STANDARD GROUP

bringing your world to you.

2016 ANNUAL REPORT & FINANCIAL STATEMENT

FINANCIAL YEAR ENDED 31ST DECEMBER 2016

...Feel The Change


STARBRIGHT CENTRE
PHONES, ACCESSORIES, ELECTRONICS
CCTV CAMERAS & ELECTRICALS
The Standard
The other side of Uhuru, Raila
HOLIDAYS 2017 TOURISM

TABLE OF CONTENT

Highlights

Business review

Financial review

Shareholder information

DIRECTORS AND STATUTORY INFORMATION

DIRECTORS	Robin Sewell*	- Chairman
	Sam Shollei	- Group Chief Executive Officer
	Orlando Lyomu	- Group Finance Director/Chief Operating Officer - Support Service
	Francis Munywoki	- Managing Director, Print Operations
	Zehrabanu Janmohamed	- Non Executive Director
	Lerionka S. Tiampati	- Non Executive Director
	James Boyd Mcfie	- Non Executive Director
	Shaun Zambuni*	- Non Executive Director
	* British	

COMPANY SECRETARY

Millicent Ng'etich
Certified Public Secretary (Kenya)
Standard Group Centre, Mombasa Road
PO Box 30080 - 00100, Nairobi

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Standard Group Centre
Mombasa Road
PO Box 30080 - 00100, Nairobi

AUDITORS

KPMG Kenya
Certified Public Accountants of Kenya
8th Floor, ABC Towers, Waiyaki Way
PO Box 40612 - 00100, Nairobi

LEGAL ADVISERS

TripleOK Law Advocates
ACK Garden House, 5th Floor, First Ngong Avenue
PO Box 43170 - 00100, Nairobi

BANKERS

Stanbic Bank Limited
Chiromo Road
PO Box 72833 - 00200, Nairobi

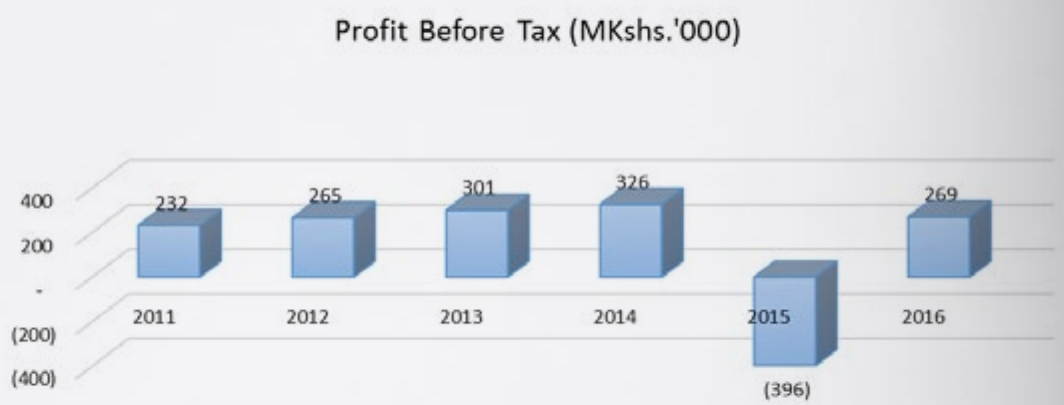
Commercial Bank of Africa Limited
Wabera/Standard Street
PO Box 30437 - 00100, Nairobi

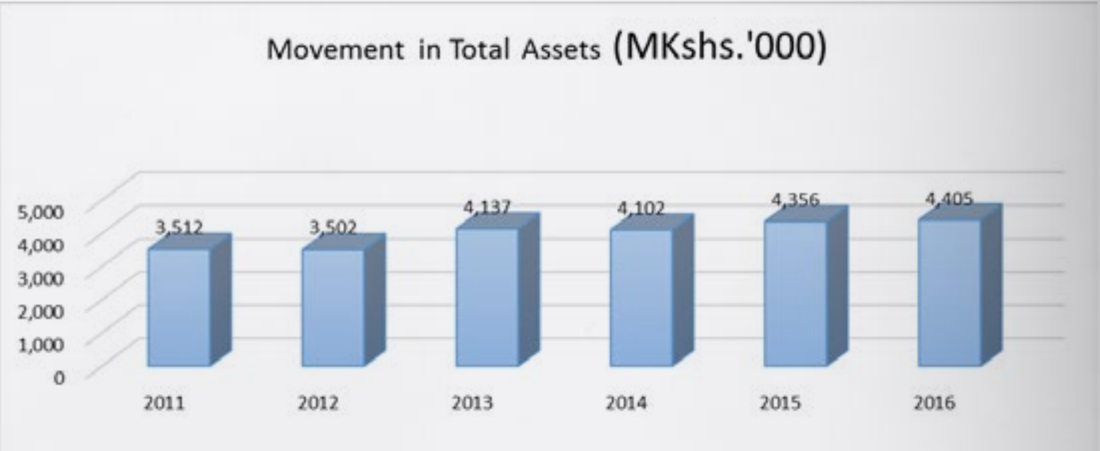
Kenya Commercial Bank Limited
Moi Avenue
PO Box 48400 - 00100, Nairobi

COMPANY REGISTRARS

Image Registrars
Barclays Plaza
Loita Street
PO Box 9287 – 00100, Nairobi

PERFOMANCE AT A GLANCE





ROBIN SEWELL

CHAIRMAN'S STATEMENT

It is my honour to present to you the Annual Report and Audited Financial results for the year ended 31st December 2016.

THE KENYAN ECONOMY

Kenya's Gross Domestic Product (GDP) is estimated to have expanded by 5.8% in 2016 compared to a revised growth of 5.7% in 2015. The sectors that registered significant improved performance were accommodation and food services, information and communication, real estate, and transport and storage. The agriculture and electricity supply sectors were negatively impacted by persistent drought in the fourth quarter of 2016. Growth in construction, mining and quarrying, and financial and insurance activities decelerated in 2016.

Key macroeconomic indicators remained relatively stable during the review period. Annual average inflation eased to 6.3% in 2016 compared to an average of 6.6% in 2015.

THE MEDIA INDUSTRY

The number of TV frequencies increased from 302 recorded in 2015 to 312 in 2016. The increase was attributed to the spread of digital TV broadcasting, which requires less bandwidth than analogue broadcasting, thereby freeing some bandwidth for more frequencies. The number of free-to-air TV channels on the digital terrestrial platform increased slightly to 63 (from 62 in 2015) while the number of digital signal distributors remained unchanged.

The number of radio FM frequencies also increased, by 79 to stand at 687 in 2016, while the number of radio stations rose from 139 in 2015 to 175 in 2016.

Circulation of hardcopy newspapers has been on the decline, with 94 million copies sold in 2016, compared to 98 million in 2015 and 102 million in 2014. The decline was mainly attributable to increased online readership, with online newspaper readers increasing by 18.3 per cent to 1,862,943 in 2016. Online newspapers are now easily accessible on mobile phones, tablets and computers. The number of Kiswahili daily and weekly newspapers in circulation decreased by 15.5% and 22.6%, respectively, in 2016. The daily and weekly English newspapers in circulation declined by 4.2% and 8.2%, respectively, in the year 2016.

THE STANDARD GROUP

The Group results for the year 2016 have seen a remarkable improvement from 2015. These improvements have largely been due to the bold and decisive decisions that were taken in order to realign the priorities of the business and set it in a sustainable growth path. The business currently operates in a fully automated environment that has significantly enhanced the business processes and controls, thereby increasing efficiency and improving service delivery.

STRATEGIC DIRECTION

The Board has continued to develop the Group's strategy with its focus on our core markets, and within the context of the fast pace of change in technology and market needs. In the year under review (2016), the Group undertook a 5-year strategy formulation exercise whose outcomes were bold recommendations that will chart the future direction of the business.

POLICIES AND PROCESSES

The Group further undertook a documentation exercise with the aim of ensuring there are clear policies, procedures, work instructions, templates and records to guide the business operations according to best practice and sound governance. A balanced scorecard approach to employee performance and reward mechanism has also been undertaken in order to focus the organisation towards a high performance-driven culture.

DIVIDENDS

The board does not recommend dividend payment in the year, to allow further investment in our broadcast and digital businesses.

SHARE PRICE AND MARKET CAPITALISATION

The Group had a total of 81.7 million issued shares as at 31st December 2016 with a market capitalisation of Kshs.1.3 billion compared to Kshs.2.3 billion at the same time in 2015. The Group's earnings per share were Kshs 2.14 in the period under review compared to Kshs. (2.95) in 2015.

OUTLOOK – 2017 AND BEYOND

The year under review yielded positive results and with the strategies adopted, the Board is confident that the Group is well equipped to withstand the existing industry challenges and attain sustainable growth and therefore continue to post good results.

The Group has embarked on a strategic plan whose main focus is to grow the broadcast and digital platform segments, strengthen our digital footprint, diversify customer offerings and enhance a performance-driven workplace culture to promote efficiency and effectiveness in product and service delivery.

ACKNOWLEDGMENT

The Board wishes to acknowledge and thank management, staff, readers, viewers, consumers of our other media products, as well as our business partners, for their continued and invaluable support for the growth of the Group's business.

Thank you

Robin Sewell

CHAIRMAN

It is my duty and obligation to presents to you the business highlights for the year ended 31st December 2016.

The Group turnover increased by 8% compared to 2015 to close at Kshs.4.9 billion. Revenue growth was mainly driven by significant improvement from television and radio segments, which grew by 49% and 47%, respectively, to reach Kshs.1 billion (television) and Kshs.317 million (radio). The print division, however, declined by 4% due to a tightening business environment, especially from the National Government and Counties.

The Group's direct costs remained relatively stable, closing at Kshs.898 million from Kshs.882 million in 2015. Overhead costs were managed tightly with an increase of just 4% to Kshs.2.6 million compared to 2015.

The Group closed 2016 at a profit before tax of Kshs.269 million against a loss of Kshs.396 million in 2015.

CHALLENGES AND OPPORTUNITIES

The year 2016 presented a number of significant challenges for the media industry, with most media houses effecting redundancies of staff. Our Group had led the industry in down-sizing in 2015. Media faced significant challenges around the print business brought about largely by reduction in government advertising and significant financial challenges facing other government institutions, including county governments and public universities, most of which failed to honour their debt obligations to the media.

The media industry continued to evolve with the emergence of social media as a strong influencer of news and opinion. The social media space also continues to be a sector that is facing significant challenges characterized by misuse and the spread of false news and hate speech.

The government seems to have finally made real its threat to cut down on its advertising in print media and has recently (2017) directed a ban on advertising in print media and simultaneously launched its print newspaper, MyGov., which is being carried as an insert in newspapers. This is in addition to its earlier launch of the digital portal mygov.go.ke.

The challenges around the County governments included uncollected debts arising from delays in funding from the National Treasury and reduced spend by the various counties. The National Government, through the Government Advertising Agency (GAA), failed to pay significant amounts of debts owed to the Group even after intense lobbying by media stakeholders in the country.

However, the Group maximized on its broadcasting business, growing revenue in both radio and television significantly. Advertising revenue growth was also realized from KTN News, Kenya's only 24-hour news channel, as well as from our digital business and The Nairobian weekly newspaper.

During the same period, The Standard's Re-design project kicked off with consultants, editors and designers working on a product that is expected to spur growth in the flagship newspaper.

The Group entered into a joint venture deal with Radio Africa Limited through Lancia Digital Broadcasting, otherwise known as BAMBA. The venture will see the partners develop more digital television channels and provide enabling infrastructure to venture into other business opportunities such as pay television.

Having finalized the automation processes in 2015, the Group realized improved work processes, enhanced management information systems and provided management with visibility and control over most operations.

In the advertising front, the betting industry provided new opportunities for the Group, with these companies spending for recruitment of clients and general publicity.

PRODUCT PERFORMANCE

COPY CIRCULATION

Copy circulation suffered from changing readership and a shift from contemporary media platforms to online platforms. This affected mostly our flagship brand – The Standard. However, some improvement was noticed towards the second half of the year with consolidation of the efficiencies brought by usage of newly introduced system of electronically tracking circulation performance and using of data generated through our new Enterprise Resource Planning System (SAP).

To stem the decline in mainstream newspaper readership, the Group revamped the content of its flagship brand as part of the redesign and content diversification.

The Group remains optimistic that in the short and medium terms, newspaper readership will stabilize and register growth, and to this extent, management will focus on delivering quality and competitive content for its readers.

The Nairobian, which was launched in 2013, has continued to grow readership although circulation numbers dropped slightly in 2016 after implementation of a price change.

THE STANDARD

The process of re-designing the flagship brand, which began in 2016, was successfully concluded with the launch of the re-designed product in March 2017. Content has also been revamped, with unique content strategy for the weekend papers already in place.

The gaming industry provided a steady revenue stream while creative selling through special supplements and industry-targeted projects boosted sales. Sustained market repair and expansion also boosted circulation revenue.

Key to the success of the planned re-design strategy is strengthening

SAM

SHOLLEI

The Standard's content and improving its packaging in order to win additional readers without alienating existing buyers. The design has been positioned to look youthful and vigorous within The Standard's trade-mark red banner and to excite without shocking.

THE NAIROBIAN

The Nairobian has grown to be one of the leading circulating papers in the Kenyan market today. However, during the year under review, The Nairobian experienced a dip in circulation because of what management views as changes in a number of variables. During the same year, there was change in price from Sh 40 to Sh 50, competition from digital platforms was on the rise with some of the online platforms diluting the impact of stories that would have otherwise been first published in The Nairobian.

Management has put in place strategic measures to regain the numbers. A redesign, planned for the second half of 2017, could bolster its appeal by strengthening content and dressing the paper in a distinctive look.

KENYA TELEVISION NETWORK (HOME CHANNEL)

KTN maintained its second position in share of viewing. The station has been driven by its impetus of remaining different and unique with the introduction of new programs to increase its market share. KTN changed its programming strategy with a view of reaching the wider middle and lower class markets.

KTN NEWS

Launched in July 2015 as the first 24 hour channel in Kenya, KTN News grew in share of viewing to the number three position. Focusing on comprehensive, political, business, investigative, current affairs, and

county and lifestyle news in Kenya and within the East African region, the station has managed to stay relevant in a highly competitive environment.

Owing to the fact that the revenue outlook for TV is generally optimistic, management is keen on monetizing KTN News through product-based revenue generating strategies.

RADIO MAISHA

Radio Maisha continued its growth trajectory, solidifying its position as the second-best rated station in terms of listenership. Consequently, revenue grew to Kshs. 317 million representing a 49% growth above last year. The station is expected to continue to do well in 2017 and emerge the market leader.

STANDARD DIGITAL

Standard Digital maintained its top position in terms of market share, in the first half of the year, before being overtaken by a pure-play site at the close of 2016. Management consequently launched a fight-back, which included among other things retraining staff on Search Engine Optimization, newsroom integration to improve story quality and a review of our digital marketing strategy.

Revenue from this business unit realized growth, closing at KES215 million.

HUMAN RESOURCES

During the year under review, the implementation of a standard grading structure recommended by Deloitte was implemented. Focus shifted to performance management and as a result, a performance management strategy was structured and implemented. Staff were trained on the new performance management tool that is expected to be in use in 2017. Recruitment for the Scribes Inc program - a journalism training program targeting graduate journalists - was done and training is expected to be completed by mid-2017.

FUTURE PROSPECTS

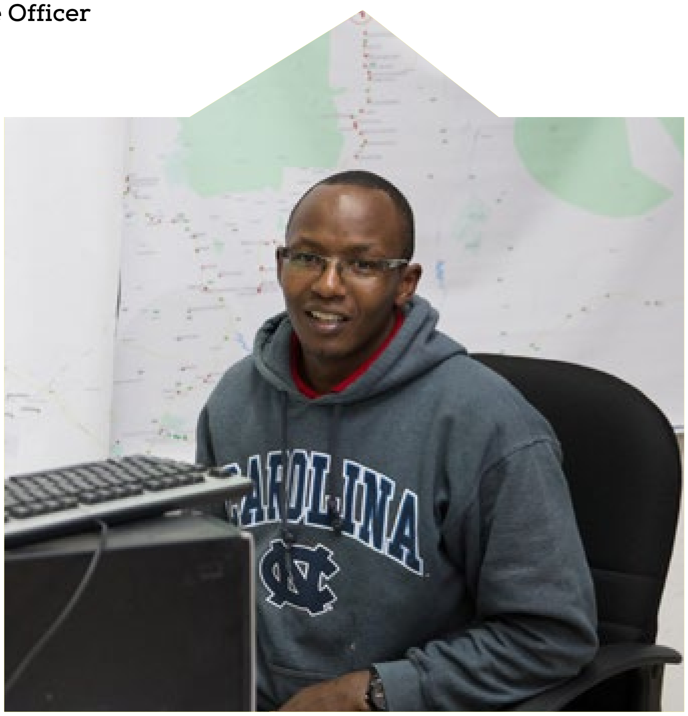
Having reported a profit before tax of Kshs.269 million against a loss before tax of Kshs.396 million incurred in 2015, the Board and management remain optimistic that the Group will realize further growth in 2017.

It is expected that with the launch of the re-designed paper, the benefits of revamped content and a new look product will begin to be felt in the year. Improvements around the revenue streams, particularly television and digital, reinforcement of editorial team to further improve content and opportunities around elections, should positively contribute towards growth in 2017. Further, investments in new business lines and new partnerships are also areas the Group is keen to explore in its diversification strategy.

The Group will continue to invest in training to increase the skill sets of staff to assure greater productivity and quality content and overall product offering.

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

SAM SHOLLEI
Chief Executive Officer



REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2016, 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

	2016 KShs'000	2015 KShs'000
Profit/(loss) before taxation	269,475	(395,801)
Taxation (expense)/credit	(70,954)	106,198
Profit for the year transferred to retained earnings	198,521	(289,603)
Attributable to:		
Non-controlling interests	23,228	(48,700)
Owners of the Company	175,293	(240,903)
	198,521	(289,603)

3.Dividend

The directors do not recommend a dividend payment for the year ended 31 December 2016 (2015 – Nil).

4. Directors

The directors who served since 1 January 2016 and upto the date of this report are set out on page 1.

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, continue in office in accordance with the requirements of the Kenyan Companies Act, 2015.

7. Business overview

Summary of results

The company remained resilient in a challenging business operating environment which included reduced government advertising in the print media, delayed payments of government debt by the Government advertising agency to post good results for the year ended December 2016. Management has placed focus to diversify revenue generating businesses and manage costs to ensure that the business continues to thrive in the current environment.

The Group turnover increased by 7% compared to 2015 to close at KShs 4.8 billion mainly attributable to increase sales in broadcast-TV, Broadcast-Radio, Out-door advertising and digital business segments.

Gross profit increased by 6% to KShs 3.5 billion mainly due to increased revenues. Cost of sales increased by 11% as a result of increased advertising commissions and depreciation of assets. Other income reported a positive of KShs 99 million due to elimination of losses in 2015 of foreign exchange and impairment of assets. There was also an increase in revenue generated from third party printing services.

Operating costs decreased by 12% to close at KShs 3 billion, the decrease is attributable to reduced staff costs, impairment losses, professional fees and sales commissions.

Net finance costs closed at KShs 234 million compared to KShs 163 million in 2015. The increase was due to increased investment and working capital requirement.

The Group closed the period 2016 at a profit before tax of KShs 269 million against a loss before tax of KShs 396 million incurred in 2015.

Analysis of Group by business segment

The Group's business segments are:

- Print which includes newspaper copy sales and print advertising. Print has 2 publications, The Standard newspaper and The Nairobian.
- Broadcast TV, which includes 2 television stations KTN-Home and KTN-News. KTN-News is the first 24 hour news channel in East Africa.
- Broadcast Radio includes one radio station Radio Maisha.
- Out of Home advertising which provides billboard advertising across the country.
- Standard Digital which is our online platform.

Print

Print circulation volumes have declined by 11% against last year resulting to a decrease in revenue by 8%. The decline is mainly attributable to competition from alternative media. The management has strengthened the Editorial and Circulation functions to improve readership.

Print advertising revenue was above by 20% from KShs 2.057 billion to KShs 2.103 billion mainly due to decline in spending by the government advertising agencies.

Broadcast – TV

The TV business is on a recovery trend after the digital migration in 2015. Revenues have begun to stabilize and the segment closed the year at 49% above revenue reported in the year 2015. This has been driven by introduction of KTN-News and innovative offerings to customers including but not limited to live coverages and sponsorships.

Broadcast – Radio

Radio revenue increase by 4% compared to 2015. This is mainly attributable to the stations strong leadership position, coupled with wider presence through continuous investments and human resources that has seen the station grow its listenership and attract premium clients as evidenced in revenue growth. The radio revenue has also received support from roadshows and event activities.

Out of home

Out of home revenue has increase by 26% compared to 2015. This is mainly attributable to the investment in digital billboards which are gaining traction with the advertisers now engaging on long-term contracts.

Digital

Revenue from indirect revenue streams boosted this year's performance to 12% above 2015

Financial position

The Group has maintained a strong financial position recording a growth of 11% in net assets. This is in line with the company strategy to enhance growth for all its business units.

2017 Management Agenda

The Group continues to be face various challenges in the media industry which include but are not limited to: Migration to digital platform which resulted to increased broadcasting costs, increased competition and reduced viewership.

The government move to consolidate advertising through the Government Advertising Agency (GAA) effective July 2015 has had a negative impact on the industry by reducing government spend and also delaying payments.

Availability of alternative media providing news and therefore reducing the volumes of newspaper sales.

The management has developed various initiatives to mitigate the challenges and is confident that the Group has positioned itself to withstand the challenges and attain sustainable growth and therefore continue to post good results.

The following initiatives will be implemented in the coming year:

Emphasis will be placed to grow the Broadcast (TV and Radio) and digital platform business segments. The segments are on a growth trend and the initiatives will be directed towards ensuring that we are pioneers in developing innovative products to the market.

- Strengthen our digital footprint to increase TV viewership
- Diversify print products and customers to mitigate on the current declineDevelop a performance driven workplace culture to ensure efficiency and effectiveness in service and product delivery
- Improve debt collection to cushion the Group from high capital requirement.

8.Approval of financial statements

The financial statements were approved at a meeting of the directors held on 3 March 2017.

BY ORDER OF THE BOARD

MILLICENT NG'ETICH
Secretary
Date: 3 March 2017

CORPORATE GOVERNANCE STATEMENT

Good corporate governance practices are essential to the delivery of sustainable stakeholder value. At The Standard Group Limited (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 Standard Group Limited fully adheres to its obligations as a public listed company in compliance with the various regulations by the CMA and the Nairobi Securities Exchange and the ethical standards prescribed in the Company's Code of Conduct. In addition, as a law abiding corporate, The Standard Group Limited abides by the tenets of the Constitution of Kenya and all other laws.

In the financial year under review, we continued to strive to achieve high levels of corporate governance by focusing on the following specific areas in addition to the ongoing recurrent corporate governance enhancement actions:

- Growing shareholder value by continuing to implement our strategy that is aimed at enabling and promoting the long-term prosperity of the business.
- Timely and relevant disclosures to provide stakeholders and mostly shareholders with a clear understanding of our business.
- Compliance with laws and disclosure of policies to all relevant stakeholders.
- Upholding the highest levels of integrity in the organisation's culture and practices.

BOARD OF DIRECTORS

The composition of the Board is in keeping with good corporate governance practices. The role of the Chairman and the Group Chief Executive Officer are segregated. The Group Chief Executive Officer is in charge of the day to day running of the business of the Group. A non-executive director acts as Chairman of the Board. The Board currently consists of 8 Directors, 5 of whom are Non-Executive Directors. The Directors possess a broad range of expertise, diverse professional backgrounds from various sectors and experience required to effectively run the business. All the directors' appointments are subject to confirmation by shareholders at the Annual General Meeting. 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.

The Board together with the Company Secretary plan the agenda and annual programmes for the Board that enables it to have detailed review of the Group's operations, approve business plans, budgets and financial statements. The Board meets at least four times a year. 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.

BOARD OF DIRECTORS RESPONSIBILITIES

The Board of Directors is responsible for the long term strategic direction of the Group which is aimed at sustainable value creation to maintain a profitable growth, and at the same time upholding high standards of corporate governance and business ethics. A summary of Board of Directors responsibilities is highlighted below:

- The Board provides effective leadership and stewardship in the running of the Company. This enhances shareholder value and ensures long-term sustainability and growth of the Company.
- The Board is the custodian of governance processes and facilitates the setting up of appropriate corporate governance structures for the management of Company's operations.
- Reviews and approves strategies and business plans. This requires the Board to develop an in-depth knowledge of the Company's business, understanding and questioning Management assumptions upon which such plans are based and reaching an independent judgment on the probability that the plans will be realised.
- Reviews and approves the Company's financial objectives, plans and actions, including significant capital allocations and expenditure.
- Establishment of Board Committees, policies and procedures that facilitate the most effective discharge of the Board's roles and responsibilities.
- Facilitates Board accountability through effective Board evaluation and succession planning.
- Evaluates and approves the compensation of the Company's Group Chief Executive Officer.
- Reviews the succession plans for the position of the Group Chief Executive Officer and the executive management team.

BOARD MEETINGS

Board Meetings are held every quarter and in exceptional circumstances as dictated by requirements of business operations.

This financial year, a total of seven (7) Board Meetings were held.

During their meetings the Board reviews the Group performance against the planned strategies and also approve issues of strategic nature.

Board meetings and members' attendance for 2016

Member	Position	29.01.2016	4.03.2016	24.03.2016	24.06.2016	23.09.2016	05.012.2016	20.12.2016
Robin Sewell	Chairman	√	√	-	√	√	√	-
James Mcfie	Non-Executive Director	√	-	√	-	√	√	√
Zehrabanu Janmohamed	Non-Executive Director	-	√	-	√	-	√	-
Samuel L. Tiampati	Non-Executive Director	√	√	√	-	√	-	√
Shaun Zambuni	Non-Executive Director	√	√	√	√	√	√	√
Sam Shollei	Executive Director	√	√	√	√	√	√	√
Orlando Lyomu	Executive Director	√	√	√	√	-	√	√
Francis Munywoki	Executive Director	√	√	√	√	√	√	√

BOARD COMMITTEES

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

The Board has two Committees both of which are guided by clear terms of reference. The Committees are instrumental in monitoring Group operations, conduct of business, systems and internal controls. The Committees are the Finance and Audit Committee, and the Human Resources and Remuneration Committee.

1. FINANCE AND AUDIT 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.

The Committee plays a vital role in ensuring the Integrity of the financial statements. It assists the Board in evaluating financial and management controls and recommending improvements. To further strengthen and ensure independent reports on internal audit, the Board has hired Internal Auditors. Internal audit reports, findings and recommendations are presented to the Committee to ensure implementation. The Committee further ensures that the financial reporting is accurate and timely.

The Committee met five (5) times during the year.

Finance and Audit Committee meetings and members' attendance for 2016

Member	Position	26.02.2016	20.05.2016	16.08.2016	16.09.2016	22.11.2016
James Mcfie	Non-Executive Director	√	√	√	√	√
Zehrabanu Janmohamed	Non-Executive Director	√	-	√	-	-
Samuel L. Tiampati	Non-Executive Director	√	√	√	√	√
Shaun Zambuni	Non-Executive Director	√	√	√	√	√

2. 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.

The Committee assists the Board in addressing issues relating to remuneration of Directors and general employee development and motivation.

It also ensures that the remuneration set is within the principles of equity and appropriateness. This Committee is also responsible for monitoring and appraising the performance of senior management and review of all human resource policies. In addition, the Committee oversees a transparent process for recruitment of Directors to the Board.

The Committee met six (6) times during the year

Human Resources and Remuneration Committee meetings and members' attendance for 2016

Member	Position	26.02.2016	11.05.2016	20.05.2016	16.09.2016	25.10.2016	22.11.2016
Samuel L. Tiampati	Non-Executive Director	√	√	√	√	√	√
James Mcfie	Non-Executive Director	√	√	√	√	√	√
Zehrabanu Janmohamed	Non-Executive Director	√	-	-	-	-	-
Shaun Zambuni	Non-Executive Director	√	√	√	√	√	√

MR. ROBIN SEWELL

Chairman

Mr. Sewell, is a partner in MGI Midgley Snelling, an English firm of Chartered Accountants. He is a fellow of the Institute of Chartered Accountants in England and Wales. He is the Chairman of the Group, a position he has held since 1st November, 2000.

MR. SAM SHOLLEI

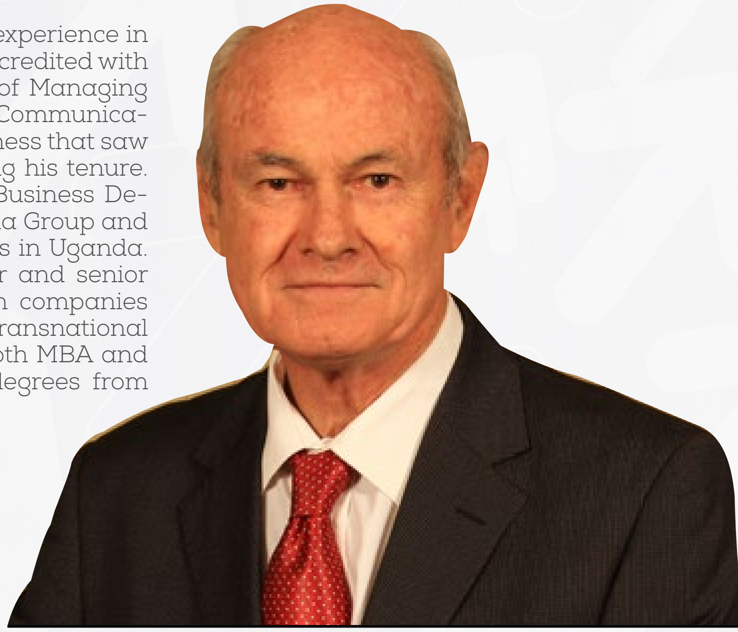
Chief Executive Officer

Mr. Sam Shollei has vast experience in the media industry and is credited with having held the position of Managing Director – Mwananchi Communications in Tanzania - a business that saw tremendous growth during his tenure. He served as Director – Business Development at Nation Media Group and GM – Monitor Publications in Uganda. He has also held director and senior management positions in companies in Nairobi including Transnational Bank. Mr. Shollei holds both MBA and Bachelor of Commerce degrees from the University of Nairobi.

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.



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 forty (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.

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 twenty (20) years legal practice experience. She is a partner at Archer & Wilcock Advocates.

MR. ORLANDO LYOMU

Group Finance Director and Chief Operations Officer

Has 15 years' experience in Finance gained from dynamic and multi - cultural organisations. Worked at Total Kenya Ltd, where he started his career and rapidly rose through the ranks to hold various positions including Treasury Manager and Chief Accountant. Served as a CFO Gulf Energy Limited in charge of the group companies. Holds a Bachelor of Commerce degree from University of Nairobi and is finalizing on his MBA for Executives at the Strathmore Business School. He is a CPA (K) and a member of ICPAK.

MR. SAMUEL L. TIAMPATI

Non Executive Director

Mr. Tiampati was appointed a Non-Executive Director in July 2007. He holds a 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 Association (KETEPA). He is currently the Chief Executive Officer of the Kenya Tea Development Agency (KTDA).

MR. FRANCIS MUNYWOKI

Managing Director, Print Operations

Holds a BSc – Electrical and Communication Engineering, MBA from the London Business School. He brings invaluable senior management experience spanning more than 10 years with multinational organisations leading in information management, strategy and projects that leveraged revenue growth and improved customer service. He previously worked with The Coca-Cola Company and Pepsico Europe.

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 Boards' 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.
- Ensuring proper development of Board meetings and providing Directors with information on governance matters.
- Guiding the Company in taking initiatives to not only disclose corporate governance matters as required by law, but also information of material importance to 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 Group responds to numerous letters from shareholders and interested parties on a wide range of issues.

The Group also invites shareholders to seek clarity on company performance in general meetings.

CORPORATE SOCIAL INVESTMENT REPORT

The Standard Group has a CSR portfolio that has embraced the main pillars of education, health, and the environment. The Company has engaged in projects revolving around these pillars and involving every cadre of society, across all elements of the economy and regions of the country.

EDUCATION

Tegla Loroupe Foundation run: The Group sponsored the Tegla Loroupe Foundation Education Marathon that was held in Turkana. Staff participated in the event, adding impetus to the noble cause aimed at not only providing scholarships for needy students but also promoting peace in Turkana and neighboring communities.
Little Rock Education Walk: As part of its Learning Disabilities Campaign, the Group sponsored Little Rock ECD center, a school for children living with disabilities, based in Kibera. The walk was aimed at raising funds to expand the school and enroll more needy students in Nairobi.
Kenya Community Center for Learning (KCCL Walk): The Group sponsored the learning disabilities campaign with the proceeds of the walk going towards, among other things, raising school fees for children living with disabilities.
Mama Sarah Obama Foundation (MSOF): Through the Foundation, the Group sponsored MSOF Zumbathon - a dance event that raised funds towards the construction of Mama Sarah Obama Education Center in Kogelo, Siaya County.

HEALTH

The Standard Group has been actively engaged in promoting the society's well-being through supporting various healthcare-focused initiatives. The Group partnered with like-minded stakeholders in the following campaigns:
Mater Heart Run: The Company, through the Corporate Affairs Department, partnered with Mater Hospital to support Mater Heart Run 2016. This

is an annual event that aims to assist children from families who cannot afford the cost of cardiac surgery. The run, which attracted thousands of Kenyans, provided the Group with a strong brand visibility. Staff members also got the opportunity to participate in the event.
My Eyes Your Eyes Campaign: The Group, in partnership with Kenya Society for the Blind, provided free medical screening to staff and residents of Limuru area in Kiambu County. The campaign culminated in the climbing of Mt Longonot and later a "Blind Walk" during the World Sight Day. This initiative aims at creating awareness on blindness and preventive measures.
Beyond Zero Campaign: The Group sponsored The Beyond Zero campaign that seeks to raise funds to reduce maternal deaths. The campaign is spearheaded by First Lady Margaret Kenyatta.
Malaika Awards: The Group sponsored Malaika Awards 2016. The awards encompass a walk that aims to raise awareness on disability and culminates in an awards dinner that recognizes people living with disabilities but who are doing extraordinary things in society.
Coast Hospice: Operating in the coastal region of Kenya, Coast Hospice provides health services for terminally ill patients. The Group sponsored the Coast Hospice Walk during the Cancer Awareness Month, with funds raised going towards support of the facility's health services.

ENVIRONMENT

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

- Supported the Kenya Red Cross Society (KRCS) Turkana environmental sustainability project and a fundraising for drought mitigation.
- Supported the Ndakaini Marathon in association with Nairobi Water and Sewerage Company.

CODE OF CONDUCT

The Group has a code of conduct which seeks to guide employees in ethical conduct of business. All Directors, management and employees are expected to observe high standards of integrity and ethical conduct when dealing with customers, staff, suppliers and regulatory authorities.

INTERNAL CONTROL

The effectiveness of the Group internal control is monitored on a regular basis by the Internal Audit function. The Internal Audit function reviews the Group compliance with the laid down policies and procedures as well as assessing the effectiveness of the internal control structures. The Internal Audit function focuses their attention to areas where the Group could be exposed to greatest risks. The Internal Audit function reports to the Audit Committee of the Board.

The Group has established operational procedures and controls to facilitate proper safeguard of assets and accurate financial reporting.

CONFLICTS OF INTEREST

All Directors and management are under duty to avoid conflicts of interest. The Directors are required to disclose outside business interests which would conflict with the Group business.

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 as at 31 December 2016

The ten largest shareholders of the Company as at 31 December 2016 were as follows:

No. Name of shareholder	No. of shares	Percentage
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	1,213,000	1.48%
5. Kirtes H Premchand Shah	429,716	0.53%
6. The Standard Group Limited Esop Trust	266,880	0.33%
7. Saraj Properties Limited	256,000	0.31%
8. Denroma Investment Limited	238,640	0.29%
9. Julius Gecau	220,793	0.27%
10. Eufrazio Juliao Goes	220,000	0.27%

Shares Distribution Schedule as at 31 December 2016

Range	Number of ShareHolders	Number of Shares Held	Percentage
1 . 1 to 500	2,179	287,425	0.35 %
2 . 501 to 1000	396	288,667	0.35 %
3. 1001 to 5000	635	1,268,809	1.55 %
4. 5001 to 10000	119	814,525	1.00 %
5. 10001 to 50000	87	1,674,301	2.05 %
6. 50001 to 100000	2	145,000	0.18 %
7. 100001 to 500000	9	2,102,745	2.57 %
8. 500001 to 1000000	-	-	- %
9 . 1000001 to 2000000000	4	75,150,336	91.95 %
Total	**3,431**	**81,731,808**	**100.00%**

Shareholders Profile as at 31 December 2016

	Category Shareholders	Number of Shares held	Number of Percentage
Foreign Investors	96	56,830,246	69.53%
Local Institutions	214	18,897,370	23.12%
Local Individuals	3,121	6,004,192	7.35%
Total	**3,431**	**81,731,808**	**100.00%**

DIRECTORS REMUNERATION REPORT

The Standard Group Limited'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.

The Standard Group Limited is pleased to present the Director's Remuneration report for the year ended 31 December 2016. This report is in compliance with CMA Guidelines on Director's remuneration and the New Companies Act, 2015. The Group's remuneration structure 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.

The Board comprises of 5 Non-executive directors, including the Chairman and 3 Executive directors as follows:

- Executive Directors: Mr. Sam Shollei, Mr. Orlando Lyomu and Mr. Francis Munywoki
- Non-Executive Directors: Mr. Robin Sewell, Dr. James Boyd Mcfie, Ms. Zehrabanu Janmohamed, Mr. Shaun Zambuni and Mr. Samuel Lerionka Tiampati.

The remuneration for the Executive Directors is based on the terms of engagement negotiated and outlined in the contract of employment. Other benefits are also payable as per the Group's Reward Policies in force from time to time.

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. 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.

For the Financial year ended 31 December 2016, the consolidated Directors' fees were KShs 70,081,693. During this period, the Non-Executive Directors received no benefits other than honoraria and attendance fees. No loans have been advanced to the Directors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the financial statements of The Standard Group Limited and its subsidiaries set out on pages 22 to 78 which comprise the statements of financial positions of the Group and of the company as at 31 December 2016, 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 state of the financial affairs of the Group and the company and of the Group operating results and cash flows.

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

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 by the Board of Directors on
3 March 2017 and were signed on its behalf by:

_____________________________	____________________________
Sam Shollei	Orlando Lyomu
Director	***Director***

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

Report on the audit of the consolidated and company financial statements

OPINION

We have audited the financial statements of The Standard Group Limited and its subsidiaries (the Group) set out on pages 22 to 78, which comprise the consolidated and company statements of financial position as at 31 December 2016, 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 present fairly, in all the material aspects, of the consolidated and company financial position of The Standard Group Limited as at 31 December 2016, 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 Consolidated and Company 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 consolidated and company financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with 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 consolidated and company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Valuation of trade receivables</th></tr>
<tr><td colspan="2">See Note 22 to the consolidated and company financial statements.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed</th></tr>
<tr><td>Valuation of trade receivables is considered a key audit matter because:

— About 42% of the Group's total assets comprises trade receivables. 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 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.

— The assessment and application of trade receivables provisions are subject to judgment.

We focused our audit on the Group's provision methodologies and assessment of the recoverability of trade receivables.</td><td>Our audit procedures in this area included, among others:

— We reviewed the adequacy of controls over the existence and recoverability of trade receivables balances.

— We tested a sample of outstanding customer balances as at 31 December 2016 for post year end receipts by the Group.

— Review and evaluation of directors judgment and assumptions with regards to the application of provisions to potentially impaired trade receivables.</td></tr>
</table>

Provisions and contingent liabilities in respect of litigations	
See Note 38 to the consolidated and company financial statements	
The key audit matter	**How the matter was addressed**
The Group is subject to claims, which could have a significant impact on the Group's results if the potential exposures were to materialise. Management applies 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.	Our audit procedures in this area included, among others: — Assessment of the processes and controls over litigations operated by Management. — Discussions with the Group's in-house legal counsel to understand the nature of ongoing claims, and to validate the latest status and accounting and disclosure implications.

Provisions and contingent liabilities in respect of litigations (continued)	
See Note 38 to the consolidated and company financial statements (continued)	
The key audit matter	**How the matter was addressed**
	— Reviewed formal confirmations from the Group's external legal counsel for significant litigation matters to ensure completeness of provisioning and disclosure. — Assessed relevant historical information and recent judgments passed by the court authorities alongside legal opinion from external lawyers to challenge the basis used for the provisions recorded or disclosures made by Directors. — Where provisions were not required, we considered the adequacy and completeness of the Group's disclosures made in relation to contingent liabilities.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information contained in the annual report 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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

As stated on page 16, the Directors are responsible for the preparation and fair presentation of the consolidated and company financial statements in accordance with IFRSs, and the requirements of the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Directors for the consolidated and company financial statements (continued)

In preparing the consolidated and company financial statements, the Directors are responsible for assessing the Group'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 or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated and company 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group 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.

Auditor's responsibilities for the audit of the consolidated and company financial statements (continued)

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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
iii. The statement of financial position of the Company is in agreement with the books of account;

The Engagement Partner responsible for the audit resulting in this independent auditors' report is CPA Joseph Kariuki – P/2102.

KPMG Kenya

8th Floor, ABC Towers
Waiyaki Way
PO Box 40612
00100 Nairobi GPO

Date: 3 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 KShs'000	2015 KShs'000
Revenue	7	4,815,327	4,488,399
Direct costs	8	(1,332,116)	(1,203,053)
Other gains/(losses)	9	98,918	(26,113)
Selling and distribution costs	10	(472,805)	(521,208)
Administrative expenses	11	(2,606,130)	(2,970,188)
Finance costs	12	(233,719)	(163,638)
Profit/(loss) before taxation	**13**	**269,475**	**(395,801)**
Taxation (expense)/credit	15(a)	(70,954)	106,198
Profit/(loss) for the year		**198,521**	**(289,603)**
Total comprehensive income for the year		**198,521**	**(289,603)**
Attributable to:			
Non-controlling interests	25	23,228	(48,700)
Owners of the parent		175,293	(240,903)
		198,521	**(289,603)**
Earnings per share – Basic and diluted (KShs)	16	**2.14**	**(2.95)**

The notes set out on pages 36 to 84 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

ASSETS	Note	2016 KShs'000	2015 KShs'000
Non-current assets			
Property, plant and equipment	17(a)	1,846,786	2,029,434
Prepaid operating lease rentals	18	115,658	117,291
Intangible assets	19(a)	405,482	447,497
Deferred tax asset	27(a)	35,314	56,946
		2,403,240	2,651,168
Current assets			
Inventories	21(a)	150,567	147,141
Trade and other receivables	22(a)	1,812,340	1,502,434
Taxation recoverable	15(c)	6,883	20,418
Bank and cash balances	31(b)	31,901	34,453
		2,001,691	1,704,446
TOTAL ASSETS		**4,404,931**	**4,355,614**
EQUITY AND LIABILITIES			
Capital and reserves (Page 25)			
Share capital	23(a)	408,654	408,654
Share premium	23(b)	39,380	39,380
Capital redemption reserve	24(a)	102	102
Retained earnings	24(b)	1,428,014	1,252,721
Attributable to owners of the Company		1,876,150	1,700,857
Non-controlling interests	25	199,944	176,710
Total equity		**2,076,094**	**1,877,573**
Non-current liabilities			
Deferred tax liability	27(a)	145,340	160,775
Borrowings	28(a)	471,594	530,021
		616,934	690,796
Current liabilities			
Taxation payable	15(c)	17,861	-
Borrowings	28(a)	738,255	956,929
Due to related parties	26(b)	88,588	105,991
Trade and other payables	29(a)	845,454	677,563
Dividends payable	14	-	25,392
Employee benefits	30(a)	21,745	21,370
		1,711,903	1,787,245
TOTAL EQUITY AND LIABILITIES		**4,404,931**	**4,355,614**

The financial statements on pages 22 to 78 were approved by the Board of Directors on 3 March 2017 and were signed on its behalf by:

_______________________________ _______________________________

Director Director

The notes set out on pages 36 to 84 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

ASSETS	Note	2016 KShs'000	2015 KShs'000
Non-current assets			
Property, plant and equipment	17(b)	1,547,869	1,706,899
Prepaid operating lease	18	115,658	117,291
Intangible assets	19(b)	338,607	380,623
Investments	20	70,367	70,367
		2,072,501	2,275,180
Current assets			
Inventories	21(b)	139,753	132,447
Trade and other receivables	22(b)	1,366,873	1,161,356
Due from a group company	26(a)	174,608	255,562
Tax recoverable	15(c)	-	13,694
Bank and cash balances		28,066	34,253
		1,709,300	1,597,312
TOTAL ASSETS		**3,781,801**	**3,872,492**
EQUITY AND LIABILITIES			
Capital and reserves (Page 26)			
Share capital	23(a)	408,654	408,654
Share premium	23(b)	39,380	39,380
Capital redemption reserve	24(a)	102	102
Retained earnings	24(b)	1,212,807	1,061,690
Shareholders' equity		1,660,943	1,509,826
Non-current liabilities			
Deferred tax liability	27(b)	145,340	160,775
Borrowings	28(b)	471,594	530,021
		616,934	690,796
Current liabilities			
Tax payable	15(c)	17,861	-
Borrowings	28(b)	720,232	941,971
Due to related parties	26(b)	99,180	116,587
Trade and other payables	29(b)	652,797	572,498
Dividends payable	14	-	25,392
Employee benefits	30(b)	13,854	15,422
		1,503,924	1,671,870
TOTAL EQUITY AND LIABILITIES		**3,781,801**	**3,872,492**

The financial statements on pages 30 to 84 were approved by the Board of Directors on 3 March 2017 and were signed on its behalf by:

Director   Director

The notes set out on pages 36 to 84 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

2015:	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
At 1 January 2015	408,654	39,380	102	1,534,491	1,982,627	225,416	2,208,043
Total comprehensive income							
Loss for the year	-	-	-	(240,903)	(240,903)	(48,700)	(289,603)
2014 Dividends paid	-	-	-	(40,867)	(40,867)	-	(40,867)
At 31 December 2015	**408,654**	**39,380**	**102**	**1,252,721**	**1,700,857**	**176,716**	**1,877,573**
2016:							
At 1 January 2016	408,654	39,380	102	1,252,721	1,700,857	176,716	1,877,573
Total comprehensive income							
Profit for the year	-	-	-	175,293	175,293	23,228	198,521
At 31 December 2016	**408,654**	**39,380**	**102**	**1,428,014**	**1,876,150**	**199,944**	**2,076,094**

The notes set out on pages 36 to 84 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

2015:	Share Capital KShs'000	Share Premium KShs'000	Capital redemption reserve KShs'000	Retained Earnings KShs'000	Total KShs'000
At 1 January 2015	408,654	39,380	102	1,292,772	1,740,908
Total comprehensive income for the year					
Loss for the year	-	-	-	(190,215)	(190,215)
2014 dividends paid	-	-	-	(40,867)	(40,867)
At 31 December 2015	**408,654**	**39,380**	**102**	**1,061,690**	**1,509,826**
2016:					
At 1 January 2016	408,654	39,380	102	1,061,690	1,509,826
Total comprehensive income for the year					
Profit for the year	-	-	-	151,117	151,117
At 31 December 2016	**408,654**	**39,380**	**102**	**1,212,807**	**1,660,943**

The notes set out on pages 36 to 84 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

Cash flows from operating activities	**Note**	**2016 KShs'000**	**2015 KShs'000**
Cash generated from operations	31(a)	756,406	128,650
Interest paid	12	(233,719)	(163,638)
Tax paid	15(c)	(33,361)	(77,256)
Net cash generated from/(used in) operating activities		**489,326**	**(112,244)**
Cash flows from investing activities			
Purchase of intangible assets	19(a)	(25,128)	(8,653)
Purchase of property, plant and equipment	17(a)	(178,128)	(456,334)
Proceeds from disposal of property, plant and equipment		13,871	12,894
Net cash used in investing activities		**(189,385)**	**(452,093)**
Cash flows from financing activities			
Dividends paid	14	(25,392)	(15,476)
Bank loans received	28(a)	1,103,522	1,219,372
Bank loans repaid	28(a)	(1,227,831)	(810,629)
Net cash (used in)/generated from financing activities		**(149,701)**	**393,267**
Net increase/(decrease) in cash and cash equivalents		150,240	(171,070)
Cash and cash equivalents at 1 January		(450,402)	(279,332)
Cash and cash equivalents at 31 December	**31(b)**	**(300,162)**	**(450,402)**

The notes set out on pages 36 to 84 form an integral part of these financial statements.

1.REPORTING ENTITY

The Standard Group Limited ("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 2016 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015.

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

(c) Functional and presentation currency

These consolidated 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 consolidated 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 5.

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 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.

(b) Revenue and other income recognition

Revenue from the sale of newspapers and magazines is recognised upon the delivery of goods to customers or when title has passed to customers. Advertising revenue is recognised when advertisements are published in the newspaper or aired on television or radio. Revenue is measured at the fair value of the consideration received or receivable, net of VAT and discounts.

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 three business segments are Publishing, Television and Radio.

(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:

	2016	**2015**
Buildings	2%	2%
Plant and machinery	5% - 10%	5% - 10%
Motor vehicles	25%	25% - 67%
Furniture, fittings and equipment	10% 33⅓%	10% 33⅓%

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	33⅓%

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.

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) 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.

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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) New standards and interpretations

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

The Group has adopted the following new standards and amendments during the year ended 31 December 2016, including consequential amendments to other standards with the date of initial application by the Group being 1 January 2016. The nature and effects of the changes are explained below:

New standard or amendments
— Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
— Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortistion
— Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)

New standard or amendments
— Equity Method in Separate Financial Statements (Amendments to IAS 27)
— IFRS 14 Regulatory Deferral Accounts
— Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
— Disclosure Initiative (Amendments to IAS 1)

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be re-measured. The amendments apply prospectively for annual periods beginning on or after 1 January 2016.
The adoption of these changes did not have a significant impact on the financial statements of the Group since the Group does not have joint operations.

Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.The new requirements are effective from 1 January 2016.

The adoption of these changes did not have an impact on the financial statements of the Group as the Group does not have bearer plants.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The adoption of these changes did not have an impact on the financial statements of the Group as the Group does not apply revenue-based methods of depreciation or amortization.

Equity Method in Separate Financial Statements (Amendments to IAS 27)
The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016.

The adoption of these changes did not have an impact on the financial statements of the Group since the Group does not have interests in other entities and does not apply the equity method to account for subsidiaries.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016.

The adoption of these changes did not have an impact on the financial statements of the Group given that the Group is not a first time adopter of IFRS.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendment to IFRS 10 *Consolidated Financial Statements* clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 *Disclosure of Interests in Other Entities* requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 I*nvestments in Associates and Joint Ventures* modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) - continued

The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016.

The adoption of these changes did not have an impact on the financial statements of the Group since the Group does not apply the consolidation exemption and does not have interests in other entities, associates or joint ventures.

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

The effect of these changes have been applied in these financial statements. These did not have a significant impact.

Annual improvements cycle (2012-2014) – various standards

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2016

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2016, and have not been early adopted by the Group. The directors are in the process of assessing the impact of these standards on the Group and parent entity's financial statements.

3.SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v)New standards and interpretations (continued)

(ii)New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2016 (continued)

IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)	Servicing contracts. Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. The adoption of these changes did not have an impact on the financial statements of the Group since the Group does not have servicing contracts for transferred assets. Applicability of the amendments to IFRS 7 to condensed interim financial statements. Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements. The adoption of these changes did not have an impact on the financial statements of the Group since the Group does not produce condensed interim financial statements.
IAS 19 Employee Benefits	Discount rate: regional market issue. Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level). The adoption of these changes did not have an impact on the financial statements of the Group since the Group does not have a defined benefits scheme.
IAS 34 Interim Financial Reporting	Disclosure of information 'elsewhere in the interim financial report'. Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference The adoption of these changes did not have an impact on the financial statements of the Group since the Group does not produce an interim financial report.

IAS 19 Employee Benefits	Discount rate: regional market issue. Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level). The adoption of these changes did not have an impact on the financial statements of the Group since the Group does not have a defined benefits scheme.
IAS 34 Interim Financial Reporting	Disclosure of information 'elsewhere in the interim financial report'. Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference The adoption of these changes did not have an impact on the financial statements of the Group since the Group does not produce an interim financial report.

New standard or amendments	Effective for annual periods beginning on or after
— Disclosure initiative (Amendments to IAS 7)	1 January 2017
— Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	1 January 2017
— IFRS 15 Revenue from Contracts with Customers	1 January 2018
— IFRS 9 Financial Instruments (2014)	1 January 2018
— IFRS 16 Leases	1 January 2019
— Classification and Measurement of Share-based Payment transactions (Amendments to IFRS 2)	1 January 2018
— Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January 2018
— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS10 and IAS 28)	To be determined
— IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

apart from the standards noted below, the application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Group's financial statements.

Disclosure Initiative (Amendments to IAS 7)
The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

IFRS 9: Financial Instruments (2014)
It replaces parts of IAS 39 - Financial Instruments, Recognition and Measurement that relates to classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified, at initial recognition as either measured at fair value or at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the characteristics of the contractual cash flows of the instrument. For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in cases where the fair value option is applied for financial liabilities, the part of a fair value change arising from a change in an entity's own credit risk is recorded in other comprehensive income rather than in the profit or loss, unless this creates an accounting mismatch.

The Group is currently evaluating the impact of the new standard on the financial statements. The standard is effective for periods beginning on or after 1 January 2018.

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

The IFRS 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.

The Group is currently evaluating the impact of the new standard 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, 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:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New standards and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2016 (continued)

IFRS 16: Leases - continued

(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

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).

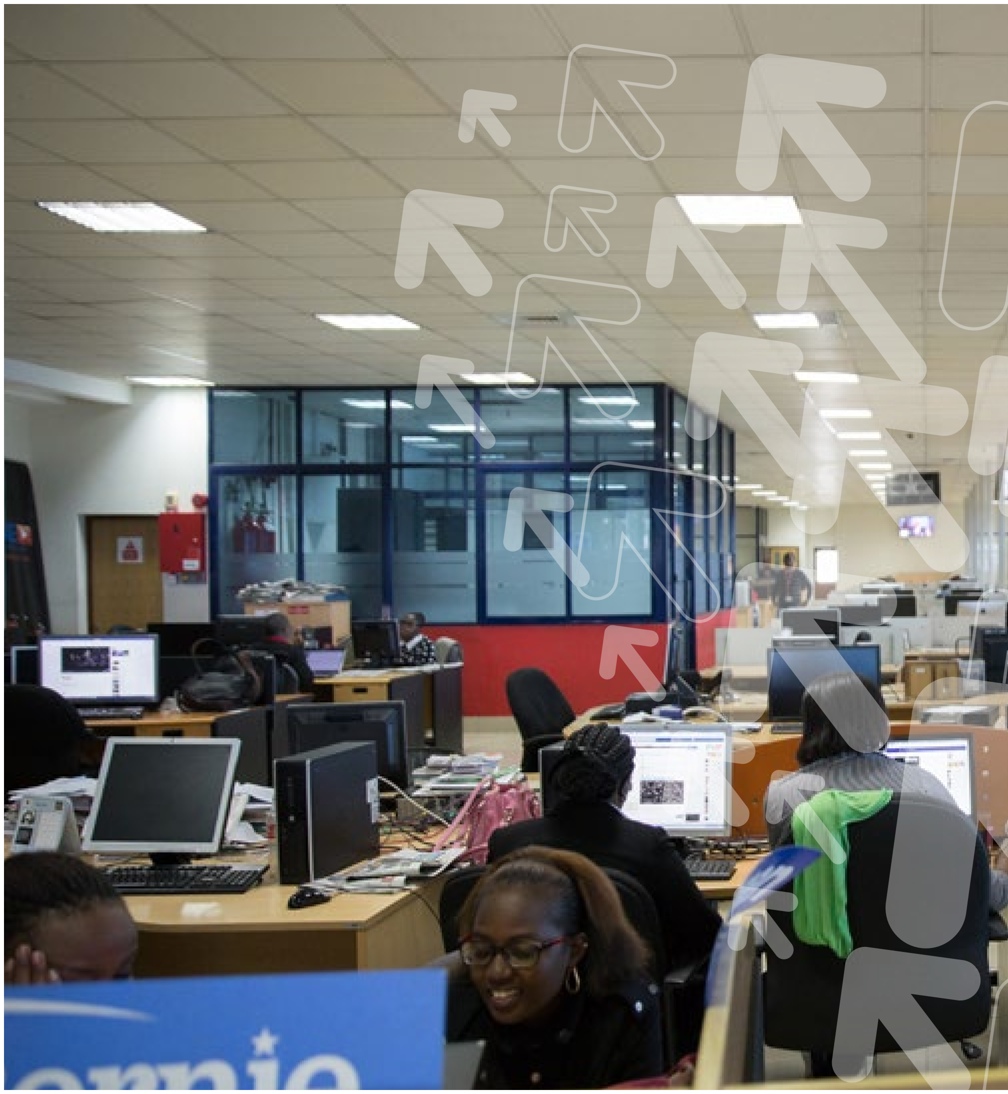
The Group is currently assessing the impact of this standard.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The following clarifications and amendments are contained in the pronouncement:

– *Accounting for cash-settled share-based payment transactions that include a performance condition*

Up until this point, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.



Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (continued)

– *Classification of share-based payment transactions with net settlement features*

IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

– *Accounting for modifications of share-based payment transactions from cash-settled to equity-settled*

Up until this point, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

– On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.

– Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

The Group is assessing the potential impact on its financial statements resulting from the application of the amendments to IFRS 2.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4:

– an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2016 (continued)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) (continued)

– an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after 1 January 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes 1 April 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following 1 January 2018. Predominance is only reassessed if there is a change in the entity's activities.

The adoption of these changes is not expected to have a significant impact on the financial statements of the Group since the Group does not issue insurance contracts within the scope of IFRS 4.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The effective date for these changes has now been postponed until the completion of a broader review.

The adoption of these changes is not expected to have a significant impact on the financial statements of the Group since the Group does not transact with associates or joint ventures.

3.SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New standards and interpretations (continued)

(ii)New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2016 (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it).

This Interpretation stipulates that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

This Interpretation does not apply to income taxes, insurance contracts and circumstances when an entity measures the related asset, expense or income on initial recognition:

(a)at fair value; or
(b)at the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying IFRS 3 Business Combinations).

The amendments apply retrospectively for annual periods beginning on or after 1 January 2018, with early application permitted.
The adoption of these changes will not have an impact on the amounts and disclosures of the Group's consolidated financial statements.

The Group did not early adopt new or amended standards in the year ended 31 December 2016.

4.FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

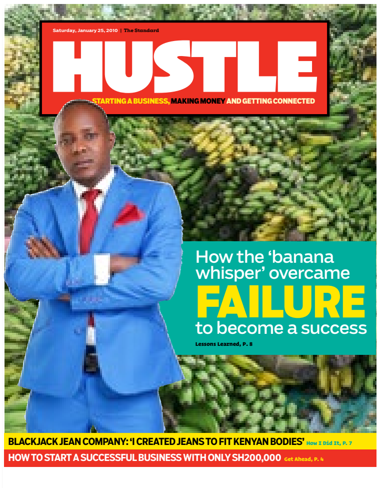
The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt, liquidity risk, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks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

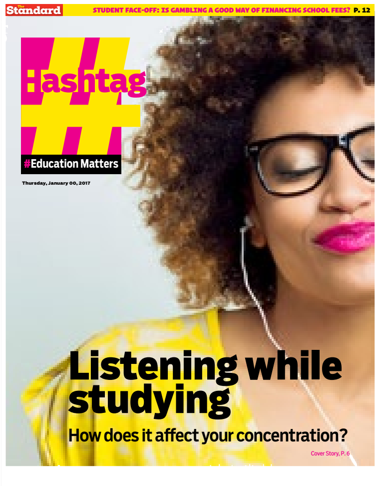
Our producects

Whats new



Hustle

Every Wednesday will showcase Hustle, a magazine that will feature inspiring stories of entrepreneurs, and tackles money – how to make it, how to invest it and how to spend it.



#Hashtag

Hashtag is a combo education magazine of issues in the sector and lifestyle of young people undergoing their tertiary education, but of interest beyond. It is also full of career tips and untold stories of some of the country's top personalities.

Financial Standard

The Financial Standard will offer authoritative, reliable and precise business analysis, and the latest in the tech-sphere. It will give tips on entrepreneurship and wealth creation and management for both fresh and seasoned business minds.

From the Courts

Crime ends in the court, but that is where the drama climaxes with production and rebuttal of evidence. In new coverage, we take you to the sanctum of justice in a way no other media does. Visit us for sizzling court stories.

Africa

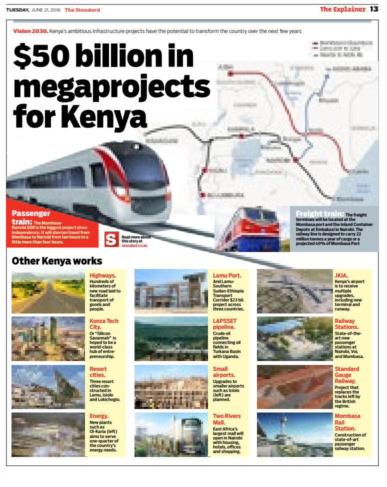
For better coverage of our continent, we now have an Africa page – separate from World -- to carry all the big breaking stories from the region. All our international pages now feature sidebars and infographics to enrich coverage.

Metropolitan

For the Nairobi reader, Metropolitan is a locally-oriented coverage that will focus on happenings in the city's neighbourhoods and suburbs. It will cover courts and crime, health and politics and events at the county assembly.

School & College

We will break new ground on trends in the education sector, and provide insightful analysis on policy statements that affect teachers and students. Interviews with education stakeholders will flesh out issues that concern learners.



The Explainer

Sometimes it is more informative to show you the news, rather than tell you – so we have created The Explainer. It will display stories in visual form using modern story-telling techniques and infographics to *explain* the news and social topics.

4.FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk

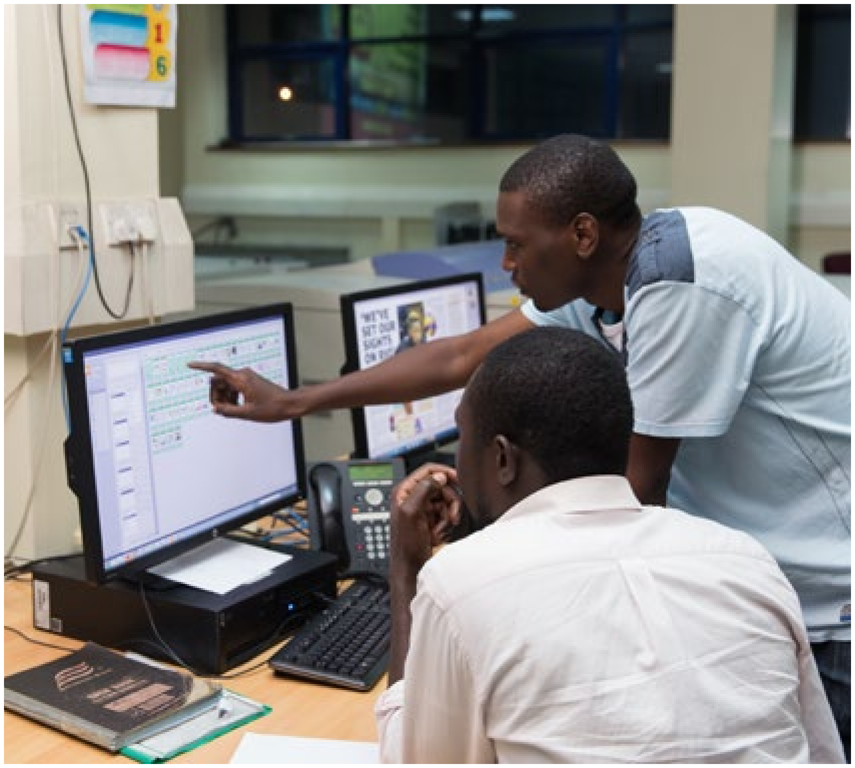
(i) Foreign exchange risk

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	**EURO**	**GBP**	**TOTAL**
2016:	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Financial assets				
Cash at bank	618	(279)	5,124	5,463
Financial liabilities				
Trade payables	(33,968)	(10,496)	(1,057)	(45,521)
Net foreign currency liability	**(33,350)**	**(10,775)**	**4,067**	**(40,058)**
2015:				
Financial assets				
Cash at bank	(4,438)	6,015	-	1,577
Financial liabilities				
Trade payables	(28,896)	(18,878)	(15,026)	(62,800)
Net foreign currency liability	**(33,334)**	**(12,863)**	**(15,026)**	**(61,223)**

At 31 December 2016, 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 400,580 (2015 - KShs 612,230).



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

	Average 2016	Average 2015	Closing 2016	Closing 2015
USD	101.5	98.5	102.3	102.2
EURO	113.0	109.0	107.1	111.8
GBP	138.9	150.7	125.4	151.7

(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 Limited with a combined overdraft limit of KShs 405 million (2015 - KShs 350 million) at rates determined by prevailing market conditions.

As at 31 December 2016, 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 1,206,213 (2015 - KShs 1,632,000).

(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.
The amount that best represents the Group's maximum exposure to credit

risk as at 31 December 2016 is made up as follows:

Group	Fully performing KShs'000	Past due KShs'000	Impaired KShs'000	Total KShs'000
Receivables				
Advertising	660,337	330,843	260,172	1,251,352
Circulation	39,462	11,374	70,815	121,651
Trade debtors				
Baraza Limited	307,626	105,653	82,091	495,370
	1,007,425	**447,870**	**413,078**	**1,868,373**
Company				
Advertising	646,237	330,843	260,172	1,237,252
Circulation	39,412	11,374	70,815	121,601
	685,649	**342,217**	**330,987**	**1,358,853**

The amount that best represented the Group's maximum exposure to credit risk as at 31 December 2015 was made up as follows:

Group	Fully performing KShs'000	Past due KShs'000	Impaired KShs'000	Total KShs'000
Receivables				
Advertising	726,050	245,090	263,515	1,234,655
Circulation	33,200	32,719	181,873	247,792
Trade debtors				
Baraza Limited	219,883	96,498	80,559	396,940
	979,133	**374,307**	**525,947**	**1,879,387**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Group

	Fully performing KShs'000	Past due KShs'000	Impaired KShs'000	Total KShs'000
Company				
Advertising	737,519	245,090	263,515	1,246,124
Circulation	33,200	32,719	181,873	247,792
	770,719	277,809	445,388	1,493,916

The analysis above is based on the ageing below:

Circulation
Fully performing 0-60 days
Past due 61-90 days
Impaired Over 91 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 91-120 days
Impaired Over 121 days

The movement in the provision for impaired receivables during the year was as below:

Group:	2016 KShs '000	2015 KShs '000
Balance brought forward	525,947	251,333
Charge for the year	281,535	372,537
Bad debt write offs and credit notes	(228,989)	(19,590)
Bad debts recoveries	(165,415)	(78,333)
Balance carried forward	413,078	525,947

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Company:	2016 KShs '000	2015 KShs '000
Balance brought forward	445,388	209,006
Charge for the year	224,828	316,855
Bad debt write offs and credit notes	(194,258)	(19,365)
Bad debts recoveries	(144,971)	(61,108)
Balance carried forward	**330,987**	**445,388**

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 2016 (2015 – 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:

Group:	2016 KShs '000	2015 KShs '000
Bank and cash balances	31,901	34,453
Other receivables (Note 22)	317,013	136,038
	348,914	**170,941**
Company		
Bank and cash balances	28,066	34,253
Other receivables (Note 22)	303,611	100,741
	331,677	**134,994**

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) 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 Limited with a combined limit of KShs 405 million (2015 – KShs 350 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 2016					
Borrowings – Shareholder loans	-	-	88,588	-	88,588
Borrowings – Bank borrowings	17,192	75,636	418,228	553,781	1,064,837
Hire purchase loans	1,069	3,290	2,736	-	7,095
Overdraft facility	332,063	-	-	-	332,063
Trade and other payables	164,602	573,313	49,121	-	787,036

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Group	Between Less than 1 month KShs'000	Between 1 – 3 months KShs'000	3 – 12 months KShs'000	Over 1 year KShs'000	Total KShs'000
At 31 December 2015					
Borrowings – Shareholder loans	-	-	105,991	-	105,991
Borrowings – Bank borrowings	21,984	76,228	501,319	716,957	1,316,488
Hire purchase loans	2,171	4,228	11,125	7,210	24,734
Overdraft facility	484,855	-	-	-	484,855
Dividends	25,392	-	-	-	25,392
Trade and other payables	112,654	511,245	18,213	-	642,112
Company					
At 31 December 2016					
Borrowings – Related parties loans	-	-	99,180	-	99,180
Borrowings – Bank borrowings	17,192	76,636	418,225	553,781	1,065,834
Hire purchase loans	1,069	3,290	2,736	-	7,095
Overdraft facility	314,040	-	-	-	314,040
Trade and other payables	137,750	383,836	40,935	-	562,521
At 31 December 2015					
Borrowings – Related parties loans	-	-	116,584	-	116,584
Borrowings – Bank borrowings	21,984	76,228	501,319	716,957	1,316,488
Hire purchase loans	2,171	4,228	11,125	7,210	24,734
Overdraft facility	469,897	-	-	-	469,897
Trade and other payables	79,666	454,391	15,292	-	549,349

(d) 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	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives	Corporate bonds in illiquid markets Highly structured OTC derivatives with unobservable parameters

	Level 1	Level 2	Level 3
Types of financial liabilities:	Listed derivative instruments	Over-the-counter (OTC) derivatives	Highly structured OTC derivatives with unobservable parameters

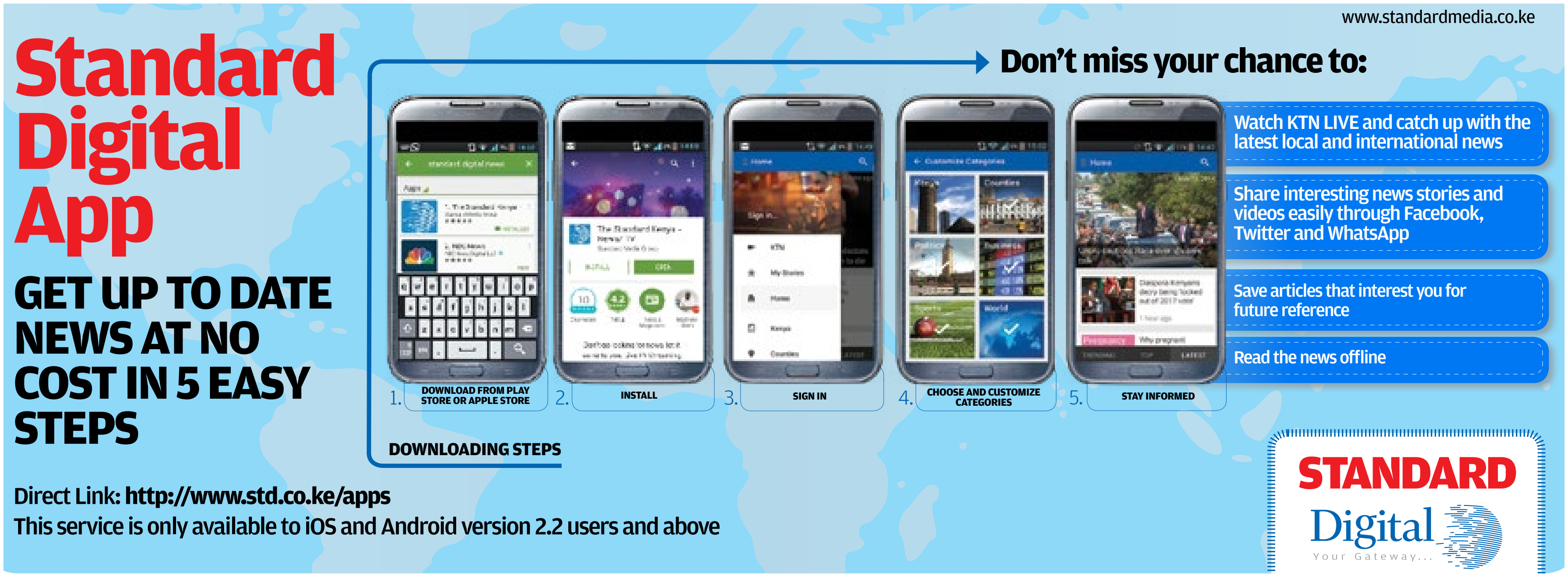
The table above shows the classification of financial assets, financial liabilities and non-financial assets held at fair value into the valuation hierarchy set out below as at 31 December 2015 and 2016

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 2016 value	Other liabilities value KShs'000	Loans and receivables KShs'000	Total carrying KShs'000	 KShs'000
Financial assets				
Trade and other receivables	-	1,812,340	1,812,340	1,812,340
Cash and bank balances	-	31,901	31,901	31,901
	-	**1,844,241**	**1,844,241**	**1,844,241**
Financial liabilities				
Amounts due to related parties	88,588	-	88,588	88,588
Borrowings	1,209,849	-	1,209,849	1,182,750
Trade and other payables	845,454	-	845,454	845,454
	2,143,891		**2,143,891**	**2,116,792**



4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair values (continued)

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

2015	Other liabilities KShs'000	Loans and receivables KShs'000	Total carrying value KShs'000	Fair value KShs'000
Financial assets				
Trade and other receivables	-	1,502,434	1,502,434	1,502,434
Cash and bank balances	-	34,453	34,453	34,453
	-	1,536,887	1,536,887	1,536,887
Financial liabilities				
Amounts due to related parties	105,991	-	105,991	105,991
Borrowings	1,486,950	-	1,486,950	1,439,947
Trade and other payables	677,563	-	677,563	677,563
	2,270,504	**-**	**2,270,504**	**2,223,501**

Company 2016	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	-	174,608	174,608	174,608
Trade and other receivables	-	1,366,873	1,366,873	1,366,873
Cash and bank balances	-	28,066	28,066	28,066
	-	**1,569,547**	**1,569,547**	**1,569,547**
Financial liabilities				
Amounts due to related parties	99,180	-	99,180	99,180
Borrowings	1,191,826	-	1,191,826	1,164,727
Trade and other payables	652,797	-	652,797	652,797
	1,943,803		**1,943,803**	**1,916,704**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair values (continued)

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

2015	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	-	255,562	255,562	255,562
Trade and other receivables	-	1,161,356	1,161,356	1,161,356
Cash and bank balances	-	34,253	34,253	34,253
	-	**1,451,171**	**1,451,171**	**1,451,171**
Financial liabilities				
Amounts due to related parties	116,587	-	116,587	116,587
Borrowings	1,471,992	-	1,471,992	1,424,989
Trade and other payables	572,498	-	572,498	572,498
	2,161,077	**-**	**2,161,077**	**2,114,074**

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.

5. 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Contingent liabilities
As disclosed in Note 38 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.

6.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 publishing, television and radio.

(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:

	2016					2015				
	Publishing KShs'000	Television KShs'000	Radio KShs'000	Elimination KShs'000	Total KShs'000	Publishing KShs'000	Television KShs'000	Radio KShs'000	Elimination KShs'000	Total KShs'000
External sales	3,398,811	1,099,464	317,052		4,815,327	3,442,726	739,523	306,150	-	4,488,399
Other gains and losses	90,693	8,225	-	-	98,918	(29,700)	3,587	-	-	(26,113)
Expenses	(3,191,512)	(1,035,676)	(183,863)	-	(4,411,051)	(3,645,647)	(881,928)	(166,875)	-	(4,694,449)
Finance costs	(211,872)	(2,977)	(18,870)	-	(233,719)	(161,618)	(2020)	-	-	(163,638)
Segment profit/(loss) before taxation	**86,120**	**69,036**	**114,319**	**-**	**269,475**	**(394,238)**	**(140,838)**	**139,275**	**-**	**(395,801)**
Income tax (expense)/credit	(15,027)	(21,632)	(34,295)	-	(70,954)	64,750	41,448	-	-	106,198
Profit/(loss) after taxation	**71,093**	**47,404**	**80,024**	**-**	**198,521**	**(329,488)**	**(99,390)**	**139,275**	**-**	**(289,603)**

(c) Segment assets and liabilities

	Publishing	Television	Radio	Elimination	Total	Publishing	Television	Radio	Elimination	Total
Segment assets	3,373,960	759,032	414,702	(185,200)	4,362,494	3,884,907	678,508	98,898	(384,063)	4,278,250
Segment liabilities	1,675,210	393,181	282,445	(185,200)	2,165,636	2,238,836	381,534	50,572	(384,063)	2,286,879
Capital expenditure	165,910	34,701	2,645	-	203,256	459,840	2,172	2,976	-	464,988
Depreciation and amortisation expense	333,618	57,996	29,432	-	421,028	280,409	81,825	18,429	-	380,663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7. REVENUE

	2016 KShs'000	2015 KShs'000
Newspaper advertising	2,103,963	2,057,713
Television advertising	1,099,464	739,523
Newspaper circulation	1,015,444	1,143,546
Radio advertising	317,299	306,150
Digital advertising	196,583	175,677
Outdoor advertising	82,574	65,790
	4,815,327	**4,488,399**

8. DIRECT COSTS

Material cost	510,062	555,978
Programmes	212,492	177,901
Depreciation	177,357	124,198
News contribution costs	103,524	90,935
Advertising commission	93,968	25,343
News service	61,022	37,905
Operating lease	60,173	47,577
TV licenses	52,595	49,438
Maintenance	39,042	50,228
Production salaries	13,748	3,773
Billboard costs	6,592	6,163
Magazine purchases	-	31,885
Others	1,541	1,729
	1,332,116	**1,203,053**

9. OTHER GAINS/(LOSSES)

Miscellaneous income	41,311	31,939
Sale of returns, production waste and other income	33,940	23,139
Printing services	17,956	3,140
Gain on disposal of property and equipment	6,714	12,894
Net foreign exchange loss	364	(13,088)
Leasing fees	-	1,557
Loss on impaired assets	(1,367)	(85,694)
	98,918	**(26,113)**

10. SELLING AND DISTRIBUTION

Commission	274,911	330,094
Marketing and promotion	107,555	82,331
Transport and distribution costs	86,875	106,193
Packing materials	3,464	2,590
	472,805	**521,208**

11. ADMINISTRATIVE EXPENSES

	2016 KShs'000	2015 KShs'000
Staff costs	1,384,161	1,567,405
Rent and office expenses	217,337	139,224
Depreciation charge	127,826	158,985
Amortisation	109,863	97,119
Professional fees	107,583	189,054
Impairment losses	105,966	286,582
Repairs and maintenance	89,081	93,863
Vehicle running and hire	74,619	72,320
Telephone and postages	64,820	52,767
Travel and accommodation	63,539	49,773
General insurance	57,446	34,806
Licences	56,703	54,097
Bank charges	35,771	32,304
Electricity and water	28,907	47,605
Training	18,412	19,316
Subscription and donation	17,865	12,744
Printing and stationery	14,358	19,639
Directors' fees	10,150	7,954
AGM and board meeting costs	4,263	5,636
Entertainment	8,768	15,529
Others	5,918	10,230
Mileage	2,774	3,236
	2,606,130	**2,970,188**
Staff costs include:		
Salaries and wages	1,136,841	1,294,002
Staff welfare	183,856	213,045
Pension contributions	60,767	55,970
Others	2,697	4,388
	1,384,161	**1,567,405**

12. FINANCE COSTS

Interest on term loans	158,457	112,135
Interest on overdrafts	68,742	39,435
Interest on shareholder loans	5,190	5,190
Interest on hire purchase loans	1,330	6,878
	233,719	**163,638**

13. PROFIT BEFORE TAXATION

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

Depreciation	311,101	283,184
Amortisation - intangible assets	108,294	95,486
- prepaid operating lease rentals	1,633	1,633
Directors' emoluments:		
- Fees - non-executive	10,150	8,496
- Other emoluments – executive	59,932	64,633
Auditors' remuneration - current year	5,088	4,659
Gain on disposal of plant and equipment	(6,714)	(12,894)
Loss on impaired assets	1,367	85,964

14.DIVIDEND PER SHARE

Group and Company	2016 KShs '000	2015 KShs '000
Dividends – Ordinary shares	-	-

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

A total of KShs 25,392,000 dividends payable for 2014 was fully repaid in the course of the year 2016.

Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-resident shareholders.

15. TAXATION

Group

(a)Taxation expense/(credit)

	2016 KShs'000	2015 KShs'000
Current taxation charge	68,909	46,578
Over provision of current tax in prior year	(4,152)	-
Current tax	**64,757**	**46,578**
Deferred tax in respect of the current year	11,197	(154,864)
Adjustments recognised in the current year in relation to the deferred tax of prior year (Note 27)	(5,000)	2,088
Deferred tax	**6,197**	**(152,776)**
Total income tax expense/(credit) recognised in the current year	**70,954**	**(106,198)**

(b)Reconciliation of expected tax based on accounting profit/(loss) to taxation expense

Profit/(loss) before taxation	269,475	(395,801)
Tax at the applicable rate of 30%	80,843	(118,740)
Tax effect of non-deductible costs	3,142	10,454
Income not subject to tax	(3,879)	-
Prior year (over)/under provision of deferred tax	(5,000)	2,088
Over provision of current tax in prior year	(4,152)	
	70,954	**(106,198)**

15. TAXATION (CONTINUED)

(c) Taxation payable/(recoverable)

Group

	2016 KShs'000	2015 KShs'000
At beginning of the year	(20,418)	10,260
Current tax - charge for the year	64,757	46,578
Tax paid in the year	(33,361)	(77,256)
At 31 December	**10,978**	**(20,418)**
Comprising:		
Tax payable	17,861	-
Tax recoverable	(6,883)	(20,418)
	10,978	**(20,418)**

Company

	2016 KShs'000	2015 KShs'000
At beginning of the year	(13,694)	16,984
Current tax - charge for the year	64,757	46,578
- tax paid in the year	(33,202)	(77,256)
At 31 December	**17,861**	**(13,694)**
Comprising:		
Tax payable	17,861	-
Tax recoverable	-	(13,694)
	17,861	(13,694)

16.BASIC AND DILUTED EARNINGS PER SHARE

	2016	2015
Profit/(loss) attributable to owners of the Company – KShs'000	**175,293**	**(240,903)**
Number of shares during the year	**81,730,854**	**81,730,854**
Basic earnings per share – KShs	**2.14**	**(2.95)**

17. PROPERTY, PLANT AND EQUIPMENT

(a) Group 2016: 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 2016	676,674	2,142,355	168,409	541,789	152,406	3,681,633
Additions	-	43,635	22,785	30,837	80,871	178,128
Disposals	-	-	(3,450)	-	(7,157)	(10,607)
Write off	-	-	-	-	(1,367)	(1,367)
Transfers from WIP	-	143,575	-	-	(143,575)	-
Transfer to intangible asset	-	-	-	-	(41,151)	(41,151)
At 31 December 2016	676,674	2,329,565	187,744	572,626	40,027	3,806,636
Depreciation						
At 1 January 2016	65,724	950,370	154,189	481,916	-	1,652,199
Charge for the year	13,636	227,845	9,259	60,361		311,101
Eliminated on disposal	-	-	(3,450)	-	-	(3,450)
At 31 December 2016	79,360	1,178,215	159,998	542,277	-	1,959,850
Carrying amount						
At 31 December 2016	**597,314**	**1,151,350**	**27,746**	**30,349**	**40,027**	**1,846,786**
2015:						
Cost						
At 1 January 2015	664,646	2,178,969	182,072	491,622	168,402	3,685,711
Additions	1,103	43,154	10,013	54,045	348,019	456,334
Disposals	-	-	(23,676)	(3,878)	-	(27,554)
Write off	-	(79,768)	-	-	(28,116)	(107,884)
Transfers from WIP	10,925	-	-	-	(10,925)	-
Transfers to intangible assets	-	-	-	-	(324,974)	(324,974)
At 31 December 2015	676,674	2,142,355	168,409	541,789	152,406	3,681,633
Depreciation						
At 1 January 2015	52,221	857,173	164,337	345,028	-	1,418,759
Charge for the year	13,503	115,387	13,528	140,766	-	283,184
Eliminated on write off	-	(22,190)	-	-	-	(22,190)
Eliminated on disposal	-	-	(23,676)	(3,878)	-	(27,554)
At 31 December 2015	65,724	950,370	154,189	481,916	-	1,652,199
Carrying amount						
At 31 December 2015	**610,950**	**1,191,985**	**14,220**	**59,873**	**152,406**	**2,029,434**

At 31 December 2016, property, plant and equipment with cost of KShs 855,194,175 (2015 – KShs 476,174,510) were fully depreciated. The notional depreciation charge on these assets would have been KShs 195,200,495,(2015 – KShs 114,817,196).

17.PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Company

	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
2016:						
Cost						
Cost						
At January 2016	596,069	1,502,653	168,803	462,404	151,724	2,881,653
Additions	-	9,597	22,785	30,174	80,871	143,427
Write offs	-	-	-	-	(1,044)	(1,044)
Disposals	-	-	(3,450)	-	(7,157)	(10,607)
Transfers from WIP	-	143,575	-	-	(143,575)	-
Transfer to intangible assets	-	-	-	-	(41,151)	(41,151)
At 31 December 2016	596,069	1,655,825	188,138	492,578	39,668	2,972,278
Depreciation						
At January 2016	64,739	616,836	153,069	340,110	-	1,174,754
Charge for the year	12,024	174,594	9,259	57,228	-	253,105
Eliminated on disposals	-	-	(3,450)	-	-	(3,450)
At 31 December 2016	76,763	791,430	158,878	397,338	-	1,424,409
Carrying amount						
At 31 December 2016	**519,306**	**864,395**	**29,260**	**95,240**	**39,668**	**1,547,869**
2015:						
Cost						
At January 2015	584,041	1,539,267	182,466	414,409	167,720	2,887,903
Additions	1,103	43,154	10,013	51,873	348,019	454,162
Write offs	-	(79,768)	-	-	(28,116)	(107,884)
Disposals	-	-	(23,676)	(3,878)	-	(27,554)
Transfers from WIP	10,925	-	-	-	(10,925)	-
Transfer to intangible assets	-	-	-	-	(324,974)	(324,974)
At 31 December 2015	596,069	1,502,653	168,803	462,404	151,724	2,881,653
Depreciation						
At January 2015	52,848	523,638	163,217	283,435	-	1,023,138
Charge for the year	11,891	115,388	13,528	60,553	-	201,360
Eliminated on write offs	-	(22,190)	-	-	-	(22,190)
Eliminated on disposals	-	-	(23,676)	(3,878)	-	(27,554)
At 31 December 2015	64,739	616,836	153,069	340,110	-	1,174,754
Carrying amount						
At 31 December 2015	**531,330**	**885,817**	**15,734**	**122,294**	**151,724**	**1,706,899**

At 31 December 2016, property, plant and equipment with cost of KShs 534,309,732 (2015 – KShs 341,882,118) were fully depreciated. The notional depreciation charge on these assets would have been KShs 148,782,943. (2015 – KShs 97,769,475).

18. PREPAID OPERATING LEASE RENTALS

	2016 KShs'000	2015 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	10,709	9,076
Charge for the year	1,633	1,633
At 31 December	12,342	10,709
Carrying amount		
At 31 December	**115,658**	**117,291**

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

19. INTANGIBLE ASSETS

(a) Group	Trademarks KShs'000	Software KShs'000	Broadcasting Licenses KShs'000	Total 2016 KShs'000	Total 2015 KShs'000
Cost					
At 1 January	6,000	495,255	117,655	618,910	285,283
Additions	-	25,128	-	25,128	8,653
Transfer from property, plant and equipment	-	26,651	14,500	41,151	324,974
At 31 December	6,000	547,034	132,155	685,189	618,910
Amortisation					
At 1 January	-	171,413	-	171,413	75,927
Charge for the year	-	108,294	-	108,294	95,486
At 31 December	-	279,707	-	279,707	171,413
Carrying amount					
At 31 December	**6,000**	**267,327**	**132,155**	**405,482**	**447,497**

(b)Company

Cost					
At 1 January	6,000	495,255	50,780	552,035	218,408
Additions	-	25,128	-	25,128	8,653
Transfer from property plant and equipment	-	26,651	14,500	41,151	324,974
At 31 December	6,000	547,034	65,280	618,314	552,035
Amortisation					
At 1 January	-	171,412	-	171,412	75,927
Charge for the year	-	108,295	-	108,295	95,485
At 31 December	-	279,707	-	279,707	171,412
Carrying amount At 31 December	**6,000**	**267,327**	**65,280**	**338,607**	**380,623**

19. INTANGIBLE ASSETS (CONTINUED)

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.

20. INVESTMENTS

Investment in subsidiaries (unquoted)	Principal activity	Shareholding %	2016 KShs'000	2015 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 Limited.

21. INVENTORIES

(a) Group	2016 KShs'000	2015 KShs'000
Raw materials	40,016	49,502
Consumables	101,876	85,924
Broadcast programmes	8,675	11,715
	150,567	147,141

Inventories expensed during the year amounted to KShs 678,603,500 (2015 - KShs 752,502,000).

(b) Company	2016 KShs'000	2015 KShs'000
Raw materials	40,016	49,502
Consumables	99,737	82,945
	139,753	132,447

Inventories expensed during the year amounted to KShs 538,883,000 (2015 - KShs 613,298,000).

22.TRADE AND OTHER RECEIVABLES

	2016 KShs'000	2015 KShs'000
(a) Group		
Trade receivables	1,868,373	1,879,387
Impairment losses	(413,078)	(525,947)
	1,455,295	1,353,440
Other receivables	317,013	136,038
Prepayments	40,032	12,956
	1,812,340	1,502,434
(b) Company		
Trade receivables	1,358,853	1,493,916
Impairment losses	(330,987)	(445,388)
	1,027,866	1,048,528
Other receivables	303,611	100,741
Prepayments	35,396	12,087
	1,366,873	1,161,356

23.SHARE CAPITAL

(a) Ordinary shares

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

(b) Share premium

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

(c) Movement in fully paid ordinary shares

	No. of shares	Share capital KShs'000	Share premium KShs'000	Total KShs'000
At 31 December 2016	81,730,854	408,654	39,380	448,034
At 31 December 2015	81,730,854	408,654	39,380	448,034

There was no increase in share capital during the year.

24. RESERVES

(a) Capital redemption reserve

In accordance with Section 60 (1) of the Kenyan Companies Act, 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 after payment of dividends to the shareholders.

25.NON-CONTROLLING INTERESTS

	2016 KShs'000	2015 KShs'000
At 1 January	176,716	225,416
Share of results for the year	23,228	(48,700)
At 31 December	199,944	176,716

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	2016 KShs '000	2015 KShs'000
Non-controlling interest	**49%**	**49%**
Assets	801,230	742,178
Liabilities	(393,182)	(381,534)
Net assets	408,078	360,644
Net assets attributable to NCI	199,958	176,716
Revenue	1,099,464	739,523
Expenses	(407,891)	(283,606)
Profit/(loss) for the year	47,404	(99,390)
Total comprehensive income	**47,404**	**(99,390)**
Total comprehensive income attributable to non-controlling interest	23,228	(48,701)
Net cash inflow/(outflow) from operating activities	35,271	(20,763)
Net cash outflow from investing activities	(34,701)	(2,173)
Net cash inflow/(outflow)	**570**	**(22,936)**

26. RELATED PARTY BALANCES

(a)Due from related companies

	Group 2016 KShs'000	 2015 KShs'000	Company 2016 KShs'000	 2015 KShs'000
Baraza Limited	-	-	174,608	255,562

The amounts due from the Group companies are fully performing and are recoverable within the next 12 months.

(b) Due to related parties

Balances due to related parties are repayable as follows:

Group	2016 KShs'000	2015 KShs'000
Within 1 year	88,588	105,991
Between 2 and 5 years	-	-
	88,588	**105,991**
Company		
Within 1 year	99,180	116,587
Between 2 and 5 years	-	-
	99,180	**116,587**

Group	Effective interest rate %	2016 KShs'000	2015 KShs'000
(i) Loans			
The Standard Media Group Holdings Limited (common shareholding)	-	14,887	36,703
Trade World (K) Limited (shareholders)	8.0	25,342	23,819
Miller Trustees (shareholders)	8.0	48,359	45,469
		88,588	105,991
Company			
Standard Media Group Holdings Limited	-	14,887	36,703
Trade World (K) Limited	8.0	25,342	23,825
Miller Trustees Limited	8.0	48,361	45,469
The Standard Limited	-	10,590	10,590
		99,180	**116,587**

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 Limited are also directors (Note 34).


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27.DEFERRED TAX LIABILITY/ASSET

(a) Group

	2016 KShs'000	2015 KShs'000
Movement on the deferred tax liability is as follows:		
At 1 January	160,775	272,104
Deferred tax credit in respect of the current year	(10,435)	(113,417)
Adjustments recognised in the current year in relation to the deferred tax of prior year (Note 15(a))	(5,000)	2,088
At 31 December	**145,340**	**160,775**
The make up of deferred tax liability is disclosed in Note 27(b).		
The net deferred tax asset is attributable to the following items;		
Accelerated capital allowances	43,633	53,757
Leave pay provision	(1,132)	(876)
Gratuity provision	(2,367)	(1,784)
Unrealised exchange loss	10	-
Doubtful debts provision	(34,605)	(24,168)
Tax losses	(40,853)	(83,875)
At 31 December	**(35,314)**	**(56,946)**
The movement on the deferred tax asset is as follows:		
At 1 January	(56,946)	(15,498)
Expense/(credit)	21,632	(41,448)
At 31 December	**(35,314)**	**(56,946)**

(b) Company

	2016 KShs'000	2015 KShs'000
Deferred tax liability		
Accelerated capital allowances	254,072	303,606
Gratuity provision	(4,156)	(4,626)
Leave provision	(4,978)	(4,587)
Foreign exchange loss	(302)	-
General provisions for doubtful receivables	(99,296)	(133,618)
Net deferred tax liability	**145,340**	**160,775**

28.BORROWINGS

(a) Group

The borrowings are repayable as follows:

	HP loans KShs'000	Term loans KShs'000	Overdrafts KShs'000	2016 Total KShs'000	2015 Total KShs'000
On demand and within one year	7,095	399,097	332,063	738,255	956,929
Between 1 and 2 years	-	437,324	-	437,324	210,833
Between 2 and 5 years	-	34,270	-	34,270	319,188
	7,095	**870,691**	**332,063**	**1,209,849**	**1,486,950**
Amounts due for settlement within one year	7,095	399,097	332,063	738,255	956,929
Amount due after one year	-	471,594	-	471,594	530,021
	7,095	**870,691**	**332,063**	**1,209,849**	**1,486,950**
The movement in the year was as follows:					
Beginning of the year	24,734	977,361	484,855	1,486,950	904,706
Additions	-	1,103,522	-	1,103,522	1,219,372
Repayments	(17,639)	(1,210,192)	-	(1,227,831)	(810,629)
Movement in overdrafts	-	-	(152,792)	(152,792)	173,501
At 31 December	**7,095**	**870,691**	**332,063**	**1,209,849**	**1,486,950**

	HP Loans KShs'000	Term loans KShs'000	Overdrafts KShs'000	Total KShs'000
At 31 December 2016:				
Stanbic Bank Limited	2,786	246,049	171,232	420,067
Stanbic Bank Limited (Short term raw materials)	-	80,957	-	80,957
Commercial Bank of Africa Limited (Short term raw materials)	-	59,574	-	59,574
Commercial Bank of Africa Limited	4,309	484,111	158,341	646,761
Kenya Commercial Bank Limited	-	-	2,490	2,490
	7,095	**870,691**	**332,063**	**1,209,849**
At 31 December 2015:				
Stanbic Bank Limited	8,549	251,279	253,164	512,992
Stanbic Bank Limited (Short term raw materials)	-	191,233	-	191,233
Commercial Bank of Africa Limited (Short term raw materials)		29,000	-	29,000
Commercial Bank of Africa Limited	16,185	505,849	227,609	749,643
Kenya Commercial Bank Limited	-	-	4,082	4,082
	24,734	**977,361**	**484,855**	**1,486,950**

28.BORROWINGS (CONTINUED)

(b) Company

The borrowings are repayable as follows:

	HP Loans KShs'000	Term loans KShs'000	Overdrafts KShs'000	2016 Total KShs'000	2015 Total KShs'000
On demand and within one year	7,095	399,097	314,040	720,232	941,971
Between 1 and 2 years	-	437,324	-	437,324	210,833
Between 2 and 5 years	-	34,270	-	34,270	319,188
	7,095	**870,691**	**314,040**	**1,191,826**	**1,471,992**
Amount due for settlement within one year	**7,095**	**399,097**	**314,040**	**720,232**	**941,971**
Amount due after one year	-	471,594	-	471,594	530,021
Beginning of the year	24,734	977,361	469,897	1,471,992	903,899
Additions	-	1,103,522	-	1,103,522	1,219,372
Repayments	(17,639)	(1,210,192)	-	(1,227,831)	(810,629)
Movement in overdrafts	-	-	(155,857)	(155,857)	159,350
At 31 December	**7,095**	**870,691**	**314,040**	**1,191,826**	**1,471,992**

At 31 December 2016:	HP Loans KShs'000	Term loans KShs'000	Overdrafts KShs'000	Total KShs'000
Stanbic Bank Limited	2,786	246,049	153,209	402,044
Stanbic Bank Limited (Short term raw materials)	-	80,957	-	80,957
Commercial Bank of Africa Limited (Short term raw materials)	-	59,574	-	59,574
Commercial Bank of Africa Limited	4,309	484,111	158,341	646,761
Kenya Commercial Bank Limited	-	-	2,490	2,490
	7,095	**870,691**	**314,040**	**1,191,826**
At 31 December 2015:				
Stanbic Bank Limited	8,549	251,279	241,205	501,033
Stanbic Bank Limited (Short term raw materials)	-	191,233	-	191,233
Commercial Bank of Africa Limited (Short term raw materials)		29,000		29,000
Commercial Bank of Africa Limited	16,185	505,849	224,610	746,644
Kenya Commercial Bank Limited	-	-	4,082	4,082
	24,734	**977,361**	**469,897**	**1,471,992**

28. BORROWINGS (CONTINUED)

(b) Company (continued)

The bank facilities are denominated in Kenya shillings with variable interest rates. The term loans and overdrafts for Stanbic Bank 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 Limited 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 Limited 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 for KShs 25 Million by the Standard Group Limited 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, Commercial Bank of Africa and the borrower; and
- Original log books and blank transfer forms for various motor vehicles.

28. BORROWINGS (CONTINUED)

The effective interest rates on the borrowings were as follows:

	HP Loans %	Term Loans %	Overdraft %
Year ended 31 December 2016			
Stanbic Bank Limited	14.00	14.00	14.00
Commercial Bank of Africa Limited	14.00	14.00	14.00
Year ended 31 December 2015			
Stanbic Bank Limited	15.41	15.41	15.41
Commercial Bank of Africa Limited	19.58	19.58	19.58

29. TRADE AND OTHER PAYABLES

	2016 KShs'000	2015 KShs'000
(a) Group		
Trade	288,995	151,923
Accruals and other payables	318,333	325,604
Provisions	179,708	164,585
Value Added Tax payable	58,418	35,451
	845,454	**677,563**
(b) Company		
Trade	226,186	134,530
Accruals and other payables	180,660	263,620
Provisions	155,675	151,199
Value Added Tax payable	90,276	23,149
	652,797	**572,498**

30. EMPLOYEE BENEFIT

(a) Group

Gratuity provision	21,745	21,370
Movement in gratuity provision is as shown below:		
At 1 January	21,370	31,420
Amounts paid in the year	(17,763)	(49,263)
Additional provision	18,138	39,213
At 31 December	**21,745**	**21,370**

(b) Company

Gratuity provision	13,854	15,422
Movement in gratuity provision is as shown below:		
At 1 January	15,422	25,497
Amounts paid in the year	(17,763)	(48,741)
Additional provision	16,195	38,666
At 31 December	**13,854**	**15,422**

30. EMPLOYEE BENEFIT (CONTINUED)

(b) Company (Continued)

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.

31. NOTES TO THE STATEMENT OF CASH FLOWS

		2016 KShs'000	2015 KShs'000
(a)Reconciliation of profit/(loss) before tax to cash generated from operations			
Profit/(loss) before tax		269,475	(395,801)
Adjustments for:			
Depreciation	(Note 17 (a))	311,101	283,184
Amortisation - intangible assets	(Note 19 (a))	108,294	95,486
- prepaid operating lease rentals	(Note 18)	1,633	1,633
Gain on sale of plant and equipment	(Note 9)	(6,714)	(12,894)
Loss on write off of plant and equipment		1,367	85,694
Interest expense	(Note 12)	233,719	163,638
Operating profit before tax before working capital changes		**918,875**	**220,940**
Changes in working capital			
Inventories		(3,426)	54,809
Trade and other receivables		(309,906)	(252,111)
Trade and other payables		167,891	116,560
Employee benefits		375	(10,050)
Related party balances		(17,403)	(1,498)
Cash generated from operations		**756,406**	**128,650**
(b) Cash and cash equivalents			
Bank and cash balances		31,901	34,453
Bank overdraft	(Note 28 (a)	(332,063)	(484,855)
		(300,162)	**(450,402)**
(c) Analysis of purchase of property and equipment			
Additions in the year	(Note 17(a))	**178,128**	**456,334**
(d) Analysis of bank loans received			
Loan additions during the year	(Note 28 (a))	**1,103,522**	**1,219,372**

32. 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 60,766,995 (2015 – KShs 55,969,536) in contributions payable.

33. OPERATING LEASES

Outstanding commitments under operating leases are as follows:

	2016 KShs'000	2015 KShs'000
Tenancy payable:		
Not later than one year	64,608	40,485
Between one and two years	55,556	16,216
Between two and five years	53,132	9,993
Over 5 years	75,087	4,293
	248,383	**70,987**
Amounts charged to profit or loss in the year in respect of operating leases	**86,005**	**90,730**

34. RELATED PARTY TRANSACTIONS

Related parties balances not settled at year end are disclosed under note 26.

(a) Key management compensation

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

	2016 KShs'000	2015 KShs'000
Fees for services as a director		
Non-executive directors	10,150	7,954
Other emoluments		
Salaries and other short-term employment benefits:		
Executive directors' and key management	84,834	64,633
Total	**94,984**	**72,587**
(b) Cash transfers		
Cash transfers from The Standard Group Limited to Baraza Limited	**120,400**	**81,076**
Cash transfers from Baraza Limited to The Standard Group Limited	**224,227**	**353,021**

(c) Payments on behalf

Payments by The Standard Group Limited on behalf of Baraza Limited	40,031	918,709
Payments by Baraza Limited on behalf of The Standard Group Limited	39,829	637,514
(d) Interest expense		
Interest on shareholder loan	5,190	5,190

35. CAPITAL COMMITMENTS

	Group	
	2016 KShs'000	2015 KShs'000
Authorised and contracted for	102,886	164,000
Authorised but not contracted for	87,202	329,576
	190,088	**493,576**

Capital commitments mainly relate to acquisition of new equipment.

36.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 Limited is as shown below:

	2016 KShs'000	2015 KShs'000
Share capital	408,654	408,654
Share premium	39,380	39,380
Capital redemption reserve	102	102
Retained earnings	1,428,014	1,252,721
Non - controlling interests	199,944	176,716
Equity	**2,076,094**	**1,877,573**
Total borrowings	1,209,849	1,486,950
Less: cash balances	(31,901)	(34,453)
Net debt	**1,177,948**	**1,452,497**
Gearing	**57%**	**77%**

37. 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.

37. EMPLOYEE SHARE OPTION PLAN (CONTINUED)

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	Exercise price	Fair value at grant date
			KShs	KShs
(1) Granted on 24 June 2011	90,640	Not applicable	38.69	36.75
(2) Granted on 20 July 2011	165,500	Not applicable	38.69	31.00

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 2016 and 2015.

Movements in share options during the year

The following share options were exercised during year:

Options series	Number exercised	Exercise date	Share price at exercise date KShs
(1) Granted 24 June 2011	**39,956**	July 2012	*26.3

*Represents the weighted average share price during the period of exercise as the options were exercised on a regular basis throughout the period.

Share options outstanding at the end of the year
There were no share options outstanding as at 31 December 2016 and 2015.

38. CONTINGENT LIABILITIES

As at 31 December 2016, the Group had outstanding contingent liabilities amounting to KShs 577,750,000 (2015 - KShs 545,650,000) in respect of on-going litigation mainly relating to libel charges arising in the normal course of business. KShs 453,594,492 (2015 – KShs 404,166,309) of the contingent liabilities have been insured while a total of KShs 124,255,508 (2015 – KShs 140,926,035) 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 by the Director's show that no additional liability will arise.

39. SUBSEQUENT EVENTS

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

40. INCORPORATION

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

Appendix I

DETAILED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

REVENUE	Appendix II	3,715,863	3,748,877
DIRECT COSTS	Appendix II	(924,225)	(919,447)
STAFF COSTS	Appendix II	(1,055,486)	(1,217,779)
SELLING AND DISTRIBUTION COSTS	Appendix III	(451,357)	(501,431)
ADMINISTRATION EXPENSES	Appendix III	(944,307)	(1,173,866)
OTHER GAINS AND LOSSES	Appendix IV	90,693	(29,700)
FINANCE COSTS	Appendix IV	(230,742)	(161,618)
PROFIT/(LOSS) BEFORE TAXATION		200,439	(254,964)
TAXATION (EXPENSE)/CREDIT		(49,322)	64,749
PROFIT/(LOSS) AFTER TAXATION		151,117	(190,215)

Appendix II

DETAILED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	2016 KShs'000	2015 KShs'000
REVENUE		
Newspaper and online advertising	2,103,963	2,057,714
Newspaper circulation	1,015,444	1,101,092
Radio Advertising	317,299	306,150
Digital Advertising	196,583	175,677
Outdoor advertising	82,574	65,790
Magazines and newspapers	-	42,454
	3,715,863	**3,748,877**
DIRECT COSTS		
Material cost	489,907	478,817
Depreciation	197,515	201,359
Contribution	88,152	78,929
Operating lease	60,173	47,656
Maintenance	37,909	50,228
News service	30,229	20,638
Production salaries	13,748	3,772
Cost of sales outdoor advertising	6,592	6,163
Cost of sales PDS	-	31,885
	924,225	**919,447**
STAFF COSTS		
Salaries and wages	885,475	1,019,324
Personnel costs – other	120,352	151,143
Pension contribution	47,436	43,365
Other	2,223	3,947
	1,055,486	**1,217,779**

Appendix III

Appendix III

DETAILED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	2016 KShs'000	2015 KShs'000
SELLING AND DISTRIBUTION COSTS		
Commission	274,910	330,094
Transport and distribution costs	86,875	106,193
Marketing and promotion	89,572	65,144
	451,357	**501,431**
ADMINISTRATION EXPENSES		
Rent and office expenses	133,022	125,155
Amortisation	109,863	97,119
Professional fees	81,386	164,243
Bad debts	71,175	248,349
Depreciation charge	69,830	77,160
Vehicle running and hire	67,506	60,086
Telephone and postages	61,561	49,876
Repair and Maintenance	60,489	65,160
Licences	56,703	54,097
Travel and accommodation	54,745	45,254
General insurance	46,492	27,821
Bank charges	34,285	31,646
Electricity and water	26,349	42,225
Training	18,412	19,316
Directors' fees	14,413	13,590
Subscription and donation	14,110	11,091
Printing and Stationery	10,403	16,885
Entertainment	8,586	15,393
Others	4,977	9,400
	944,307	**1,173,866**

Appendix IV

DETAILED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	2016 KShs'000	2015 KShs'000
OTHER GAINS AND LOSSES		
Sale of newspapers/magazines returns and production waste	33,940	23,139
Miscellaneous income	23,668	1,398
Printing services	17,956	3,140
Gain on disposal of property, plant and equipment	13,871	12,894
Exchange gain	1,258	(12,692)
Scrapped assets	-	(57,579)
	90,693	**(29,700)**
FINANCE COSTS		
Interest expenses	**230,742**	**161,618**

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the Ninety Ninth (99th) Annual General Meeting of the Shareholders of The Standard Group Limited ("the Company") will be held at the Standard Group Centre along Mombasa Road, Nairobi, on Friday, 23rd June 2017 at 11.00 a.m. to transact the following business:

1. **CONSTITUTION OF THE MEETING**
   To read the notice convening the meeting and determine if quorum is present.

2. **ORDINARY BUSINESS**

A. REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2016
To receive, consider and, if thought fit, to adopt the Audited Consolidated Financial Statements for the year ended 31st December 2016 together with the reports of the Chairman, the Group Chief Executive Officer and the Auditors' thereon.

B. DIVIDEND
To note that the Directors do not recommend payment of a Dividend for the year ended 31st December 2016.

C. ELECTION OF DIRECTORS:

(i) In accordance with Article 101 of the Company's Article of Association, Mr. Shaun Zambuni who is a Non-Executive Director, retires by rotation and being eligible, offers himself for re-election.

(ii) In accordance with Article 101 of the Company's Article of Association,, Mr. Francis Munywoki who is a Director, retires by rotation and being eligible, offers himself for re-election.

(iii) 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.

(iv) Pursuant to the provisions of the Section 769 of the Companies Act 2015, Dr. James Boyd Mcfie, Mr. Samuel Lerionka Tiampati, Ms. Zehrabanu Janmohamed and Mr. Shaun Zambuni being members of the Board Finance and Audit Committee, be elected to continue to serve as members of the said Committee.

D. To approve the remuneration of Directors and Directors' Remuneration Report for the year ended 31st December 2016.

E. To re-appoint Messrs KPMG Kenya to continue in office as Auditors of the Company for the ensuing financial year and to authorize the Directors to fix their remuneration.

3. **SPECIAL BUSINESS**
   Toconsider and, if thought fit, to pass the following Resolution as a Special Resolution.

(i) "That the name of the Company be and is hereby changed from The Standard Group Limited" to "The Standard Group PLC" with effect from the date set out in the Certificate of Change of Name issued in that regard by the Registrar of Companies."

BY ORDER OF THE BOARD

MILLICENT NG'ETICH
COMPANY SECRETARY

Date: 24th May 2017

NOTE

1. A member entitled to attend to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. If the member is a corporation, the proxy shall be appointed in accordance with 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 the Company's website **https://www.standardmedia.co.ke/corporate/investors** or at Standard Group Centre, Mombasa Road, Nairobi. Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the form to the Company Secretary of the Company, or the Company's Share Registrar, Image Registrars Ltd, 5th Floor, Barclays Plaza, Loita Street, P.O. Box 9287-00100 G.P.O Nairobi, no later than 48 hours before the time appointed for holding the meeting.

3. The full annual report may be downloaded from the Company's website **https://www.standardmedia.co.ke/corporate/investors**

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

PROXY FORM

The Company Secretary
The Standard Group Limited
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 Ltd, 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 99th Annual General Meeting of the Company to be held on Friday June 23, 2017 at 11.00 a.m. or at any adjournment thereof.

Signed this .... day of 2017

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 June 21, 2017 i.e. 48 hours before the time appointed for holding the meeting.

www.standardmedia.co.ke