates public participation and engagement in resolving Kenya's economic and social challenges.

Transform KENYA
EMPOWER OUR NATION

STANDARD GROUP
bringing your world to you

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. REPORTING ENTITY

The Standard Group PLC ("the Company") is a limited liability Company incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the publishing of The Standard Newspaper, television broadcasting under the name of Kenya Television Network (KTN), radio broadcasting under the name of Radio Maisha and outdoor media advertising under the trade name of Think Outdoor and online business under the trade name of Standard Digital.

The address of its registered office and principal place of business is as follows:

Standard Group Centre
Mombasa Road
PO Box 30080 - 00100
Nairobi

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015.

Details of the Group and Company significant accounting policies are included in.

For the Kenyan Companies Act, 2015 reporting purposes in these financial statements, the balance sheet is represented by the statement of financial position and profit and loss account is represented by the statement of profit or loss and other comprehensive income.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Kenya shillings (KShs), which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand ("KShs'000") except where otherwise indicated.

(d) Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In particular information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The holding Company accounts for dividends from subsidiary companies only when the right to receive the dividends is established.

The exemption contained in section 646 of the Kenyan Companies Act, 2015, applies to these financial statements.

(b) Revenue and other income recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue in accordance with that core principle by applying the following five steps:

Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract;
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Interest income is recognised as it accrues in profit or loss using the effective interest method, unless its collectability is in doubt.

Other income is recognised on an accrual basis.

(c) Taxation

Tax expense in profit or loss for the year comprises current tax and the change in deferred tax. Current tax 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 recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is recognised for unused tax losses and deductible temporary differences to the extent that is probable that future profits will be available against which the tax asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is calculated on the basis of the tax rates enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(d) Provisions

A provision is recognised in the financial statements when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(e) Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Group's chief decision maker is the chief executive officer. The Group organizes its activity by business lines and these are defined as the Group's reportable segments. The business segments are Newspapers & Billboards and Broadcasting.

(f) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, capitalised borrowing costs.

Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(ii) Subsequent costs

The cost of replacing a component of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) 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:

	2018	2017
Buildings	2%	2%
Plant and machinery	5% - 10%	5% - 10%
Motor vehicles	25%	25%
Furniture, fittings and equipment	10% - 33%	10% - 33%

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Disposal of property, plant and equipment

Gains and losses on disposal of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(g) Intangible assets

(i) Software

Computer software and other intangible assets are measured at cost less accumulated amortisation and impairment losses. The costs are amortised over the expected useful lives of the software on the straight line basis. The annual rates used for amortisation are:

Computer software	33%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(ii) Trademarks and frequency

Trademarks and frequency are initially recognised at cost. At each reporting date, the Group reviews the carrying amount of the trademarks and frequency to determine whether there is any indication that these assets have suffered an impairment loss. The trademarks and frequency have indefinite useful lives and are tested for impairment at each reporting date.

(h) Leasehold land

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

(i) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(j) 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. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. All other leases are classified as operating leases. Rentals payable under operating leases are recognised in profit or loss on the straight line basis over the term of the relevant lease.

(k) Inventories

Inventories are measured 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 and 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. Film stock is expensed when aired.

(l) Foreign currency translations

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses on exchange are dealt with in the profit or loss.

(m) Financial instruments

The Group classifies its current non – derivative financial assets under loans and receivables. The Group classifies its non – derivative financial liabilities into other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Group recognizes loans and receivables on the date when they are originated. All other non – derivative financial assets and liabilities are recognised on the trade date.

The Group derecognizes a financial asset when the contractual rights to the cash flows of the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers or retains substantially all the risks and reward of ownership and does not retain control over the transferred asset. Any interest in such a derecognized financial asset that is created or retained by the Group is recognised as separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(ii) Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include overdrafts that are repayable on demand and form an integral part of the Group's cash management policies.

(iii) Non-derivative financial liabilities - measurement

Non- derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(n) Impairment

(i) Financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through the statement of profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset than can be estimated reliably.

RADIO PLATFORMS

Radio Maisha

Tuko mbele pamoja!

Established in 2010 as a Kiswahili station with a focus on news, entertainment and current affairs, Radio Maisha is today rated as the No. 2 radio station in Kenya. Its pool of talented radio personalities has established Radio Maisha as the home of rhumba, hilarious local drama and all-round news that have made it the preferred station for millions of people across Kenya.

Malindi 106.3 | **WEBUYE 95.9**

GARISSA 88.7 | **TAITA/VOI 107.4**

NAROK 102.3 | **NAIROBI 102.7**

NYERI 105.7 | **MERU 105.1**

NAKURU 104.5 | **KISII 91.3** | **KISUMU 105.3**

MOMBASA 105.1 | **KERICHO 90.5**

ELDORET 97.1 | **MARSABIT 88.3**

...scaling new heights

Spice fm

sugar spice & everything nice

Spice FM is for the growing middle class and an increasingly educated urban population offering serious, mature and entertaining radio content. A combination of soul music, with good, mature, and well researched talks will be a game-changer in the industry.

NAIROBI 94.4 | MOMBASA 87.9

NYERI 90.9 | ELDORET 96.7

KISUMU 102.5 | MALINDI 97.6

NAKURU 96.0

Vybez RADIO

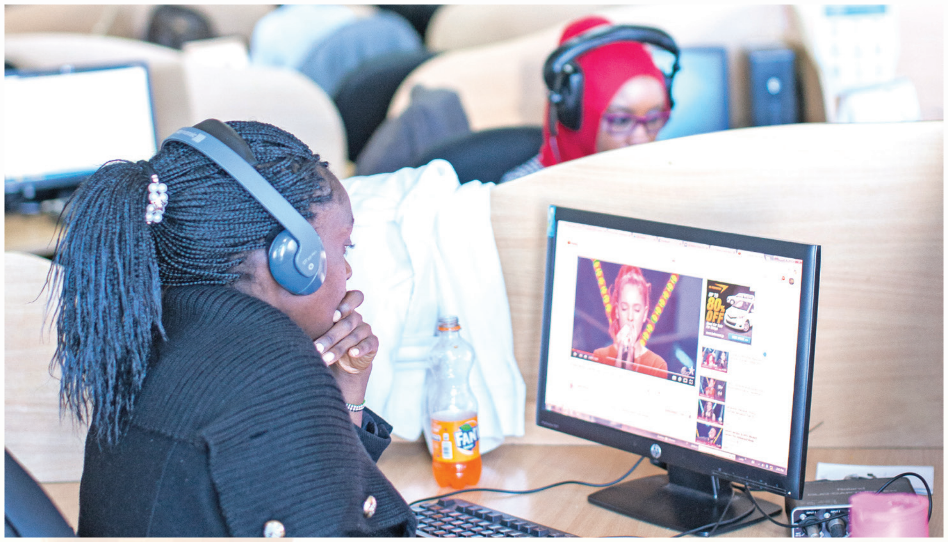
nobody can stop reggae

A Pan-African Station that makes the world a true global village and changes global perception of Africa through reggea music.

NAIROBI 104.5 | MOMBASA 98.7

NYERI 98.8 | MERU 107.1

ELDORET 107.5 | KERICHO 106.2



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by combining together financial assets with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would otherwise not consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security or other observable data relating to a Group of assets such as adverse changes in the payment status of borrowers or issuers in the Group or economic conditions that correlate with defaults in the Group.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the statement of profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

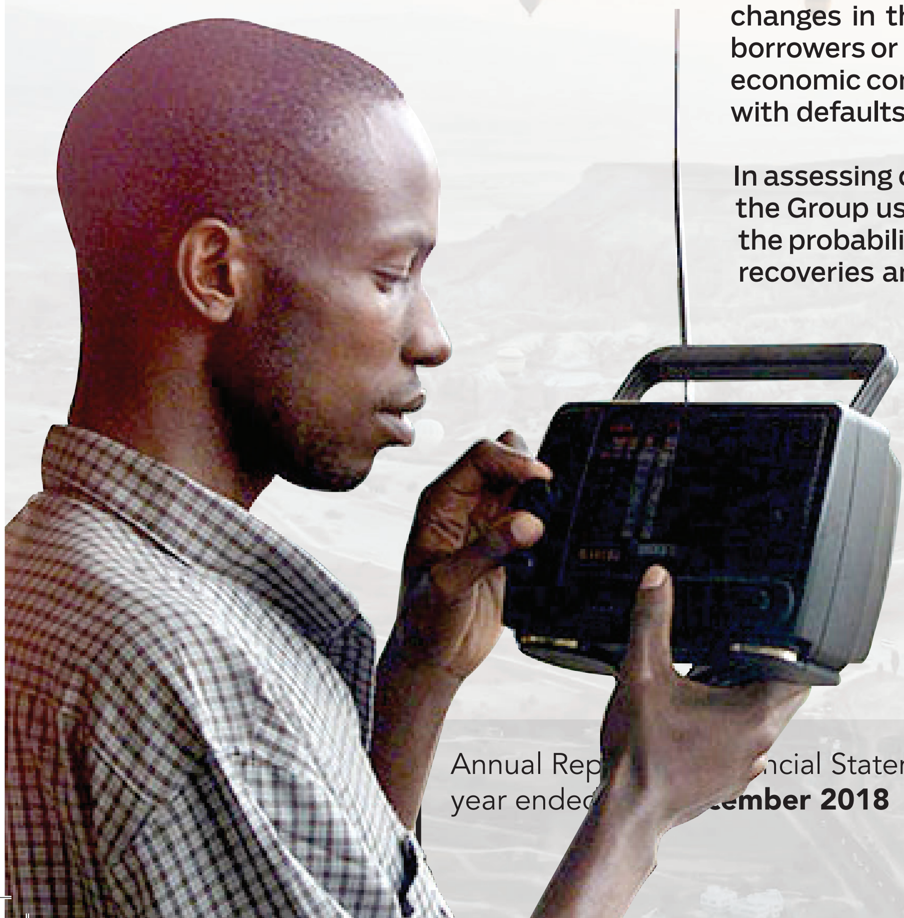
When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of profit or loss.

(o) Financial instruments – under IFRS 9

(i) Recognition and initial measurement

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities



at fair value through profit or loss are recognised immediately in profit or loss.

(ii) Classification and subsequent measurement

The Group and Company classify their financial assets in the following categories; amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of financial assets and their subsequent accounting will be determined by the application of dual tests examining the contractual cash flow characteristics of the financial instruments and the Group's business model for managing the assets.

(iii) Classification and subsequent measurement - continued

Financial assets may be held at amortised cost only where both:

¾the asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

¾the contractual terms of the financial asset give rise on specified dates to cash flows that consist solely of principal and interest on the outstanding principal.

Under IAS 39, all financial liabilities were initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) model, unless the option to fair value liabilities was taken. This accounting is the essentially the same under IFRS 9.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The "incurred loss" model is replaced by the "expected credit loss" model in IFRS 9. This applies to all financial assets not held at fair value through profit and loss (FVTPL) – certain investments, loans, trade receivables and other receivables.

For financial assets carried at amortised cost (including loans and other receivables such as trade debtors), impairment losses should be recognised under the "expected loss model", building up a debtors' provision / allowance account against credit losses over the life of the financial asset (including an estimate of initial credit risk), rather than the "incurred loss model" used under IAS 39, where a loss was recognised only if there was a specific event (such as default) triggering an impairment review.

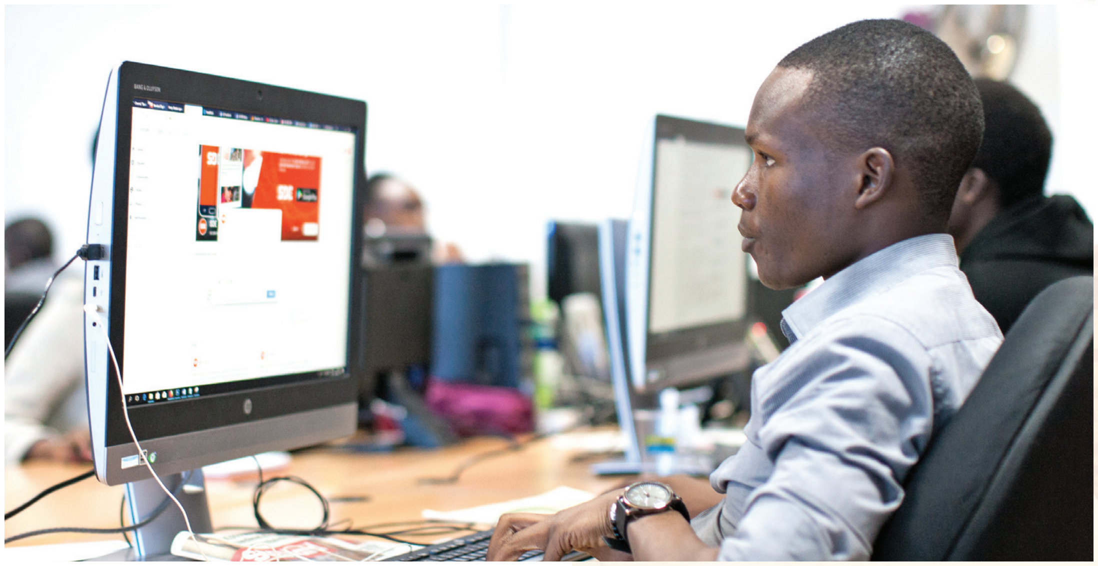
Under the impairment approach in IFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group will account for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards

This is the leading online publisher in Kenya with over 50 million page views on the main site (www.standardmedia. co.ke) and over 15 million page views on the entertainment site (www.sde.co.ke) per month. The online platform consists of repurposed editorial content, targeting local and diaspora users. Standard Digital is ranked as the Number One news site in Kenya.

In October 2016, Standard Digital Entertainment (SDE) was voted the best entertainment and lifestyle website in Africa during the World Association of Newspapers and News Publishers (WAN-IFRA) Africa Digital Awards in South Africa. Our e-paper newsstand platform hosts the soft copy versions of the The Standard, The weekly Nairobian newspaper as well as other regional newspapers and weekly pull-out magazines.



Standard Digital comprises of 5 segmented products which are: SDE, EveDigital, Ureport, Gameyetu and Standard Digital Videos(SDV).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received

(p) Employee benefits

(i) Defined contribution plan

The Group operates a defined contribution retirement benefit scheme for its permanent and pensionable employees. The assets of the scheme are held in separate trustee administered fund, which is funded by contributions from both the group companies and employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Group's contributions to the defined contribution schemes are recognised in the profit or loss in the period which related services are rendered by employees. The Group has no further obligation once the contributions have been paid.

(ii) Staff gratuity (Defined Benefit Plan)

The Group also has a defined benefit plan for senior management staff. The Group's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The provision for liability recognised in the financial statements is the estimated entitlement as a result of services rendered by employees up to the financial reporting date. The defined benefit scheme is unfunded.

For significant long-term obligations, the calculation is performed every three years by a qualified actuary using the projected unit credit method. The Group recognises all expenses related to defined benefit plan in employee costs in profit or loss and all actuarial gains or losses in other comprehensive income.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

(iii) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) *Share-based payment*

The grant date fair value of equity settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non-vesting conditions, the grant date fair value of share based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes.

(q) Cash and cash equivalents

For the purpose of the statement of cash flows, 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.

(r) Group overheads

Direct costs are charged to the respective group companies while all shared group expenses are apportioned to the respective companies on the basis of turnover.

(s) Related party transactions

The Group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and Group or related companies.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) Share capital

Ordinary shares are classified as 'share capital' in equity. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a reduction from equity.

(v) Finance income and finance costs

Interest expense on borrowings is recognized in profit or loss using the effective interest rate unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized to that asset.

Foreign exchange gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(w) New standards, amendments and interpretations

The Group has adopted the following new standards and amendments during the year ended 31 December 2018, including consequential amendments to other standards with the date of initial application by the Group being 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9 Financial Instruments (2014)
IFRS 15 Revenue from Contracts with Customers
Classification and Measurement of Share-based Payment transactions (Amendments to IFRS 2)
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Transfer of Investment Property (Amendments to IAS 40)
Annual Improvements to IFRS's 2014 – 2016 cycle (Amendments to IFRS 1 and IAS 28)

(v) New standards, amendments and interpretations (continued)

(i) New standards, amendments and interpretations effective and adopted during the year (continued)

The nature and effects of the relevant changes are as explained here in.

IFRS 9: Financial Instruments (2014)

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual period beginning on or after 1 January 2018 with retrospective application, early adoption permitted.

Details of these new requirements as well as their impact on the Group's and Company's financial statements are described under Note 4.

IFRS 15 Revenue from Contracts with Customers (Effective 31 December 2018)

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Details of these new requirements as well as their impact on the Group's and Company's financial statements are described under Note 4.

The following new standards that became effective during the year did not have a significant impact on the Group and Company financial statements:

Classification and Measurement of Share-based Payment transactions (Amendments to IFRS 2)
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Transfer of Investment Property (Amendments to IAS 40)
Annual Improvements to IFRS's 2014 – 2016 cycle (Amendments to IFRS 1 and IAS 28)

(ii) New and amended standards and interpretations in issue but not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018 and have not been early adopted by the Group. The Group is in the process of assessing the impact of these standards on its financial statements.

New standard or amendments	Effective for annual periods beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Income tax exposures	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS10 and IAS 28)	To be determined
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards	1 January 2019
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	l January 2020

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not relevant to the entity). It is unlikely that IFRIC 23, IFRS 17, amendments to IFRS 9, IAS 28, IFRS 10, IAS 19, annual improvements to IFRS 2015–2017 cycle, amendments to references to conceptual framework in IFRS, IFRS 3, IAS 1 and IAS 8 will have an impact on the financial statements.

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases which sets out the principles for the recognition,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued CARS)

measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(i) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments;

(ii) Depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(iii) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a company to recognise assets and liabilities for:

(i) short-term leases (i.e. leases of 12 months or less), and;

(ii) leases of low-value assets (i.e. less than KShs 500,000).

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue standard, IFRS 15 Revenue from Contracts with Customers is also applied.

The Group and Company is assessing the potential impact on its financial statements resulting from the application of this standard.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICY

The Group and Company has applied IFRS 9 and IFRS 15 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's and Company's financial statements.

Due to the transition method chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting the impairment loss on trade receivables.

The effect of initially applying these standards is mainly attributed to the following:

- A change in policy in the way the Group accounts for consideration payable to customers, and requires certain payments to indirect customers to be shown as deductions from revenue.
- An increase in impairment losses recognised on financial assets.

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgement. This standard did not have a significant impact on the way the Group account for revenue.

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard *replaces IAS 39 Financial Instruments: Recognition and Measurements.*

The Group has adopted IFRS 9 *Financial Instruments* with no revision of prior periods, as permitted by the Standard. The cumulative impact of adopting the Standard has been recognised as a revision of opening reserves in 2018, and is Shs 245 million arising from the impairment of financial assets under the expected loss model required under IFRS 9, which accelerates recognition of potential impairment on loans and trade receivables when compared with the incurred loss model under IAS 39. A simplified "lifetime expected loss model" has been used for balances arising as a result of revenue recognition, as permitted by the Standard, by applying a standard rate of provision on initial recognition of trade receivables based upon the Group's historical experience of credit loss modified by expectations of the future, and increasing this provision to take account of overdue receivables. Applying the requirements of IFRS 9 has resulted in a decrease of Group's trade and other receivables by KShs 246 million and Company by KShs 156 million as at 1 January 2018.

IFRS 9 also changes the classification and measurement of financial assets. The category of available-for-sale investments (where fair value changes were deferred in reserves until disposal of the investment) has been replaced with the category of financial assets at Fair Value through Profit and Loss (for most investments) and the category of financial assets at Fair Value through Other Comprehensive Income (for qualifying equity investments).

COPORATE EVENTS

Clockwise: Radio Maisha Choma na Ngoma concert; Deputy Editorial Director Kipkoech Tanui at the Mombasa Standard Group stakeholder's cocktail; Standard Group's 100 years celebration at Sarova Taita Hills Game Lodge; Group C.E.O Orlando Lyomu and Deputy Chairman Dr. Julius Kipngetich toasts with customers at the Kisumu Stakeholder engagement cocktail; Pulser Magazine launch.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICY (CONTINUED)

The following table summarises the impact of transition to IFRS 9 on the opening balance of reserves, retained earnings.

Group

	31 December 2017 as reported KShs'000	Impact of IFRS 9 (expected credit loss) KShs '000	1 January 2018 Revised for IFRS 9 KShs '000
Assets			
Trade receivables	1,450,461	(246,019)	1,204,442
Equity			
Retained earnings	1,156,922	(246,019)	910,903

Company

	31 December 2017 as reported KShs'000	Impact of IFRS 9 (expected credit loss) KShs '000	1 January 2018 revised for IFRS 9 KShs '000
Assets			
Trade receivables	1,002,634	(155,930)	846,704
Equity			
Retained earnings	879,001	(155,930)	723,071

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICY (Continued)

(i) Classification and measurement of financial assets and liabilities

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

Group

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				**KShs '000**	**KShs '000**
Trade receivables	4(b) (ii)	Loans and receivables	Amortised cost	1,450,461	1,204,442
Cash and cash equivalents		Loans and receivables	Amortised cost	34,683	34,683
				1,485,144	1,239,125

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial liabilities				**KShs '000**	**KShs '000**
Borrowings		Other financial liabilities	Other financial liabilities	1,215,502	1,215,502
Trade and other payables		Other financial liabilities	Other financial liabilities	1,223,228	1,223,228
				2,438,730	2,438,730

Company

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				**KShs '000**	**KShs '000**
Trade receivables	4(b) (ii)	Loans and receivables	Amortised cost	1,002,634	846,704
Cash and cash equivalents		Loans and receivables	Amortised cost	32,739	32,739
				1,035,373	879,443

Financial liabilities				**KShs '000**	**KShs '000**
Borrowings		Other financial liabilities	Other financial liabilities	1,189,587	1,189,587
Trade and other payables		Other financial liabilities	Other financial liabilities	1,000,848	1,000,848
				2,190,435	2,190,435

(ii) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of KShs 246,019,000 (Company – KShs 155,930,000) in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9. The allowance for impairment losses as at 31 December 2017 was KShs 601,035,000 based on IAS 39.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt, liquidity risk, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Finance department under policies approved by the Board of Directors. Finance identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro, and GBP. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

Group and Company

	USD KShs'000	EURO KShs'000	GBP KShs'000	TOTAL KShs'000
2018:				
Financial assets				
Cash at bank	3,768	3,704	29	7,501
Financial liabilities				
Trade payables	(77,887)	(12,836)	(3,424)	(94,147)
Net foreign currency liability	**74,119**	**9,132**	**3,395**	**86,646**
2017:				
Financial assets				
Cash at bank	5,473	5,864	323	11,660
Financial liabilities				
Trade payables	(91,969)	(21,654)	(7,329)	(120,952)
Net foreign currency liability	**(86,496)**	**(15,790)**	**(7,006)**	**(109,292)**

At 31 December 2018, if the Shilling had weakened/strengthened by 1% against the foreign currencies with all other variables held constant, the impact on profit before taxation for the year would have been KShs 866,460 (2017 - KShs 1,092,920).

(i) Foreign exchange risk (continued)

The following significant exchange rates have been applied during the year:

	Average		Closing	
	2018	**2017**	**2018**	**2017**
USD	101.3	103.3	102.3	103.2
EURO	119.7	116.3	116.4	123.3
GBP	135.2	133.3	129.7	138.8

(ii) Price risk

The Group does not hold financial instruments that would be subject to price risk.

(iii) Cash flow and fair value interest rate risk

The Group has borrowings in the form of overdraft facilities and 5 year term loans with two banks namely Commercial Bank of Africa Limited and Stanbic Bank Kenya Limited with a combined overdraft limit of KShs 185 million (2017 - KShs 430 million) at rates determined by prevailing market conditions.

As at 31 December 2018, an increase/decrease of 1% on average borrowing rates would have resulted in an increase/decrease in profit before taxation for Group and Company by KShs 1,733,313 (2017 - KShs 1,810,504).

(b) Credit risk

Credit risk is managed on a group-wide basis. Credit risk arises from trade receivables. The credit committee assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Expected credit loss (ECL) assessment as at 1 January and 31 December 2018

The Group uses a provision matrix to measure the ECLs of trade receivables from customers. The loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics such as geographic region and the type of product purchased.

The Group calculated the ECL based on a factor of the following: probability of default, exposure at default and the loss given default. The probability of default is based on the average loss rate for the past 7 years with an adjustment for forward looking information.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018.

(i) Trade receivables

Group

Aging bucket	Loss rate	Carrying amount	Loss allowance	Credit impaired
		KShs' 000	KShs' 000	
4–30 days past due	25%	802,119	201,758	No
31–60 days past due	75%	60,089	45,318	No
61–90 days past due	86%	26,035	22,270	No
More than 90 days past due	48%	1,626,403	774,271	Yes
		2,514,646	**1,043,617**	

Company

Aging bucket	Loss rate	Carrying amount	Loss allowance	Credit impaired
		KShs' 000	KShs' 000	
4–30 days past due	25%	485,766	120,526	No
31–60 days past due	74%	37,839	28,007	No
61–90 days past due	86%	25,197	21,547	No
More than 90 days past due	45%	1,500,007	674,598	Yes
		2,048,809	**844,678**	

Loss rates are based on actual credit loss experience over the past seven years, current conditions plus the Group's view of economic conditions such as commercial bank lending interest rates.

(ii) Cash and cash equivalents

The Group and company held cash and cash equivalents of KShs 21,636,000 and KShs 21,397,000 respectively (2017: Group and Company –KShs 34,683,000 and 32,739,000 respectively. The cash and cash equivalents are held with banks and financial institution counterparties, which are rated between A1 to Ba1, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, the impairment allowance for cash balances as at 1st January and December 2018 was not significant.

Comparative information under IAS 39

The amount that best represented the Group's maximum exposure to credit risk as at 31 December 2018 was made up as follows:

Group	**Fully performing**	**Past due**	**Impaired**	**Total**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Receivables				
Advertising	521,781	403,497	398,151	1,323,429
Circulation	74,499	2,857	76,754	154,110
Trade debtors – Baraza Limited	345,656	102,171	126,130	573,957
	941,936	**508,525**	**601,035**	**2,051,496**
Company				
Advertising	521,781	403,497	398,151	1,323,429
Circulation	74,499	2,857	76,754	154,110
	596,280	**406,354**	**474,905**	**1,477,539**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (continued)

The analysis above is based on the ageing below:

Circulation	
Fully performing	0-90 days
Past due	91-120 days
Impaired	Over 121 days
Advertising	
Fully performing	0-90 days
Past due	91-180 days
Impaired	Over 181 days
Baraza Limited	
Fully performing	0-90 days
Past due	91-180 days
Impaired	Over 181 days

The movement in the allowance for impairment in respect of trade receivables during the year was as follows: Comparative amount for 2018 represent the allowance for impairment losses under IAS 39.

Group:	**2018 KShs '000**	**2017 KShs '000**
Balance brought forward	601,035	413,078
Accounting policy change (IFRS 9)	246,019	-
Balance at 1 January as restated	**847,054**	**413,078**
Bad debt write back	-	8,932
Charge for the year	264,841	362,333
Bad debt write offs and credit notes	(7,152)	(1,107)
Bad debts recoveries	(61,126)	(182,201)
Balance carried forward	**1,043,617**	**601,035**

Company:	2018 KShs '000	2017 KShs '000
Balance brought forward	474,905	330,987
Accounting policy change (IFRS 9)	155,930	-
Balance at 1 January as restated	**630,835**	**330,987**
Charge for the year	221,041	284,807
Bad debt write offs and credit notes	(7,198)	-
Bad debts recoveries	-	(140,889)
Balance carried forward	**844,678**	**474,905**

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.
The debt that is overdue is not impaired and continues to be paid. The credit control department is actively following this debt. In addition, the Group has bank guarantees of KShs 99 million as at December 2018 (2017 – KShs 99 million), which can be enforced in the event of customer default. Further, for Circulation, the debt is partially covered by cumulative cash deposits by vendors and agents.

The debt that is impaired has been fully provided for. However, debt collectors as well as the legal department are following up on the impaired debt.

Other financial instruments for which the Group and company is exposed to credit risk are as follows:

	2018 KShs '000	2017 KShs '000
Group:		
Bank and cash balances (Note 32 (b))	21,636	34,683
Other receivables (Note 23(a))	-	28,885
	21,636	**63,568**
Company:		
Bank and cash balances	21,397	32,739
Other receivables (Note 23(b))	-	24,978
Due from related parties (Note 27 (a))	-	10,480
	21,397	**68,197**

There was no significant credit risk exposure on bank and cash balances and other receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash to meet Group obligations. The treasury function reviews the cash forecast monthly and determines the cash requirement. Cash generated from operations is healthy but if a heavy cash requirement is necessary there exists overdraft facilities with Commercial Bank of Africa Limited and Stanbic Bank Kenya Limited with a combined limit of KShs 185 million (2017 – KShs 430 million).

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group	Less than 1 month KShs'000	Between 1 – 3 months KShs'000	Between 3 – 12 months KShs'000	Over 1 year KShs'000	Total KShs'000
At 31 December 2018					
Related party loans	-	-	72,391	-	72,391
Bank borrowings	143,181	144,709	228,700	495,317	1,011,907
Hire purchase loans	1,659	3,408	16,200	42,819	64,086
Overdraft facility	173,313	-	-	-	173,313
Trade and other payables	61,878	839,163	235,717	-	1,136,758
At 31 December 2017					
Related party loans	-	-	78,000	-	78,000
Bank borrowings	109,616	122,517	275,098	355,377	862,608
Hire purchase loans	3,255	3,651	16,429	52,954	76,289
Overdraft facility	404,534	-	-	-	404,534
Trade and other payables	142,072	818,396	42,930	-	1,003,398

Company	Less than 1 month KShs'000	Between 1 – 3 months KShs'000	Between 3 – 12 months KShs'000	Over 1 year KShs'000	Total KShs'000
At 31 December 2018					
Related party loans	-	-	325,227	-	325,227
Bank borrowings	143,181	144,709	228,700	495,317	1,011,907
Hire purchase loans	1,659	3,408	16,200	42,819	64,086
Overdraft facility	146,416	-	-	-	146,416
Trade and other payables	55,871	747,959	180,401	-	984,231
At 31 December 2017					
Related party loans	-	-	88,592	-	88,592
Bank borrowings	109,616	122,517	275,098	355,377	862,608
Hire purchase loans	3,255	3,651	16,429	52,954	76,289
Overdraft facility	378,619	-	-	-	378,619
Trade and other payables	129,107	661,420	42,930	-	833,457

(c) Fair values

(i) Valuation hierarchy

The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

	LEVEL 1	LEVEL 2	LEVEL 3
Fair value determined using	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non market observable inputs
Types of financial assets:	Actively traded government and other agency securities Listed derivative instruments Listed equities	Coporate and other government bonds and loans. Over-the-counter(OTC) derivatives	Coporate bonds in liquid markets. Hihgly structured OTC derivatives with unobservable parameters
Types of financial liabilities:	Listed derivative instruments	Over-the-counter(OTC) derivatives	Highly structured OTC derivatives with unobservable parameters

The table above shows the classification of financial assets, financial liabilities and non-financial assets held at fair value into the valuation hierarchy set out below as at 31 December 2017 and 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Fair values continued

(ii) Fair values for financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

Group

2018	Other liabilities	Loans and receivables	Total carrying value	Fair Value
	KShs'000	KShs'000	KShs'000	KShs'000
Financial assets				
Trade and other receivables	-	1,471,029	1,471,029	1,471,029
Cash and bank balances	-	21,636	21,636	21,636
	-	**1,492,665**	**1,492,665**	**1,492,665**

2018 Financial liabilities	Other liabilities	Loans and receivables	Total carrying value	Fair Value
	KShs'000	KShs'000	KShs'000	KShs'000
Amount due to related parties	72,391		72,391	72,391
Borrowings	1,249,306	-	1,249,306	1,025,077
Trade and other payables	1,136,758	-	1,136,758	1,136,758
	2,458,455	**-**	**2,458,455**	**2,234,226**

2017 **Financial liabilities**	**Other liabilities** **KShs'000**	**Loans and receivables** **KShs'000**	**Total carrying value** **KShs'000**	**Fair Value** **KShs'000**
Financial assets				
Trade and other receivables	-	1,479,346	1,479,346	1,479,346
Cash and bank balances	-	34,683	34,683	34,683
	-	**1,514,029**	**1,514,029**	**1,514,029**
Financial liabilities				
Amounts due to related parties	78,000	-	78,000	78,000
Borrowings	1,215,502	-	1,215,502	1,142,510
Trade and other payables	1,003,398	-	1,003,398	1,003,398
	2,296,900	**-**	**2,296,900**	**2,223,908**

Company

2018 **Financial liabilities**	**Other liabilities** **KShs'000**	**Loans and receivables** **KShs'000**	**Total carrying value** **KShs'000**	**Fair Value** **KShs'000**
Financial assets				
Amounts due from related parties	-	-	-	-
Trade and other receivables	-	1,204,131	1,204,131	1,204,131
Cash and bank balances	-	21,397	21,397	21,397
	-	**1,225,528**	**1,225,528**	**1,225,528**
Financial liabilities				
Borrowings	1,222,409		1,222,409	984,180
Trade and other payables	1,000,848		1,000,848	1,000,848
	2,223,257	**-**	**2,223,257**	**1,985,028**

CUSTOMER FEEDBACK

It is my favorite station. My best show is Drive Show especially the part of 'Nikome'. It gives listeners the opportunity to express themselves. I also like the way they engage with listeners.

LAVENDA ONYANCHA, ENTREPRENUER.

Vybes Radio: The Standard Group is launching a new Radio station that focuses on all the great reggae hits...Your thoughts on this move?

That is a good move for all the raggae fans. Kenyans listen to Reggae actively and religiously. We have also established that everyday within Nairobi three clubs play reggae music for their fans. They should play all kinds of Raggae music unlike the way other stations play only old hits.

JAH LYRIC, RAGGAE ARTIST.

I love KTN Burudani because i am a football fan and they always update us on the ongoing KPL games. The music in between the games is also entertaining and i want it to remain like that.

TIMOTHY MABELE, RADIOLOGIST.

i like the Rnbs, Jazz, Neo soul and Dana Music which they play. The quality of the beats is good. The station is epic for youngsters like us. They should include talks on musicians and their lives, scandals and many more.

DIANA OSORE, MAKE-UP ARTIST.

How often do you visit the site/read news online?

I am aware it is the leading site, that is why i trust what they write. In case of breaking news, you are always sure it is the truth as you wait for others to follow-up. I visit the site first thing in the morning and at four o'clock to catch-up with the ongoings and what i missed when at work.

CARLOS ODHIAMBO, SECURITY PERSONNEL.

Which is your favorite news/ entertainment/ information channel and why?

STANDARD GROUP bringing your world to you. 100 YEARS OF MEDIA EXCELLENCE

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ktn NEWS
Get The Whole Story

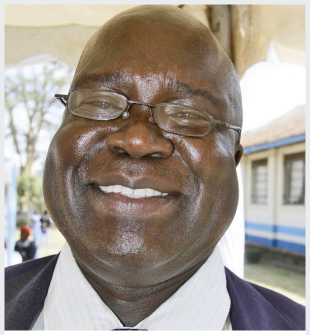
I like watching KTN News because it gives bold coverage of news across the country as they occur. It is our CNN here. If you've missed Prime News, you can still catch-up on KTN News. I also like the way the news anchors do their job, they have passion for their work and are presentable.

STANLEY KAMAU, AHADI KENYA TRUST CHIEF EXECUTIVE OFFICER

THE NAIROBIAN

It is very unique because of it's command of language. Daily papers can have the same story but The Nairobian has a way of really digging deeper and uncovering the untold story. It writes about scandals that other papers cannot dare. They write about protected secrets of prominent people. The Nairobian is refreshing.

SUSAN KAMANDE, UNIVERSITY STUDENT.



The Standard

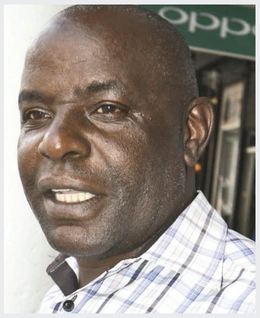
I like reading commentaries. My favourite writer is Kipkoech Tanui, his opinions touch on issues that affect us as a country. KTN News is very informative on security issues across the country which is very important because we are informed on time.

ERICK OGUTU, SECURITY PERSONNEL.

The Standard

I love the Saturday Standard because of the pullout on farming, Smart Harvest. I do farming with my mother and we always get The Standard to learn more from the experts. It is educative and has expert advice. My mother keeps cows and after reading, we improved on how to manage them. Sunday Magazine too has good stories and colorful pictures. Let us wake up to positive stories like the Big Four Agenda. Do not give so much time to politicians.

EVERLYNE NJERI, ADVOCATE.



ktn FARMERS tv

I like watching KTN Farmers TV because it gives farmers tips on good farming. Farmers are very hungry for technics on how to improve farming although the information is very scanty out there. The station should be doing research on markets especially for farmers growing coffee, tea and macademia, which is our main crop in Upper Murang'a.

ELIUD KARIUKI, FARMER/ BUSINESSMAN.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Fair values continued

(ii) Fair values for financial assets and financial liabilities - continued

Company

2017	**Other liabilities KShs'000**	**Loans and receivables KShs'000**	**Total carrying value KShs'000**	**Fair value KShs'000**
Financial assets				
Amounts due from related parties	-	10,480	10,480	10,480
Trade and other receivables	-	1,027,612	1,027,612	1,027,612
Cash and bank balances	-	32,739	32,739	32,739
	-	**1,070,831**	**1,070,831**	**1,070,831**
Financial liabilities				
Amounts due to related parties	88,592	-	88,592	88,592
Borrowings	1,189,587	-	1,189,587	1,116,595
Trade and other payables	833,457	-	833,457	833,457
	2,111,636	**-**	**2,111,636**	**2,038,644**

The Group and the Company have not disclosed the fair values for the financial instruments such as cash and bank balances, short term trade receivables amounts and trade payables because they are a reasonable approximation of the fair values.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

Property, plant and equipment

The company tests annually whether the useful lives and residual values are appropriate and in accordance with its accounting policy. Useful lives and residual values of property, plant and equipment have been determined based on previous experience and anticipated disposal values when the assets are disposed.

Impairment

At each reporting date, the Group reviews the carrying amounts of its 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 is 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.

Contingent liabilities

As disclosed in Note 39 to these financial statements, the Group is exposed to various contingent liabilities in the normal course of business including a number of legal cases.

The Directors evaluate the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the financial statements where, based on the Directors' evaluation, a present obligation has been established.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

7. SEGMENT REPORTING

(a) Products and services from which reportable segments derive their revenues

Information reported to the operating segment decision makers for the purposes of resource allocation and assessment of segment performance is focused on the means of delivery of the good or service to the customer. The goods and services are delivered through publishing and broadcasting. The Group's reportable segments under IFRS 8 are Newspapers & Billboards and Broadcasting.

(b) Segment revenues and results

The following is an analysis of the Group's revenue and results for continuing operations by reportable segment. The segment assets and liabilities exclude current and deferred tax assets and liabilities:

	2018				2017			
	Newspaper & Billboards KShs'000	Broadcasting KShs'000	Elimination KShs'000	Total KShs'000	Newspaper & Billboards KShs'000	Broadcasting KShs'000	Elimination KShs'000	Total KShs'000
External sales	3,089,444	1,746,586	-	4,836,030	3,011,565	1,645,923	-	4,657,488
Other gains and losses	94,854	25,223	-	120,077	67,983	116,127	-	184,110
Expenses	(3,035,196)	(1,355,854)	-	(4,391,050)	(3,570,859)	(1,371,874)	-	(4,942,733)
Finance costs	(103,962)	(63,870)	-	(167,832)	(163,651)	(17,400)	-	(181,051)
Segment profit/(loss) before taxation	**45,140**	**352,085**	**-**	**397,225**	**(654,962)**	**372,776**	**-**	**(282,186)**
Income tax (expense)/credit	(77,009)	(58,931)	-	(135,940)	177,497	(106,149)	-	71,348
Profit/(loss) after taxation	**(31,869)**	**293,154**	**-**	**261,285**	**(477,465)**	**266,627**	**-**	**(210,838)**

(c) Segment assets and liabilities

Segment assets	3,164,814	1,396,714	-	4,561,528	3,086,627	1,360,148	(21,075)	4,425,700
Segment liabilities	2,310,013	285,661	-	2,595,674	2,169,608	398,745	(21,075)	2,547,278
Capital expenditure	321,316	21,257	-	342,473	241,982	424,452	-	666,434
Depreciation and amortisation expense	250,893	90,750	-	341,643	337,946	118,031	-	455,977

8. REVENUE

	2018 KShs'000	2017 KShs'000
Advertising	3,966,299	3,644,423
Circulation	869,731	1,013,065
	4,836,030	4,657,488

9. DIRECT COSTS

	2018	2017
Material cost	464,952	517,348
Programmes	228,420	187,033
Depreciation	91,077	161,633
News contribution costs	101,055	127,920
Advertising commission	109,734	91,489
News service	33,833	90,128
Operating lease	70,610	73,062
TV licenses	63,257	56,219
Maintenance	38,580	49,926
Production salaries	9,134	19,604
Billboard costs	(1,871)	8,654
Events	16,281	1,286
	1,225,452	1,384,302

10. OTHER GAINS/(LOSSES)

	2018	2017
Miscellaneous income	47,427	131,167
Sale of returns, production waste and other income	65,525	34,619
Printing services	8,288	20,333
Gain on disposal of property and equipment	6,815	10,255
Net foreign exchange loss	(7,612)	(3,831)
Loss on impaired assets	(366)	(7,147)
Loss on write off intangible assets	-	(1,286)
	120,077	184,110

11. SELLING AND DISTRIBUTION

	2018	2017
Commission	260,305	242,456
Marketing and promotion	57,716	102,938
Transport and distribution costs	91,939	85,374
Packing materials	-	12,349
	409,960	443,117

12. ADMINISTRATIVE EXPENSES

	2018 KShs'000	2017 KShs'000
Staff costs	1,557,998	1,568,083
Rent and office expenses	192,183	232,399
Depreciation charge	163,569	184,357
Amortisation	86,997	109,987
Professional fees	56,693	257,048
Impairment losses	196,563	187,957
Repairs and maintenance	98,379	97,883
Vehicle running and hire	45,657	72,752
Telephone and postages	63,294	83,753
Travel and accommodation	17,180	30,660
General insurance	41,884	51,660
Licences	53,336	66,103
Bank charges	43,413	39,571
Electricity and water	49,125	42,393
Training	30,676	37,233
Subscription and donation	9,632	11,260
Printing and stationery	11,359	13,512
Directors' fees	12,875	9,480
AGM and board meeting costs	8,906	6,533
Entertainment	6,136	5,488
Others	9,781	7,202
	2,755,638	3,115,314
Staff costs include:		
Salaries and wages	1,277,716	1,275,968
Staff welfare	219,864	231,729
Pension contributions	57,318	57,288
Others	3,100	3,098
	1,557,998	1,568,083
Average number of employees		
Management	41	47
Others	851	797
Total	892	844

KTN presenters during KTN Burudani flag off.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. FINANCE COSTS

	2018 KShs'000	2017 KShs'000
Interest on term loans	109,799	113,865
Interest on overdrafts	45,787	57,163
Interest on shareholder loans	5,190	5,191
Interest on hire purchase loans	7,056	4,832
	167,832	181,051

14. PROFIT BEFORE TAXATION

	2018 KShs '000	2017 KShs '000
The profit before taxation is arrived at after charging/(crediting):		
Depreciation	254,646	345,990
Amortisation - intangible assets	85,364	108,353
- prepaid operating lease rentals	1,633	1,634
Directors' emoluments:		
- Fees - non-executive	12,875	9,480
- Executive directors	30,548	77,089
Auditors' remuneration - current year	5,649	5,571
Gain on disposal of plant and equipment	(6,815)	(10,255)

15. DIVIDEND PER SHARE

Group and Company

Dividends – Ordinary shares	-	-

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting.

Payment of dividends is subject to withholding tax at the rate of 0% of resident shareholder owning 12.5% or more and 5% of resident shareholders' owning 12.5% or more and 10% for non-resident shareholders.

MD Broadcast Joe Munene flags off KTN Burudani roadshow; KTN presenters during the flag off.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. TAXATION

Group

(a) Taxation (credit)/expense

	2018 KShs '000	2017 KShs '000
Current taxation charge	181,060	32,822
Under/(over) provision of current tax in prior year	1,829	(282)
Current tax	**182,889**	**32,540**
Deferred tax in respect of the current year (Note 28(a))	(47,008)	(103,006)
Adjustments recognised in the current year in relation to the deferred tax of prior year (Note 28(a)	59	(882)
Deferred tax	**(46,949)**	**(103,888)**
Total income tax expense/ (credit) recognised in the current year	**135,940**	**(71,348)**

(b) Reconciliation of expected tax based on accounting profit/(loss) to taxation expense	**2018 KShs'000**	**2017 KShs'000**
Profit/(loss) before taxation	**397,225**	**(282,186)**
Tax at the applicable rate of 30%	119,168	(84,656)
Tax effect of non-deductible costs	14,884	14,472
Prior year deferred tax adjustment	59	(882)
Under/(over) provision of current tax in prior year	1,829	(282)
	135,940	**(71,348)**

(c) Taxation payable/(recoverable)

Group	2018 KShs '000	2017 KShs '000
At beginning of the year	7,028	10,978
Current tax charge	182,889	32,540
Tax paid in the year	(63,774)	(36,490)
At 31 December	**126,143**	**7,028**
Comprising:		
Tax payable	126,143	25,657
Tax recoverable	-	(18,629)
	126,143	**7,028**
Company		
At beginning of the year	(18,629)	17,861
Current tax		
- charge for the year	118,176	-
- tax paid in the year	(2,014)	(36,490)
At 31 December	**97,533**	**(18,629)**

17. BASIC AND DILUTED EARNINGS PER SHARE

	2018	2017
Profit/(loss) attributable to owners of the Company – KShs'000	**196,885**	**(271,092)**
Number of shares during the year	**81,730,854**	**81,730,854**
Basic earnings per share – KShs	**2.41**	**(3.32)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

18. PROPERTY, PLANT AND EQUIPMENT

(a) Group 2018: Cost	Buildings KShs'000	Plant & machinery KShs'000	Motor vehicles KShs'000	Furniture fittings & equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
At 1 January 2018	679,660	2,473,604	187,936	644,314	53,824	4,039,338
Additions	-	16,208	18,702	19,513	223,223	277,646
Disposals	-	(2,942)	(22,970)	(2,492)	(360)	(28,764)
Write off	-	-	-	-	(366)	(366)
Transfer to from WIP	-	59,674	-	-	(59,674)	-
At 31 December 2018	679,660	2,546,544	183,668	661,335	216,647	4,287,854
Depreciation						
At 1 January 2018	93,120	1,431,584	118,837	599,152	-	2,242,693
Charge for the year	22,194	157,338	24,470	50,644	-	254,646
Eliminated on disposal	-	(4,728)	(23,473)	(163)	-	(28,364)
At 31 December 2018	115,314	1,584,194	119,834	649,633	-	2,468,975
Carrying amount						
At 31 December 2018	564,346	962,350	63,834	11,702	216,647	1,818,879
2017:						
Cost						
At 1 January 2017	676,674	2,329,565	187,744	572,626	40,027	3,806,636
Additions	991	98,510	58,886	79,590	69,448	307,425
Disposals	-	-	(58,547)	(797)	-	(59,344)
Write off	-	-	(147)	(7,105)	(3,756)	(11,008)
Transfers to intangible assets	-	(186)	-	-	(4,185)	(4,371)
Transfer to from WIP	1,995	45,715	-	-		(47,710)
At 31 December 2017	679,660	2,473,604	187,936	644,314	53,824	4,039,338
Depreciation						
At 1 January 2017	79,360	1,178,215	159,998	542,277	-	1,959,850
Charge for the year	13,760	253,394	17,450	61,386	-	345,990
Write off	-	-	(147)	(3,714)	-	(3,861)
Reallocation to intangible	-	(25)	-	-	-	(25)
Eliminated on disposal	-	-	(58,464)	(797)		(59,261)
At 31 December 2017	93,120	1,431,584	118,837	599,152	-	2,242,693
Carrying amount						
At 31 December 2017	**586,540**	**1,042,020**	**69,099**	**45,162**	**53,824**	**1,796,645**

At 31 December 2018, property, plant and equipment with cost of KShs 1,129,558,000 (2017 – KShs 749,795,603) were fully depreciated. The notional depreciation charge on these assets would have been KShs 271,973,000 (2017 – KShs 196,786,264).

(b) Company

2018:	Buildings KShs'000	Plant & machinery KShs'000	Motor vehicles KShs'000	Furniture fittings & equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost						
At January 2018	599,055	1,742,751	186,965	543,517	53,464	3,125,752
Additions	-	10,983	18,702	18,481	208,223	256,389
Write offs	-	(4,728)	(23,511)	(163)	-	(28,402)
Disposals						
Transfers from WIP	-	59,674	-	-	(59,674)	-
Write off assets	-	-	-	-	(366)	(366)
At 31 December 2018	599,055	1,808,680	182,156	561,835	201,647	3,353,373
Depreciation						
At January 2018	88,911	963,669	117,675	451,100	-	1,621,355
Charge for the year	12,172	111,351	24,092	40,999	-	188,614
Eliminated on disposals	-	(4,728)	(23,111)	(163)	-	(28,002)
At 31 December 2018	101,083	1,070,292	118,656	491,936	-	1,781,967
Carrying amount						
At 31 December 2018	497,972	738,388	63,500	69,899	201,647	1,571,406
2017:						
Cost						
At January 2017	596,069	1,655,825	188,138	492,578	39,668	2,972,278
Additions	991	41,211	57,374	51,736	69,448	220,760
Write offs	-	-	-	-	(3,756)	(3,756)
Disposals	-	-	(58,547)	(797)	-	(59,344)
Transfers from WIP	1,995	45,715	-	-	(47,710)	-
Transfer to intangible assets	-	-	-	-	(4,186)	(4,186)
At 31 December 2017	599,055	1,742,751	186,965	543,517	53,464	3,125,752
Depreciation						
At January 2017	76,763	791,430	158,878	397,338	-	1,424,409
Charge for the year	12,148	172,239	17,261	54,559	-	256,207
Eliminated on disposals	-	-	(58,464)	(797)	-	(59,261)
At 31 December 2017	88,911	963,669	117,675	451,100	-	1,621,355
Carrying amount						
At 31 December 2017	510,144	779,082	69,290	92,417	53,464	1,504,397

At 31 December 2018, property, plant and equipment with cost of KShs 726,559,000 (2017 – KShs 540,108,635) were fully depreciated. The notional depreciation charge on these assets would have been KShs 209,235,000 (2017 – KShs158,636,685).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

19. PREPAID OPERATING LEASE RENTALS

	2018 KShs'000	2017 KShs'000
Group and Company		
Cost		
At 1 January	128,000	128,000
Additions during the year	-	-
At 31 December	128,000	128,000
Amortisation		
At 1 January	13,976	12,342
Charge for the year	1,633	1,634
At 31 December	15,609	13,976
Carrying amount at 31 December	**112,391**	**114,024**

The prepaid operating lease relates to leasehold land where The Standard Group Centre is located.

20. INTANGIBLE ASSETS

(a) Group

Cost	Trademark KShs'000	Software KShs'000	Broadcasting Licenses KShs'000	Total 2018 KShs'000	Total 2017 KShs'00
At 1 January	6,000	604,928	436,238	1,047,166	685,189
Additions	-	22,577	-	22,577	359,009
Transfer from property,plant and equipment	-	-	-	-	4,371
Write off	-	-	-	-	(1,403)
At 31 December	6,000	627,505	436,238	1,069,743	1,047,166
Amortisation					
At 1 January	-	387,968	-	387,968	279,707
Charge for the year	-	85,364	-	85,364	108,353
Reallocation from property, plant and equipment					25
Write off	-	-	-	-	(117)
At 31 December	-	473,332	-	473,332	387,968
Carrying amount					
At 31 December	**6,000**	**154,173**	**436,238**	**596,411**	**659,198**

(b) Company Cost	Trademark KShs'000	Software KShs'000	Broadcasting Licenses KShs'000	Total 2018 KShs'000	Total 2017 KShs'00
At 1 January	6,000	572,441	369,363	947,804	618,314
Additions	-	22,577	-	22,577	325,305
Transfer from property,plant and equipment	-	-	-	-	4,185
At 31 December	6,000	595,018	369,363	970,381	947,804
Amortisation					
At 1 January	-	385,810	-	385,810	279,707
Charge for the year	-	78,867	-	78,867	106,103
At 31 December	-	464,677	-	464,677	385,810
Carrying amount					
At 31 December	**6,000**	**130,341**	**369,363**	**505,704**	**561,994**

The Group acquired the rights to distribute the Eve trademark on 17 April 2009. An agreement was signed transferring full title and guaranteeing all rights, titles and interest in the publication to the Group.

The Group acquired licenses for radio frequencies through its subsidiary, Toads Media Group Limited and additional frequencies acquired directly by the parent. The Group made reference to the cash generating ability of Radio Maisha and projected consistent revenue growth for the foreseeable future and assessed these as not impaired.

At the end of the year, the Group assessed the recoverable amounts of both its investments in trademarks and the frequency for impairment. The Group used reference to their cash generating ability and assessed them as not impaired. For the Eve trademark, the assumption made was that the publication (Eve Woman) will continue to accrue commercial benefits in the foreseeable future. No impairment losses have therefore been recognized in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

21. INVESTMENTS

(a) Investment in subsidiaries (unquoted)

	Principal activity	Shareholding %	2018 KShs'000	2017 KShs'000
The Standard Limited	Dormant	100%	3,398	3,398
Baraza Limited	Broadcasting	51%	92	92
Agency Sales and Promotion Limited	Dormant	100%	2	2
Toads Media Group Limited	Leasing	100%	66,875	66,875
			70,367	**70,367**

The investments in the subsidiaries are carried at cost. Toads Media Group Limited holds the licence for the frequencies for Radio Maisha, which operates as a division of The Standard Group PLC.

(b) Equity accounted investee	Principal activity	Shareholding %	2018 KShs'000	2017 KShs'000
Lancia Digital Broadcast Limited	Broadcasting	49%	42,250	-
			42,250	**-**

Lancia Digital Broadcast Limited holds a digital broadcasting license.

22. INVENTORIES

(a) Group	2018 KShs'000	2017 KShs'000
Raw materials	266,599	177,947
Consumables	92,375	128,590
Broadcast programmes	2,869	4,824
	361,842	**311,361**

Inventories expensed during the year amounted to KShs 661,021,000 (2017 - KShs 704,381,000).

(b) Company	2018 KShs'000	2017 KShs'000
Raw materials	266,599	177,947
Consumables	91,160	127,183
	357,758	**305,130**

Inventories expensed during the year amounted to KShs 464,952,000 (2017 - KShs 517,348,000).

23. TRADE AND OTHER RECEIVABLES

	2018 KShs'000	2017 KShs'000
(a) Group		
Trade receivables	2,514,646	2,051,496
Impairment losses	(1,043,617)	(601,035)
	1,471,029	1,450,461
Other receivables	57,123	28,885
Prepayments	79,967	30,443
	1,608,119	**1,509,789**
(b) Company		
Trade receivables	2,048,809	1,477,539
Impairment losses	(844,678)	(474,905)
	1,204,131	1,002,634
Other receivables	47,645	24,978
Prepayments	72,538	9,633
	1,324,314	**1,037,245**

24. SHARE CAPITAL

(a) Ordinary shares

	2018 KShs'000	2017 KShs'000
Authorised:		
103,979,600 ordinary shares of KShs 5 each	**519,898**	**519,898**
Issued and fully paid:		
81,730,854 Ordinary shares of KShs 5 each	**408,654**	**408,654**

The holders of ordinary shares are entitled to receive dividends when declared from time to time and are entitled to one vote per share at general meetings of the company. All ordinary shares rank equally with regard to the Company's residual assets.

Share premium

Share premium comprises:		
Ordinary shares at 31 December	**39,380**	**39,380**

(b) Movement in fully paid ordinary shares

	No. of shares	Share capital KShs'000	Share premium KShs'000	Total KShs'000
At 31 December 2018	**81,730,854**	**408,654**	**39,380**	**448,034**
At 31 December 2017	**81,730,854**	**408,654**	**39,380**	**448,034**

There was no increase in share capital during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

25. RESERVES

(a) Capital redemption reserve

The redemption of the preference share capital was made through a transfer to a capital redemption reserve fund.

(b) Retained earnings

Retained earnings represent accumulated profits retained by the Group and Company after payment of dividends to the shareholders.

26. NON-CONTROLLING INTERESTS

	2018 KShs'000	2017 KShs'000
At 1 January	260,198	199,944
Accounting policy change (IFRS 9) net of tax	(30,900)	-
Share of results for the year	64,400	60,254
At 31 December	**293,698**	**260,198**

Set out below are the summarised financial information for Baraza Limited for which the non-controlling interest is material to the group.

Summarised financial information on subsidiary with material non- controlling interest

The summarised financial information below represents amounts before intragroup eliminations.

Baraza Limited

As at 31 December	2018 KShs '000	2017 KShs'000
Non-controlling interest	**49%**	**49%**
Assets	849,792	818,604
Liabilities	(250,410)	(287,588)
Net assets	599,382	531,016
Net assets attributable to NCI	293,698	260,198
Revenue	1,286,273	1,199,312
Expenses	(1,095,913)	(1,076,344)
Profit for the year	190,360	122,968
Total comprehensive income	**190,360**	**122,968**
Total comprehensive income attributable to non-controlling interest	**64,400**	**60,254**
Net cash inflow from operating activities	18,569	110,586
Net cash outflow from investing activities	(21,257)	(120,369)
Net cash outflow	**(2,688)**	**(9,783)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

27. RELATED PARTY BALANCES

(a) Due from related companies

	Group 2018 KShs'000	2017 KShs'000	Company 2018 KShs'000	2017 KShs'000
Baraza Limited	-	-	-	10,480

(b) Due to related parties

Balances due to related parties are repayable as follows:

	2018 KShs'000	2017 KShs'000
Group		
Within 1 year	72,391	78,000
Between 2 and 5 years	-	-
	72,391	78,000
Company		
Within 1 year	325,227	88,592
Between 2 and 5 years	-	-
	325,227	88,592

Group	Effective interest rate %	2018 KShs'000	2017 KShs'000
(i) Loans			
The Standard Media Group Holdings Limited (common shareholding)	-	14,887	14,887
Trade World (K) Limited (shareholders)	8.0	5,876	11,858
Miller Trustees (shareholders)	8.0	51,628	51,255
		72,391	78,000
Company			
Standard Media Group Holdings Limited	-	14,887	14,887
Trade World (K) Limited	8.0	5,876	11,858
Miller Trustees Limited	8.0	51,632	51,257
Baraza Limited		242,242	-
The Standard Limited	-	10,590	10,590
		325,227	88,592

The balances due to related parties are due within the next twelve months in the current financial year.

The balances due to related parties are all denominated in Kenya shillings.

The loan from The Standard Media Group Holdings Limited is repayable within the next one year and is interest free. The loans from Miller Trustees Limited and Trade World (K) Limited are repayable within the next one year and attract interest at a rate of 8%. All loans are unsecured. The loan from The Standard Limited is unsecured and is due within the next twelve months.

The Group has transactions with shareholders and companies in which directors of The Standard Group PLC are also directors (Note 35).

28. DEFERRED TAX (ASSET)/LIABILITY

Group	**2018 KShs'000**	**2017 KShs'000**
Movement on the deferred tax liability to a deferred tax asset:		
At 1 January	6,138	110,026
Deferred tax credit in respect of the current year	(47,008)	(103,006)
Accounting policy change (IFRS 9)	(73,794)	-
Adjustments recognised in the current year in relation to the deferred tax of prior year (Note 16(a))	59	36
At 31 December	**(114,605)**	**21,446**

The make up of deferred tax asset relating to the company is disclosed in Note 28(b).

The net deferred tax asset is attributable to the following items;

Accelerated capital allowances	219,285	25,582
Leave pay provision	(10,300)	(1,496)
Gratuity provision	(9,912)	(946)
Unrealised exchange gain	(271)	(36)
Doubtful debts provision	(239,292)	(37,839)
Accounting policy change (IFRS 9)	(73,794)	-
Other provisions	(321)	(573)
At 31 December	**(114,605)**	**(15,308)**
The movement on the deferred tax asset is as follows:		
Total deferred tax (asset)/liability	**(114,605)**	**6,138**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

28. DEFERRED TAX (ASSET)/LIABILITY (Continued)

Company

Deferred tax (asset)/liability	**2018 KShs'000**	**2017 KShs'000**
Accelerated capital allowances	204,277	215,671
Gratuity provision	(8,187)	(8,219)
Leave provision	(8,906)	(9,953)
Foreign exchange loss	(268)	(59)
General provisions for doubtful receivables	(206,637)	(142,471)
Other provisions	-	(6,905)
Accounting policy change (IFRS 9)	(46,767)	
Trading losses	-	(26,618)
Net deferred tax (asset)/liability	**(66,488)**	**21,446**

29. BORROWINGS

Group

The borrowings are repayable as follows:

	HP loans KShs'000	**Term loans KShs'000**	**Overdrafts KShs'000**	**2018 Total KShs'000**	**2017 Total KShs'000**
On demand and within one year	21,267	516,590	173,313	711,170	854,899
Between 1 and 2 years	38,427	366,006	-	404,433	211,790
Between 2 and 5 years	4,392	129,311	-	133,703	148,813
	64,086	**1,011,907**	**173,313**	**1,249,306**	**1,215,502**
Amounts due for settlement within one year	21,267	516,590	173,313	711,170	854,899
Amount due after one year	42,819	495,317	-	538,136	360,603
	64,086	**1,011,907**	**173,313**	**1,249,306**	**1,215,502**
The movement in the year was as follows:					
Beginning of the year	60,091	750,877	404,534	1,215,502	1,209,849
Additions	20,552	1,611,805	-	1,632,357	1,014,482
Repayments	(16,557)	(1,350,775)	(245,000)	(1,612,332)	(1,081,300)
Movement in overdrafts	-	-	13,779	13,779	72,471
At 31 December	**64,086**	**1,011,907**	**173,313**	**1,249,306**	**1,215,502**

	HP Loans KShs'000	Term loans KShs'000	Overdrafts KShs'000	Total KShs'000
At 31 December 2018:				
Stanbic Bank Kenya Limited	9,658	290,619	-	300,277
Stanbic Bank Kenya Limited (Short term raw materials)	-	85,000	84,522	169,522
Commercial Bank of Africa Limited (Short term raw materials)	-	62,119	-	62,119
Commercial Bank of Africa Limited	54,428	574,169	88,791	717,388
	64,086	**1,011,907**	**173,313**	**1,249,306**
At 31 December 2017:				
Stanbic Bank Kenya Limited	12,825	210,436	254,983	478,244
Stanbic Bank Kenya Limited (Short term raw materials)	-	71,084	-	71,084
Commercial Bank of Africa Limited (Short term raw materials)	-	46,399	-	46,399
Commercial Bank of Africa Limited	47,266	422,958	149,551	619,775
	60,091	**750,877**	**404,534**	**1,215,502**

Company

The borrowings are repayable as follows:

	HP Loans KShs'000	Term loans KShs'000	Overdrafts KShs'000	Total KShs'000	Total KShs'000
On demand and within one year	21,267	516,590	146,416	684,273	828,984
Between 1 and 2 years	38,427	366,006	-	404,433	211,790
Between 2 and 5 years	4,392	129,311	-	133,703	148,813
	64,086	**1,011,907**	**146,416**	**1,222,409**	**1,189,587**
Amount due for settlement within one year	21,267	516,590	146,416	684,273	828,984
Amount due after one year	42,819	495,317	-	538,136	360,603
	64,086	**1,011,907**	**146,416**	**1,220,409**	**1,189,587**
Beginning of the year	60,091	750,877	378,620	1,189,588	1,191,826
Additions	20,552	1,571,143	-	1,591,695	1,014,482
Repayments	(16,557)	(1,310,113)	(245,000)	(1,571,670)	(1,081,300)
Movement in overdrafts	-	-	12,796	12,796	64,579
At 31 December	**64,086**	**1,011,907**	**146,416**	**1,222,409**	**1,189,587**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

29. BORROWINGS (Continued)

(b) Company continued

At 31 December 2018:	**HP Loans KShs'000**	**Term loans KShs'000**	**Overdrafts KShs'000**	**Total KShs'000**
Stanbic Bank Kenya Limited	9,658	290,619	65,585	365,862
Stanbic Bank Kenya Limited (Short term raw materials)	-	85,000	-	85,000
Commercial Bank of Africa Limited (Short term raw materials)	-	62,119	-	62,119
Commercial Bank of Africa Limited	54,428	574,169	80,831	709,428
Kenya Commercial Bank Limited	-	-	-	-
	64,086	1,011,907	146,416	1,222,409
At 31 December 2017:				
Stanbic Bank Kenya Limited	12,825	210,435	236,711	459,971
Stanbic Bank Kenya Limited (Short term raw materials)	-	71,083	-	71,083
Commercial Bank of Africa Limited (Short term raw materials)	-	46,399	-	46,399
Commercial Bank of Africa Limited	47,266	422,958	141,852	612,076
Kenya Commercial Bank Limited	-	-	57	57
	60,091	750,875	378,620	1,189,586

The bank facilities are denominated in Kenya shillings with variable interest rates. The term loans and overdrafts for Stanbic Bank Kenya Limited are secured as follows:

- Joint and several debenture for KShs 130 million, a variation of joint and several debenture for KShs 243 million, a second further joint and several debenture for KShs 117 million (an aggregate of Kshs 490 Million) ranking pari passu with a debenture created by the borrower in favour of Commercial Bank of Africa;
- Legal charge, being supplemental to the above debentures, for KShs 490 million created by Standard Group PLC in favour of the bank over Land Reference Number 209/18213, Nairobi ranking pari passu with a legal charge created over the said property in favour of Commercial Bank of Africa Limited;
- Corporate guarantee and indemnity for KShs 518,000,000 by Baraza Limited in favour of the Bank on account of The Standard Group PLC supported by the Board of Director's resolution authorising issuance of the same;
- Corporate guarantee and indemnity for KShs 359,000,000 by Baraza Limited in favour of the bank and on account of The Standard Limited;
- Corporate guarantee and indemnity from The Standard Limited for KShs 25 Million in favour of the bank on account of Baraza Limited;

- Corporate guarantee and indemnity for KShs 25 Million by The Standard Group PLC in favour of the bank on account of Baraza Limited;
- Letter of undertaking by The Standard Production Services Limited consenting to the sale of Land Reference Number 209/9717, Nairobi in the event of default by the Company;
- Inter-lenders' agreement between the Bank, Commercial Bank of Africa and the borrower; and
- Hire Purchase Agreements executed between the bank and the Company and lodgements with the bank of all the relevant logbooks together with blank transfer forms for the assets financed under the Vehicle and Asset Finance Facility.

The term loans and overdrafts for Commercial Bank of Africa Limited are secured as follows:

- Joint and several, fixed and floating debenture charge over all the assets of the Company, Baraza Limited and The Standard Limited for KShs 890 million;
- Joint and several, fixed and floating debenture for KShs 110 million over all the assets of the Company and Toads Media Group Limited;
- Supplemental legal charges for an aggregate of KShs 890 million over Land Reference Number 209/18213 in the name of the Company together with the title, ranking pari passu with charges of Stanbic Bank Kenya Limited;
- Corporate guarantee and indemnity from Baraza Limited for KShs 890 million;
- Corporate guarantee and indemnity from The Standard Limited for KShs 890 million;
- Corporate guarantees from Toads Media Group Limited in the amount of KShs 110 million;
- Hire purchase loans are secured by the assets that are the subject of those loans;
- Deed of assignment of all the rights under the assets financed;
- Inter-lenders' agreement between the Bank, Stanbic Bank Kenya Limited and the borrower; and
- Original log books and blank transfer forms for various motor vehicles.

The effective interest rates on the borrowings were as follows:

	HP Loans %	Term loans %	Overdraft %
Year ended 31 December 2018			
Stanbic Bank Kenya Limited	13.00	13.00	13.00
Commercial Bank of Africa Limited	13.00	13.00	13.00
Year ended 31 December 2017			
Stanbic Bank Kenya Limited	14.00	14.00	14.00
Commercial Bank of Africa Limited	14.00	14.00	14.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. TRADE AND OTHER PAYABLES

	2018 KShs'000	2017 KShs'000
(a) Group		
Trade	513,977	343,199
Accruals and other payables	622,781	660,199
Provisions	70,192	188,075
Value Added Tax payable	33,989	31,755
	1,240,939	**1,223,228**
(b) Company		
Trade	486,220	317,079
Accruals and other payables	498,011	516,378
Provisions	46,661	157,830
Value Added Tax payable	20,892	9,561
	1,051,784	**1,000,848**

31. EMPLOYEE BENEFIT

	2018 KShs'000	2017 KShs'000
(a) Group		
Gratuity provision	**33,038**	**30,548**
Movement in gratuity provision is as shown below:		
At 1 January	30,548	21,745
Amounts paid in the year	(17,073)	(23,319)
Additional provision	19,563	32,122
At 31 December	**33,038**	**30,548**
(b) Company		
Gratuity provision	**27,291**	**27,395**
Movement in gratuity provision is as shown below:		
At 1 January	27,395	13,854
Amounts paid in the year	(17,073)	(16,106)
Additional provision	16,969	29,647
At 31 December	**27,291**	**27,395**

The provision is made based on the contract period. The assumptions made are that all the employees will reach the end of the contract period and that there will be no decrease in salaries paid over the duration of the contracts.

32. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit/ (loss) before tax to cash generated from operations	**2018 KShs'000**	**2017 KShs'000**
Profit/(loss) before tax	397,225	(282,186)
Adjustments for:		
Depreciation (Note 18 (a))	254,646	345,990
Amortisation - intangible assets (Note 20 (a))	85,364	108,353
- prepaid operating lease rentals (Note 19)	1,633	1,634
Gain on sale of plant and equipment (Note 10)	(6,815)	(10,255)
Loss on write off of plant and equipment (Note 10)	366	7,147
Loss on write off of intangible assets	-	1,286
Interest expense (Note 13)	167,832	181,051
Operating profit before tax before working capital changes	**900,251**	**353,020**
Changes in working capital		
Inventories	(50,481)	(160,794)
Trade and other receivables (Note 32 (c))	(344,349)	302,551
Trade and other payables	17,711	377,774
Employee benefits	2,490	8,803
Related party balances	(5,609)	(10,588)
Cash generated from operations	**520,013**	**870,766**
(b) Cash and cash equivalents		
Bank and cash balances	21,636	34,683
Bank overdraft (Note 29 (a))	(173,313)	(404,534)
	151,677	**(369,851)**
(c) Reconciliation of movement in trade and other receivables		
Net decrease in trade and other receivables	(98,330)	302,551
Adjustment on initial application of IFRS 9 (Note 4(b))	(246,019)	-
	(344,349)	**302,551**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

33. RETIREMENT BENEFIT OBLIGATIONS

The Group contributes to a pension 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 7.5% of the employee's pensionable salary.

During the year, the Group expensed KShs 57,318,000 (2017 – KShs 57,288,086) in contributions payable.

34. OPERATING LEASES

Outstanding commitments under operating leases are as follows:

	2018 KShs'000	2017 KShs'000
Tenancy payable:		
Not later than one year	68,801	55,556
Between one and two years	59,966	53,132
Between two and five years	90,984	50,474
Over 5 years	786	98,819
	220,537	**257,981**
Amounts charged to profit or loss in the year in respect of operating leases	**70,610**	**73,062**

35. RELATED PARTY TRANSACTIONS

Related parties balances not settled at year end are disclosed under note 27.

(a) Key management compensation

The remuneration of Directors and members of key management during the year were as follows:

	2018 KShs'000	2017 KShs'000
Fees for services as a director		
Non-executive directors	12,875	9,480
Other emoluments		
Salaries and other short-term employment benefits:		
Executive directors and key management	84,503	106,382
Total	**95,298**	**115,862**

35. RELATED PARTY TRANSACTIONS (Continued)

(b) Cash transfers	2018 KShs'000	2017 KShs'000
Cash transfers from The Standard Group PLC to Baraza Limited	256,000	212,500
Cash transfers from Baraza Limited to The Standard Group PLC	63,000	78,500
(c) Payments on behalf		
Payments by The Standard Group PLC on behalf of Baraza Limited	-	2,938
Payments by Baraza Limited on behalf of The Standard Group PLC	-	-
(d) Interest expense		
Interest on shareholder loan	5,190	5,191

Group

36. CAPITAL COMMITMENTS

	2018 KShs'000	2017 KShs'000
Authorised and contracted for	195,777	450,000
Authorised but not contracted for	402,774	12,737
	598,551	**462,737**

Capital commitments mainly relate to acquisition of new equipment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

37. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

The constitution of capital managed by The Standard Group PLC is as shown below:

	2018 KShs'000	**2017 KShs'000**
Share capital	408,654	408,654
Share premium	39,380	39,380
Capital redemption reserve	102	102
Retained earnings	1,212,482	1,156,922
Non - controlling interests	293,698	260,198
Equity	**1,954,316**	**1,865,256**
Total borrowings	1,249,306	1,215,502
Less: cash balances	(21,636)	(34,683)
Net debt	**1,227,670**	**1,180,819**
Gearing	**63%**	**63%**

38. EMPLOYEE SHARE OPTION PLAN

Company

Details of the employee share option plan of the Company

The Board proposed to the shareholders to set up an Employee Share Ownership Plan (ESOP) as part of strategic measures to align shareholders and employee interests. The shareholders approved the same on May 18, 2007. The Trust Deed to the Scheme was approved by the Capital Markets Authority on 20 August 2009 and registered on 11 September 2009. Consequently, 5,198,980 unissued ordinary shares of the Company are reserved for the ESOP.

In accordance with the Trust Deed, employees with more than one year's service with the Group may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. Share options consist of

(a) free seed shares where no amounts are paid or are payable by the recipient on receipt of the option; and
(b) shares offered to employees at a discounted price. The options carry rights to dividends and voting rights.

The following share-based payment arrangements were in existence during the current and prior years:

Options series	Number	Expiry date	Year
(1) 21764	165,500	Not applicable	2011
(2) 22549	16,550	Not applicable	2011
(3) 22661`	84,830	Not applicable	2012
Total	**266,880**		

5,366 options granted on 24 June 2011 were not taken up during the vesting period.

Fair value of share options granted in the year

The weighted average fair value of share options granted in 2011 was KShs 33.03. Options were valued with reference to quoted market prices. There were no share options granted in 2018 and 2017.

Share options outstanding at the end of the year

There were no share options outstanding as at 31 December 2018 and 2017.

39. CONTINGENT LIABILITIES

As at 31 December 2018, the Group had outstanding contingent liabilities amounting to KShs 494,358,000 (2017 – KShs 728,258,000) in respect of on-going litigation mainly relating to libel charges arising in the normal course of business. A total of KShs 340,412,142 (2017 – KShs 550,065,000) of the contingent liabilities have been insured while a total of KShs 141,446,000 (2017 – KShs 178,192,943) have been provided for by the Group to cover both the balance and the cost of professional legal services.
Legal opinions obtained from the Group's advocates show that no additional liability will arise from contingent liabilities that have not been provided for.

40. SUBSEQUENT EVENTS

There are no material events after the reporting date which require to be disclosed.

41. INCORPORATION

The Standard Group PLC is a limited liability company incorporated and domiciled in Kenya under the Kenyan Companies Act, 2015. The ultimate holding company is SNG Holdings Limited and is incorporated in the United Kingdom.

STANDARD GROUP

FarmKenya Initiative

The next big thing in the Kenyan agribusiness sector, bringing together strategic partnerships using our platforms, to grow the farming culture in Kenya.

ktn FARMERS tv

A 24/7 channel providing agriculture coverage from farming practices, latest innovations and technology to agri-business value chain.
Farmers TV can be watched on Bamba channel 13, Startimes channel 176 and Pang channel 176

Digital Platform

Offers farmers increased market visibilty localy and regionaly to achieve a seamless value chain process.
Get the latest trends on
www.farmers.co.ke
with videos, verified links, news and fresh updates

Maisha Kilimo *Show*

Tune into Radio Maisha on the **Maisha Kilimo Show,** every Sunday from 1-2pm, hosted by Njoro and Martin

Strategic Partnerships

Database Direct Marketing

Smart Harvest
& Technology

Grab our weekly publication, **Smart Harvest and Technology,** for all the news and updates

On Ground: Agricultural Forums/Exhibitions

Visit our website: www.farmers.co.ke
or our social media platforms for feedback

YouTube

FarmKenya Initiative. Working to secure your growth

APPENDIX I

DETAILED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 KShs'000	2017 KShs'000
Revenue	3,549,757	3,458,176
Direct costs	(808,269)	(973,077)
Staff costs	(1,165,542)	(1,194,148)
Selling and distribution costs	(391,634)	(417,317)
Administration expenses	(948,748)	(1,235,666)
Other gains and losses	101,790	67,983
Finance costs	(130,488)	(163,651)
Profit/(loss) before taxation	206,866	(457,700)
Taxation (expense)/credit	(77,009)	123,894
Profit/(loss) after taxation	**129,857**	**(333,806)**

APPENDIX II

DETAILED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	2018 KShs'000	2017 KShs'000
REVENUE		
Advertising	2,680,026	2,445,112
Circulation	869,731	1,013,064
	3,549,757	3,458,176
DIRECT COSTS		
Material cost	464,952	496,633
Depreciation	91,273	182,382
Contribution	91,919	115,904
Operating lease	70,610	73,062
Maintenance	38,580	43,453
News service	29,010	32,100
Production salaries	9,134	19,603
Outdoor advertising (Income)/Costs	(1,871)	8,654
Events	14,662	1,286
	808,269	973,077
STAFF COSTS		
Salaries and wages	980,152	977,370
Personnel costs – other	141,668	172,761
Pension contribution	41,278	41,485
Other	2,444	2,532
	1,165,542	1,194,148

DETAILED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	2018 KShs'000	2017 KShs'000
SELLING AND DISTRIBUTION COSTS		
Commission	260,305	274,910
Transport and distribution costs	91,939	86,875
Marketing and promotion	39,390	89,572
	391,634	**451,357**
ADMINISTRATION EXPENSES		
Rent and office expenses	133,246	193,016
Amortisation	80,500	107,692
Professional fees	55,761	224,684
Impairment losses	223,043	136,473
Depreciation charge	48,215	76,121
Vehicle running and hire	35,044	66,503
Telephone and postages	49,695	74,497
Repair and maintenance	63,216	60,316
Licences	53,336	66,103
Travel and accommodation	13,000	25,413
General insurance	28,738	45,049
Bank charges	42,151	38,232
Electricity and water	45,158	38,620
Training	30,676	36,388
Directors' fees	19,387	15,991
Subscription and donation	8,136	10,210
Printing and stationery	7,688	9,505
Entertainment	5,571	5,363
Others	6,187	5,490
	948,748	**1,235,666**

APPENDIX II

DETAILED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	2018 KShs'000	2017 KShs'000
OTHER GAINS AND LOSSES		
Sale of newspapers/magazines returns and production waste	65,525	34,618
Miscellaneous income	28,301	6,596
Printing services	8,289	20,333
Gain on disposal of property, plant and equipment	7,009	10,255
Exchange gain	(7,334)	(3,819)
	101,790	67,983
FINANCE COSTS		
Interest expenses	130,488	163,651

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the One Hundredth and First (101st) Annual General Meeting of the shareholders of The Standard Group PLC ("the Company") will be held at **The Standard Group Centre along Mombasa Road**, Nairobi on **Friday, 24th May 2019 at 11.00 a.m**. to transact the following business:

1. CONSTITUTION OF THE MEETING
To read the notice convening the meeting and confirm the presence of a quorum.

2. REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
To receive, consider and if thought fit, adopt the audited Consolidated Financial Statements for the year ended 31st December 2018 together with the reports of the Chairman, the Group Chief Executive Officer and the Auditors' thereon.

3. DIVIDEND
To consider and, if thought fit, approve a dividend of KES.0.60 per ordinary share for the Financial Year ended 31st December 2018 as recommended by the Directors. The dividend will be payable on or about 23rd August 2019 to the Shareholders on the Register of Members at the close of business on 21st June 2019.

4. ELECTION OF DIRECTORS
(a) **Mr. Samuel Lerionka Tiampati** retires by rotation in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for re-election.
(b) **Dr. James Boyd Mcfie** having attained the age of seventy years, retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and being eligible, offers himself for re-election.
(c) Pursuant to the provisions of the Section 769 of the Companies Act, 2015, the following Directors being members of the Finance & Audit Committee, be elected to continue to serve as members of the said Committee: **Dr. Githinji Gitahi, Mr. Shaun Zambuni, Ms. Juliana Rotich, Dr. Julius Kipngetich and Dr. James Boyd Mcfie.**

5. REMUNERATION OF DIRECTORS
To approve the remuneration of the Directors and Directors Remuneration Report for the year ended 31st December 2018.

6. AUDITORS
To re-appoint KPMG Kenya to continue in office as the Company's External Auditors for the ensuing financial year by virtue of Section 721(2) of the Companies Act, 2015 and to authorize the Directors to fix their remuneration.

BY ORDER OF THE BOARD

MILLICENT NG'ETICH
COMPANY SECRETARY

Date: 3rd May 2019

NOTE

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in their stead. If the member is a corporation, the proxy shall be appointed in accordance with the Articles of the Company, or be represented in accordance with the Articles. Such a proxy need not be a member.

2. A proxy form may be obtained from our website **http://www.standardmedia.co.ke/corporate/investors** or at the Standard Group Centre, Mombasa Road, Nairobi. Shareholders who do not propose to attend the Annual General Meeting are requested to complete and return the form to the Company Secretary of the Company, or to the Company's Share Registrar, Image Registrars Ltd, 5th Floor, Barclays Plaza, Loita Street P.O. Box 9287-00100 G.P.O Nairobi, not later than 48 hours before the time appointed for holding the meeting.

3. The full annual report may be downloaded from our website **http://www.standardmedia.co.ke/corporate/investors**

Please Note: Transport will be provided to the Shareholders from outside the I&M Bank Towers, along Kenyatta Avenue, from 9.00 a.m. and back to GPO after the close of the meeting.

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STANDARD GROUP bringing your world to you. 100 YEARS OF MEDIA EXCELLENCE

PROXY FORM

The Company Secretary
The Standard Group PLC
P.O. Box 30080-00100
NAIROBI, KENYA

I/We..

Holder of ID/Passport No. ....

and of P.O Box...

Shares/CDS Account number.. Mobile number...

Being a Member(s) of The Standard Group PLC, hereby appoint;

Name..

ID/Passport No. ....

Mobile number...

or failing him/her, the Chairman of the Metting to be my/our proxy, to vote for me/us and on my/our behalf at the 101th Annual General Meeting of the Company to be held on Friday May 24, 2019 at 11.00 a.m. or at any adjournment thereof.

Signed this...day of 2019

Signature(s)..

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
2. In the case of a member being a corporate body, the Proxy Form must be completed under its common seal or under the hand of an officer or duly authorized attorney of such corporate body in writing.
3. Proxies must be delivered to the Company Secretary or the Company's Share Registrar, Image Registrars Ltd, 5th Floor, Barclays Plaza, Loita Street, P.O. Box 9287-00100 G.P.O Nairobi. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in PDF format, not later than 11.00 a.m. on Wednesday May 22, 2019 i.e. 48 hours before the time appointed for holding the meeting.

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This is a leading outdoor advertising business with a national footprint.
Think Outdoor has billboards in strategic sites in major towns across Kenya, including Nairobi, Kisumu, Mombasa, Nakuru, Meru, Nyeri and Eldoret – making the Standard Group the only media house in Kenya that provides a 360 advertising solution to clients.

ktn FARMERS tv
Taking farming to the next level
A 24- hour channel dedicated to keeping farmers updated with the latest information and current trends in farming and technology
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