STANDARD GROUP

bringing your world to you.

# 2017

## ANNUAL REPORT & FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31ST DECEMBER 2017

Standard

Kenya's Bold Newspaper

THE NAIROBIAN

ktn

ktn NEWS

Get The Whole Story

Radio Maisha

STANDARD Digital

**1902:** Alibhai Mulla Jeevanjee, a migrant who arrived in Kenya in 1890 to sell supplies during the building of the Uganda Railway, set up the African Standard which is today The Standard

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# DIRECTORS AND STATUTORY INFORMATION

| | | |
|---|---|---|
| DIRECTORS | Robin Sewell* | - Chairman |
| | Julius Kipngetich (Appointed on 7th October 2017) | - Deputy Chairman |
| | Orlando Lyomu | - Acting Group Chief Executive Officer |
| | Sam Shollei (Resigned on 1st September 2017) | |
| | Zehrabanu Janmohamed | |
| | Lerionka S. Tiampati | |
| | James Boyd Mcfie | |
| | Shaun Zambuni* | |
| | Francis Munywoki (Resigned on 31st January 2018) | |
| | Gitahi Githinji (Appointed on 16th March 2018) | |
| | Juliana Rotich (Appointed on 16th March 2018) | |
| | * British | |
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| AUDITORS | KPMG Kenya<br>Certified Public Accountants of Kenya<br>8th Floor, ABC Towers, Waiyaki Way<br>PO Box 40612 - 00100, Nairobi | |
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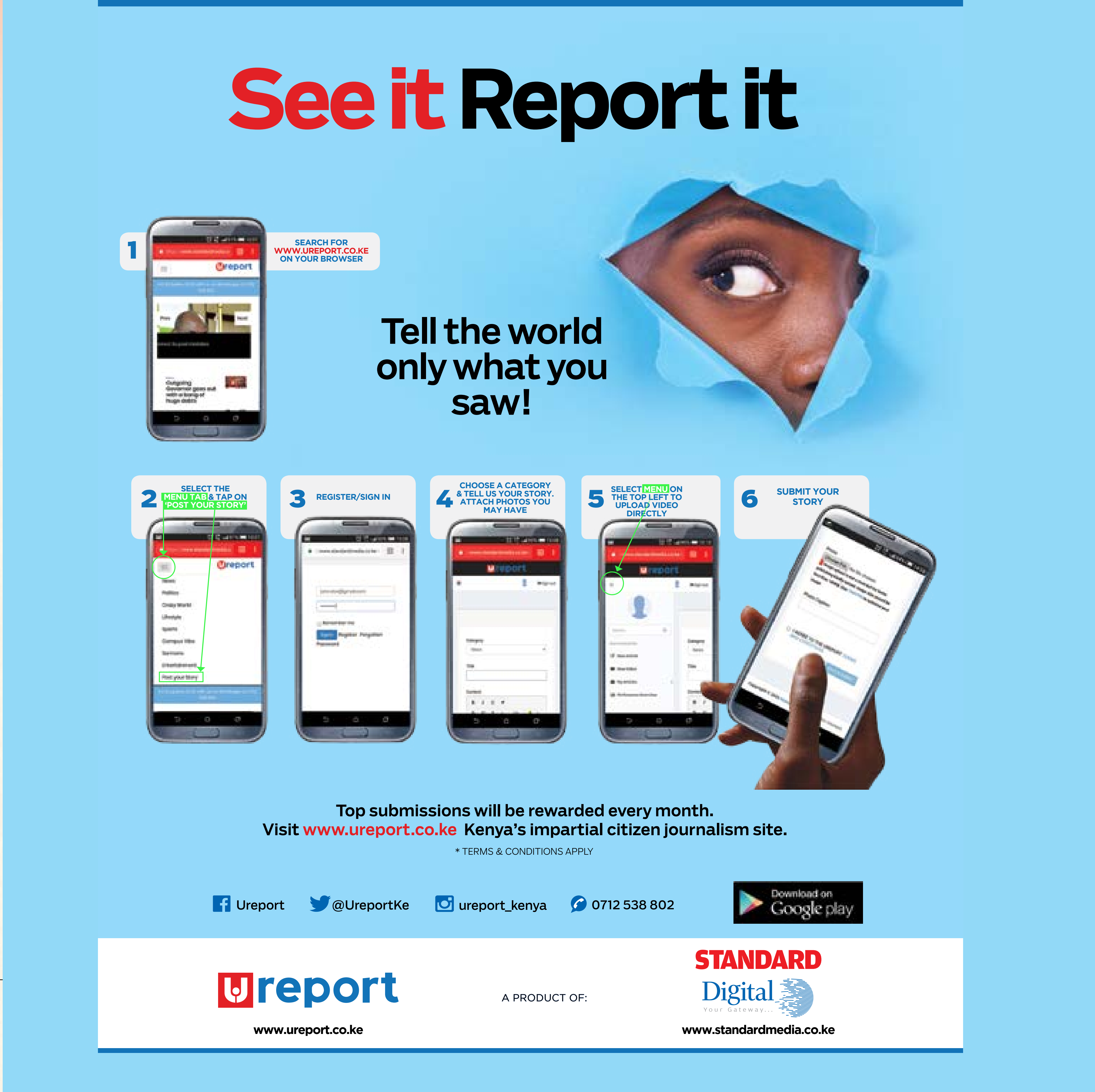
| | Commercial Bank of Africa Limited<br>Wabera/Standard Street<br>PO Box 30437 - 00100, Nairobi | |
| | Kenya Commercial Bank Limited<br>Moi Avenue<br>PO Box 48400 - 00100, Nairobi | |
| COMPANY REGISTRARS | Image Registrars<br>Barclays Plaza<br>Loita Street<br>PO Box 9287 – 00100, Nairobi | |





# CHAIRMAN'S STATEMENT

I am pleased to present the Standard Group PLC's Annual Report and Audited Financial results for the year ended 31 December 2017. This year, the Group marks its centenary and we celebrate 100 years since the company was incorporated. To be a thriving business for over a century is without doubt a major achievement and something of which we should all be justly proud.

From its humble beginnings, the Group has grown immensely, diversifying from a business solely owning a newspaper into owning several publications and then moving into broadcast services, both television and radio, as well as the new media - our digital platform - which is ranked as the top news website in Kenya.

As the oldest media house in Kenya, the Standard Group PLC has been built on a solid foundation and has maintained a strong reputation, remaining bold, innovative and forward-looking. Our flagship, The Standard, has become brighter, more vibrant and youthful, even as it marches through its 115th year since it was founded in 1902.

## THE KENYAN ECONOMY

The growth in GDP declined in 2017 due to drought, weak credit growth, security concerns and election disruptions closing at 4.7% compared to 5.4% in 2016. Medium term GDP is expected to rebound to 5.8% in 2018 and 6.1% in 2019 depending on completion of on-going infrastructure projects, resolution of slow credit growth, strengthening of the global economy and the recovery of tourism.

Early 2018 data suggests that the economy is on a stronger footing this year. The current account deficit that had remained high in recent months fell in January 2018 due to a calmer political environment. As a result in March 2018 the IMF extended the country's access to a USD 1.5 billion standby credit facility to September 2018.

Consumer purchasing power was depressed in the year by the rising inflation rate, the annual average inflation rate increasing to 8% in 2017 compared to an average of 6.3% in 2016.

## THE MEDIA INDUSTRY

Over the course of 2017, the whole Media Industry was seriously affected by the prolonged election period. Some parts of the country were rocked by politically fuelled violence and most businesses held back on their advertising spend, adopting a wait and see stance for the better part of the year. For the media industry, business is normally slow in the first quarter of the year picking up in the second quarter and hitting a peak in the third quarter before slowly easing off as the year comes to a close. Election years are always disruptive to our business but are usually only expected to affect a couple of months (July to August). This year the uncertainty lasted until the president was finally sworn-in in November. Additionally unlike previous election periods in which a lot of political advertising was channelled through our print and broadcast platforms, in 2017 advertising was largely on social media.

The whole media industry has over the years heavily depended on Government advertising spending. In 2015, Government changed their advertising policy by introducing the Government Advertising Agency (GAA) whose mandate was to centralise and manage Government advertising spending. With effect from 2015, all Ministries and parastatals were obliged to channel their advertising through the GAA, with the intention that this would give the GAA stronger negotiating powers and reduce wasteful spending habits. The Agency has however faced problems, principally due to the delay in funds being released by the Treasury. As a result of this, the Group is owed over KShs. 500 million by the Government! Enormous time and effort has been spent in attempting to collect this debt but it has continued to build. In the past, Government debt was always regarded as secure as "the State will always pay", however, the lack of urgency that is being shown by Government to clear its debts is starting to cast doubt on that certainty and we are concerned that this will impact on the whole country's credit worthiness if it is not addressed. The very fact that companies like ours are now obliged to make provision against Government debt in our accounts, which of course impacts on our profits and ability to pay dividends, should be of concern to all citizens, whether shareholders or not.

## INDUSTRY STATISTICS

The number of TV frequencies available nationwide increased by 21 from 312 in 2016 to 333 in 2017. The increase was due to the development of digital TV broadcasting, which requires less bandwidth than analogue broadcasting, thereby freeing bandwidth for more frequencies. The number of free TV stations available without subscription or a satellite receiver increased by 26 from 63 in 2016, to 89 in 2017, while the number of digital signal distributors remained unchanged at 5.

The number of homes with access to cable TV increased by 5% in 2017 (from 280,429 to 296,906). However, cable TV subscriptions declined for the first time in 3 years by 16.3% from 95,483 in 2016 to 79,938 in 2017. The decline is partially attributable to the increasing use of other digital platforms such as online streaming and partly to the greater availability of free TV stations. Overall however, total digital subscribers (which covers cable TV, direct to home satellite, digital terrestrial television and Internet streamed TV) increased by over 12% from 4,351,780 in 2016 to 4,890,347 in 2017.

The number of FM radio frequencies increased from 687 in 2016 to 740 in 2017, while the number of radio stations rose from 173 in 2016 to 176 in 2017. During the year, English and Swahili stations declined by 1 to 109 while vernacular stations increased by 4 to 67.

Newspaper circulation continues to decline. English daily newspaper circulation dropped by 5% and Kiswahili daily newspapers dropped by 10% in the year. Weekly publications have also declined with English title circulation dropping by over 6% and Kiswahili by nearly 10% in the year.

The decline was mainly attributable to increased readership of online news which is now easily accessible on mobile phones, tablets and computers. Average online daily newspaper readers increasing by 20.1 % during the year.

# CHAIRMAN'S STATEMENT (CONTINUED)

### THE STANDARD GROUP

Despite the Group's best efforts in 2017, the combination of extended political turmoil and the general downturn in the economy led to a dip in profits compared to the year 2016. I must particularly thank our Commercial team who made outstanding efforts during the year, but with advertising revenues drying up during the long electioneering period especially following the annulment of the August presidential poll, we were unable to recover the lost ground. The doubtful debt provisions we are required to make, including those in respect of Government debts have also made a big impact on this year's results.

### DIVIDENDS

The Board does not recommend the payment of a dividend for the year.

### SHARE PRICE AND MARKET CAPITALISATION

The Group had a total of 81.7 million issued shares as at 31 December 2017 with a market capitalization of KShs 2.53 billion, compared to KShs 1.3 billion at the same time in 2016. The Group's earnings per share were KShs (3.32) in the period under review compared to KShs. 2.14 in 2016.

### OUTLOOK – 2018 AND BEYOND

The year under review was as you will all know a challenging one for everyone, however, the Board is confident that, absent further political instability, the strategies now in place leave the Group well equipped to withstand both existing industry challenges and will lead to sustainable growth in the future and therefore a return to profitability in 2018 and beyond.

The Group has already embarked on implementing its 5-year strategic plan whose main focus is to grow the broadcast and digital segments, introduce new products, diversify customer offerings and encourage a performance-driven workplace with a culture that promotes efficiency and effectiveness in product and service delivery.

### ACKNOWLEDGMENT

The Board particularly wishes to acknowledge and thank its management and staff for their continued outstanding efforts, and its readers, viewers, consumers of our other media products and our business partners for their continued and invaluable support during this difficult period. We now look forward to sharing a period of growth and stability both in the country and in the business of the Group.

Thank you

**Robin Sewell**

Chairman



# TAARIFA YA MWENYEKITI KWA MWAKA ULIOKAMILIKA TAREHE 31 DESEMBA 2017

Ni fahari kwangu kutoa Repoti ya Mwaka na Matokeo ya Ukaguzi wa Kifedha wa kampuni ya Standard Group PLC kuhusu mwaka uliokamilika tarehe 31 Desemba 2017. Mwaka huu, Kampuni inatimiza karne na tunaadhimisha miaka 100 tangu kampuni ilipoanzishwa. Kuendelea kuimarika kibiashara kwa zaidi ya karne nzima bila shaka ni mafanikio makubwa na jambo lifaalo kujivunia.

Kuanzia mwanzo wa msingi usio thabiti, Kampuni imeimarika pakubwa na kupanua biashara yake kutoka kumiliki gazeti pekee na kuwa na machapisho kadhaa, kisha kuingia katika huduma za matangazo, runinga na redio, pamoja na mfumo mpya wa habari - jukwaa letu la kidijitali - ambalo limeorodheshwa kuwa tovuti inayoongoza katika habari nchini Kenya.

Likiwa shirika kongwe zaidi la habari nchini Kenya, Standard Group PLC limejengwa katika msingi imara na limedumisha sifa nzuri, limeendelea kuwa jasiri, lenye ubunifu na linaloangalia mbele. Nembo yetu kuu, The Standard, imeendelea kung'aa, imezidi kusisimua na kuwavutia vijana, licha ya kuwa linatimiza mwaka wake wa 115 tangu lilipoanzishwa mwaka 1902.

### UCHUMI WA KENYA

Ukuaji wa Pato la Taifa (GDP) ulipungua mwaka 2017 kutokana na ukame, ukuaji duni wa sekta ya mikopo, wasiwasi kuhusu hali ya kiusalama pamoja na mwingilio wa uchaguzi hivyo mwaka kumalizika kwa ukuaji wa 4.7% ukilinganishwa na 5.4% mwaka 2016. Makadirio ya ukuaji wa Pato la Taifa katika muda mfupi ni kwamba ukuaji utaongezeka kwa 5.8% mwaka 2018 na 6.1% mwaka 2019 kutegemea na kukamilika kwa miradi inayoendelea ya miundomsingi, utatuzi wa ukuaji mdogo katika sekta ya mikopo, kuimarika kwa uchumi wa dunia na kuimarika tena kwa utalii.

Takwimu za mwanzoni mwa 2018 zinaonyesha kwamba uchumi unakua kwa kasi zaidi mwaka huu. Nakisi ya bajeti ya sasa iliyosalia juu kwa miezi kadhaa ya hivi karibuni ilipungua kuanzia Januari 2018 kwa sababu ya kutulia kwa joto la siasa. Kutokana na hilo, mwezi Machi 2018 IMF iliruhusu taifa kupata mkopo wa Dola bilioni 1.5 hadi Septemba 2018.

Uwezo wa ununuzi miongoni mwa raia ulikuwa umepungua kutokana na mfumuko wa bei, ambapo kiwango cha wastani cha mfumuko wa bei kiliongezeka kwa 8% mwaka 2017 kikilinganishwa na wastani wa 6.3% mwaka 2016.

### SEKTA YA VYOMBO VYA HABARI

Katika mwaka 2017, sekta nzima ya Vyombo vya Habari iliathirika pakubwa na kipindi kirefu cha uchaguzi. Vurugu za kisiasa zilishuhudiwa kwenye sehemu nyingine za nchi, jambo lililowafanya wafanyabiashara wengi kupunguza matumizi ya fedha kwa matangazo, wakiamua kusubiri kuona hali itakavyokuwa kwa takriban mwaka mzima. Kwa sekta ya vyombo vya habari, kwa kawaida kasi ya biashara hupungua katika robo ya kwanza ya mwaka na kuongezeka katika robo ya pili na kufika kilele katika robo ya tatu kabla ya kupunguka polepole mwaka unapokaribia kumalizika. Miaka ya uchaguzi huvuruga biashara yetu lakini kwa kawaida hutarajiwa tu kwa miezi michache (Julai hadi Agosti). Mwaka huu, hali ya kutokuwa na hakika iliendelea mpaka Rais alipoapishwa Novemba. Zaidi ya hayo, tofauti na vipindi vya zamani vya uchaguzi ambavyo matangazo mengi kuhusu kisiasa yalifanyika katika machapisho na vituo vyetu vya utangazaji, 2017 matangazo kwa kiasi kikubwa yalifanyika katika mitandao ya kijamii.

Katika miaka kadhaa, sekta nzima ya habari imekuwa ikitegemea matangazo kutoka kwa Serikali. Mnamo mwaka wa 2015, Serikali ilibadilisha sera yake kuhusu matangazo kwa kuanzisha Shirika la Matangazo la Serikali (GAA), ambalo jukumu lake lilikuwa kuweka pamoja na kusimamia fedha zote zinazotumiwa katika matangazo ya Serikali. Kuanzia mwaka 2015, wizara na mashirika yote ya umma yalilazimika kutangaza kupitia GAA, lengo likiwa kwamba uamuzi huo ungeipa GAA nguvu ya ushawishi katika biashara na kupunguza tabia ya ubadhirifu wa fedha. Hata hivyo, shirika hili limekabiliwa na matatizo, hasa kutokana na kuchelewa kwa fedha zinazotolewa na Hazina Kuu. Kwa sababu hiyo, Shirika la Standard linaidai Serikali zaidi ya shilingi milioni 500. Muda na juhudu kubwa zimewekwa ili kujaribu kulipwa deni hili ambalo linazidi kuongezeka. Hapo awali, madeni ya Serikali yalikuwa yakichukuliwa kuwa salama kwa imani kwamba "Serikali itawalipa tu" hata hivyo kujikokota kunakooneshwa na Serikali katika kulipa madeni yake kunaanza kutoa shaka kuhusu uhakika huo wa kulipwa na tuna wasiwasi kwamba hali hii itaathiri sifa ya nchi nzima kuweza kukopeshwa ikiwa haitashughulikiwa. Uhalisia kwamba kampuni kama zetu sasa zinalazimika kutenga sehemu ya madeni ya Serikali katika akaunti zetu, ni jambo linaloathiri faida zetu na uwezo wa kulipa gawio, lazima liwe jambo la kuwakera wananchi wote, hata kama si wenye-hisa.

# TAARIFA YA MWENYEKITI KWA MWAKA ULIOKAMILIKA TAREHE 31 DESEMBA 2017

## TAKWIMU ZA SEKTA

Idadi ya masafa ya runinga kote nchini iliongezeka kwa 21 kutoka 312 mwaka 2016 hadi 333 mwaka 2017. Ongezeko hilo lilitokana na ukuaji wa matangazo kidijitali ya runinga ambayo hayahitaji mawimbi mengi yakilinganishwa na utangazaji analogi, hali iliyowezesha kupatikana kwa masafa mengi zaidi. Idadi ya vituo vya runinga vinavyopatikana bila kulipia au bila kujisajili au kifaa cha king'amuzi cha setilaiti iliongezeka kwa 26 kutoka 63 mwaka 2016, hadi 89 mwaka wa 2017, huku idadi ya wasambazaji wa masafa dijitali ikisalia kuwa 5.

Idadi ya makazi yanayopokea matangazo ya runinga kupitia ving'amuzi imeongezeka kwa 5% mwaka 2017 (kutoka 280,429 hadi 296,906). Hata hivyo, idadi ya waliojisajili kwa hudumu za runinga kupitia ving'amuzi ilipungua kwa mara ya kwanza katika miaka 3 kwa 16.3% kutoka 95,483 mwaka 2016 hadi 79,938 mwaka 2017. Kupungua huko kwa kiasi fulani kunatokana na ongezeko la utumiaji wa mifumo mingine ya kidijitali kama vile habari za moja kwa moja mitandaoni na kwa kiasi fulani upatikanaji wa vituo vingi vya televisheni visivyolipishwa. Hata hivyo kwa ujumla, idadi jumla ya wasaliojisajili kwa mifumo kidijitali (ambayo inajumuisha runinga kupitia ving'amuzi, setilaiti, televisheni zinazoweza kupokea mawimbi dijitali na matangazo ya moja kwa moja ya runinga mtandaoni) imeongezeka kwa zaidi ya 12% kutoka 4,351,780 mwaka 2016 hadi 4,890,347 mwaka 2017.

Idadi ya masafa ya FM za redio iliongezeka kutoka 687 mwaka 2016 hadi 740 mwaka 2017, huku idadi ya vituo vya redio ikiongezeka kutoka 173 mwaka 2016 hadi 176 mwaka 2017. Katika mwaka huo, vituo vya Kiingereza na Kiswahili vilipungua kwa 1 na kuwa 109 huku vituo vya lugha za asili vimeongezeka kwa 4 na kufikia 67.

Mauzo ya gazeti yanaendelea kupungua. Mauzo ya gazeti la kila siku ya Kiingereza yameshuka kwa 5% huku yale ya magazeti ya kila siku ya Kiswahili yakipungua kwa 10% katika mwaka huo. Mauzo ya machapisho ya kila wiki pia yamepungua kwa matoleo ya Kiingereza kwa zaidi ya 6% na Kiswahili kwa takribani 10% kwa mwaka.

Kupungua huko kulitokana na kuongezeka kwa usomaji wa habari mtandaoni, ambayo sasa inapatikana kwa urahisi kupitia simu za mkononi, vipakatalishi na tarakilishi. Wasomaji wa gazeti la kila siku mtandaoni kwa viwango vya wastani wameongezeka kwa 20.1% katika mwaka huo.

## SHIRIKA LA HABARI LA STANDARD

Licha ya jitihada nzuri za Shirika katika mwaka wa 2017, mseto wa kipindi kirefu cha mvutano wa kisiasa na kushuka kwa ujumla kwa uchumi ulisababisha kupungua kwa faida ikilinganishwa na mwaka wa 2016. Ninaishukuru sana shirika letu la STANDARD GROUP PLC

Kundi la wafanyakazi wa idara ya Mauzo lilifanya jitihada ya kipekee mwaka wote lakini kutokana na kupungua kwa mapato ya matangazo katika kipindi kirefu cha uchaguzi hasa kufuatia kufutiliwa mbali kwa matokeo ya uchaguzi wa urais mwezi Agosti, hatukuweza kufidia tuliyopoteza. Kiasi tunachotakiwa kutengea madeni tuliyo na shaka nayo, ikiwa ni pamoja na Madeni ya Serikali pia kimeathiri matokeo ya mwaka huu.

## MGAO WA FAIDA

Bodi haijapendekeza malipo ya mgao wowote wa faida mwaka huu.

Bei ya hisa na thamani katika soko la hisa

Shirika lilikuwa na jumla ya hisa milioni 81,7 zilizotolewa kufikia tarehe 31 Desemba 2017 yenye thamani ya KShs 2.53 bilioni, ikilinganishwa na KShs 1.3 bilioni katika kipindi sawa mwaka 2016. Mapato ya Shirika kwa kila hisa yalikuwa KShs (3.32) katika kipindi hiki ikilinganishwa na KShs. 2.14 mwaka wa 2016.

## MATARAJIO – 2018 NA KUENDELEA

Mwaka uliopita, jinsi nyote mnavyojua, ulikuwa wenye changamoto kwa kila mtu, hata hivyo, Bodi inaamini kuwa, kutokuwapo kwa msukosuko zaidi wa kisiasa, mikakati iliyopo italiwezesha Shirika kuhimili changamoto zilizopo katika sekta hii na itafanikisha kuwapo kwa kwa ukuaji endelevu katika siku zijazo na hivyo kurejelewa kwa faida mwaka 2018 na kuendelea.

Shirika limeanza kutekeleza mpango wa mkakati wa miaka 5 ambao lengo kuu ni kukuza vitengo vya utangazaji na kidijitali, kuanzisha vitengo vipya, kuwapa wateja huduma mbalimbali na kuhimiza kuhusu mazingira yanayojali utendakazi wa wafanyakazi yanayoongozwa na desturi ya kukuza ubora na ufanisi katika utoaji wa bidhaa na huduma.

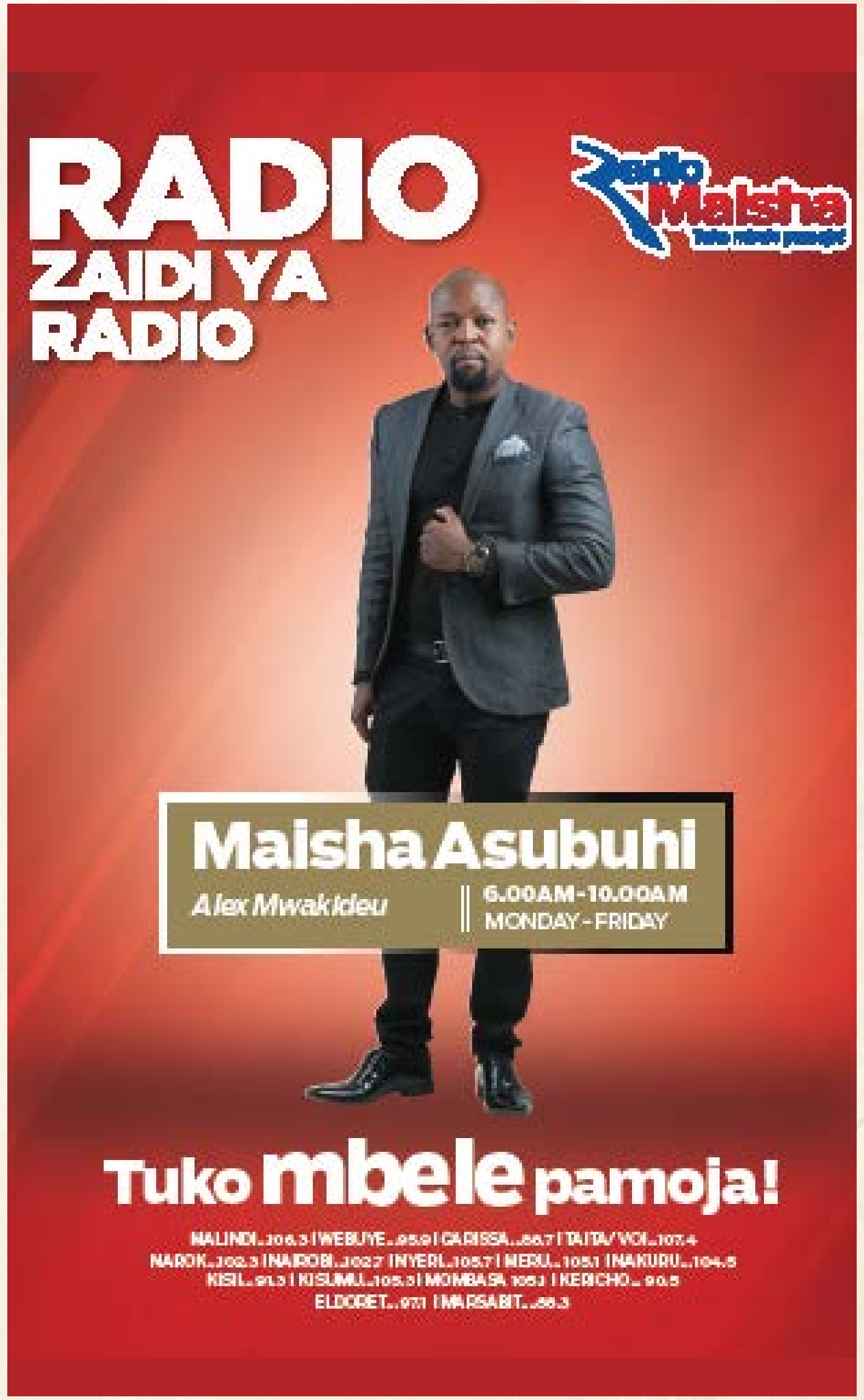
## SHUKRANI

Bodi hasa ingependa kutambua na kushukuru usimamizi na wafanyakazi kwa kuendeleza juhudi zao pamoja na wasomaji, watazamaji, watumiaji wa bidhaa zetu nyingine za habari pamoja na washirika wetu wa kibiashara kwa ushirikiano wao muhimu katika kipindi hiki kigumu na sasa tuna matumaini kwamba tutakuwa na kipindi cha ukuaji na utulivu kote nchini na katika biashara ya Shirika.

Asante

Robin Sewell

*Mwenyekiti*



# GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

I am honoured to present the business highlights for the financial year ended 31 December 2017.

The Group's turnover declined by 3% to close at KShs 4.7 billion in 2017 compared to KShs 4.8 billion in 2016. The decline was mainly due to reduction in Print advertising revenue by 17% occasioned by business disruption during the long electioneering period.

The broadcast division continued to post impressive revenue growth, with radio and TV recording a growth of 41% and 9% respectively. The increase in broadcast revenue is as a result of innovative offerings to include live coverages and interviews while Radio continues to benefit from a strong brand position and wide reach.

The Group's direct costs increased slightly, closing at KShs 1.35 billion from KShs 1.33 billion in 2016. This was driven mainly by increased cost of editorial coverage of the two general elections. Overhead costs increased by 16% to close at KShs 3.6 billion compared to KShs. 3.1 billion in 2016. The increase was largely attributable to increase in staff costs, legal and marketing costs.

The Group closed 2017 at a loss before tax of KShs 282 million against a profit of KShs 269 million in 2016.

## CHALLENGES AND OPPORTUNITIES

The year 2017 presented significant challenges majorly attributed to the extended period of political activities which stretched up to November. While the year began with a heated political environment, which in the past has provided opportunities for additional revenue streams through campaign advertising, this year the advertising spend by political parties and individual politicians on mainstream media was insignificant.

The nullification of the August 2017 General Election results further put the country in a state of uncertainty. Many businesses put their advertising spend on hold as part of cost cutting measures, due to the depressed business environment. The unfavourable market conditions persisted until the end of 2017. After the conclusion of the repeat general elections and swearing in of the president. Holding two general elections within three months brought the Kenyan media under unprecedented political and economic pressure. Besides the strain caused by the extended political period, general tension and business unease, the industry continued to battle circulation decline, fake news, competitor talent raids and the changing habits of news consumers in the digital age.

The media suffered the full impact of the government's directive stopping ministries, government agencies and institutions, including public universities, from advertising directly in the newspapers, and instead directed all such advertisements to the government's publication, MyGov, through the Government Advertising Agency (GAA). The effect of this has been a drastic reduction in print advertising from the public sector and uncertainty over sustainability of this revenue from the government. While the agreement is that MyGov is carried as an insert by the major newspapers on certain days of the week, the government has used this consolidation of public advertisements in its publication as a tool to deny media organisations advertising revenue by withholding the insert at will and without explanation.

On a positive note, the Group's flagship brand "The Standard" newspaper underwent a redesign with the new look being unveiled in March 2017. The redesign was both a change in dress and a strengthening of its content, aimed at making The Standard more appealing to a cross section of readers. It also sought to recruit new readers with the introduction of new targeted magazines, such as Hustle for entrepreneurship, Hashtag for students in tertiary institutions and Sunday magazine for the family, while giving a new flair to the existing popular sections, such as Crazy Monday, Financial Standard, Pulse, Eve and Smart Harvest. The market has seized on the new-look paper with enthusiasm.

The Group further maximized on its broadcasting business, growing revenue significantly in both Radio Maisha and the two television channels. Advertising revenue was realized from KTN News, thanks to its growing popularity and viewer ratings. Similarly, advertising revenue growth was also realized from KTN Home, the online business – Standard Digital, and The Nairobian weekly newspaper.

## PRODUCT PERFORMANCE

### PRINT PUBLICATIONS

Copy circulation during the year continued to suffer from a significantly changing readership and a shift from contemporary print media to online platforms. However, with revamped content, new sections, and a new approach of offering readers niche print products, it is expected that new unserved and underserved readers will be recruited.

The Nairobian has continued to grow readership, with focus shifting to consistency in content and growing advertising revenue.

Moving forward, the Group remains optimistic that the revamped Standard will register growth. Management will continue focusing on quality and competitive content.

### THE STANDARD

With the redesign being implemented early in the year, The Standard newspaper registered growth in the early stages after the relaunch and a slowdown months later. However, the numbers picked up towards the elections, mainly due to competitive political campaign coverage.

Management is positive that with further strengthening of content, copy sales will improve in 2018.

### THE NAIROBIAN

The Nairobian's circulation performance encountered a challenging environment during the year under review. While the paper remains popular with readers

# GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

across the country, management is looking at ways of ensuring the paper retains its leading market position.

### KTN (HOME CHANNEL)

KTN maintained its second position in share of viewing with a small margin to the number one position. Programming was intentionally overhauled with focus shifting to targeted programs for different categories of viewers.

### KTN NEWS

Having clocked two years in 2017, KTN News grew its viewership to the number three position. The station was driven by the impetus of being the only 24-hour news channel in Kenya. Exceptional coverage of the general elections further ensured that the station remained relevant in a highly competitive environment.

On the revenue front, it is worth reporting that the station picked up during the year under review with focus shifting to product-based revenue generating strategies.

The general outlook, moving forward, is positive with energies being put on monetization of the station while producing highly competitive content.

### RADIO MAISHA

Radio Maisha maintained steady growth, solidifying its position as the second most listened-to station. Consequently, revenue grew and management is positive that further growth will be realized in 2018.

### STANDARD DIGITAL

Standard Digital's growth trajectory remained steady in 2017. The online platform regained the number one position in terms of market share amidst tough competition.

Revenue remained fairly stable with overall growth being recorded during the year under review.

### PEOPLE AND TALENT MANAGEMENT

Training, development and staff engagement are key in ensuring that the Group's staff are empowered to provide innovative customer products & services and enhance a performance driven work culture. The Group continues to invest in its capacity to train and evaluate staff and is currently automating performance management.

The Group partnered with the Aga Khan University Graduate School of Media and Communications to train the second group of journalists under The Standard Media Academy talent development program. Twelve trainees graduated in October 2017 and have since been assigned to different editorial departments.

### FUTURE PROSPECTS

It is expected that the media industry and the economy in general will generally recover from the harsh political environment witnessed in 2017. With a stable business environment, new opportunities and a clear road map, management is optimistic that 2018 will be profitable.

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

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

**Orlando Lyomu**

Ag. Group Chief Executive Officer



# TAARIFA YA AFISA MKUU MTENDAJI, YA MWAKA ULIO-KAMILIKA TAREHE 31 DISEMBA 2017

Ni fahari kwangu kuwasilisha vidokezo kuhusu shughuli za kibiashara za mwaka unaomalizika tarehe 31 Disemba 2017.

Mapato ya Shirika ilipungua kwa 3% ambapo zilikuwa shilingi bilioni 4.7 mwishoni mwa 2017 kulinganisha na shilingi bilioni 4 mwaka wa 2016. Hali hii ilichangiwa na kupungua kwa mapato yanayotokana na matangazo yanayolipiwa magazetini kwa 17%, kutokana na msimu mrefu wa kisiasa.

Kitengo cha utangazaji kiliendelea kurekodi ongezeko la faida, ambapo redio na runinga zilirekodi ukuaji wa 41% na 9% mtawalia. Ongezeko la faida katika kitengo cha utangazaji lilichangiwa na uvumbuzi wa mbinu mpya ambazo ni pamoja na matangazo ya moja kwa moja na mahojiano huku kitengo cha redio kikinufaika kupitia umaarufu wake na masafa mpya.

Gharama ya moja kwa moja ya Shirika iliongezeka kidogo, ambazo mwaka 2017 zilikuwa shilingi bilioni 1.35 kutoka shilingi bilioni 1.33 mwaka 2016. Hali hii hasa ilitokana na kuongezeka kwa gharama ya kuangazia chaguzi mbili za urais. Gharama za kuendeshea shughuli za Shirika ziliongezeka kwa 16% ambazo ni shilingi bilioni 3.6 kufikia mwishoni mwa mwaka kulinganisha na shilingi bilioni 3.1 mwaka 2016. Ongezeko hili lilichangiwa pakubwa na gharama ya wafanyakazi, masuala ya kisheria na matangazo ya kibiashara.

Mwaka wa 2017 ulimalizika huku Shirika likipata hasara ya shilingi milioni 282 kabla ya kutozwa kodi, kulinganishwa na faida ya shilingi milioni 269 mwaka wa 2016.

### CHANGAMOTO NA FURSA

Mwaka wa 2017, zilikuwapo changamoto dhahiri hasa kutokana na msimu mrefu wa shughuli za kisiasa ambazo ziliendelea hadi Novemba. Huku mwaka ukianza kwa mazingira ya siasa kali, ambayo miaka ya awali ilitoa fursa ya kuongeza mapato kupitia matangazo, mwaka huu fedha za matangazo zilizotumiwa na vyama vya kisiasa na wanasiasa binafsi katika vyombo vya kawaida vya habari zilikuwa chache mno.

Kufutiliwa mbali kwa uchaguzi wa urais Agosti 8, 2017 kulizidi kuiweka nchi katika hali ya kutobashirika. Mashirika mengi yalisitisha matumizi ya fedha zao za matangazo ya kibiashara ikiwa njia mojawapo ya kupunguza gharama, kutokana na kupungua kwa fursa za kibiashara. Mazingira yasiyofaa ya kibiashara yaliendelea hadi mwishoni mwa mwaka wa 2017, baada ya kumalizika kwa marudio ya uchaguzi na kuapishwa kwa Rais. Kufanyika kwa chaguzi mbili katika kipindi cha miezi mitatu kuliviweka vyombo vya habari vya Kenya katika shinikizo lisilobashirika la kisiasa na kiuchumi.

Mbali na hali ngumu iliyochangiwa na kipindi kirefu cha kisiasa, taharuki za kijumla na msukosuko wa kibiashara, sekta ya habari ilizidi kukabiliwa na upungufu wa mauzo, propaganda, washindani kuwanyakua wafanyakazi wetu wenye vipaji na kubadilika kwa namna ya kupata habari katika enzi hii ya kidijitali.

Vyombo vya habari vilipata athari kamili kufuatia agizo la serikali la kuzuia wizara, mashirika ya kiserikali na taasisi, vikiwamo vyuo vikuu, dhidi ya kufanya matangazo yao moja kwa moja kupitia magazeti, na badala yake kuagiza kwamba matangazo yote kama hayo yafanywe kupitia chapisho ya serikali MyGov, Kupitia Shirika la Matangazo la Serikali (GAA). Athari za haya ni kupungua pakubwa kwa matangazo kutoka sekta ya umma magazetini na kutobashirika kwa mapato kutoka kwa serikali. Huku makubaliano yakiwa kwamba machapisho ya MyGov yachopekwe katika magazeti makuu nchini katika baadhi ya siku za wiki, serikali imetumia njia hii ya kuwa na jukwaa moja la matangazo yake kuvinyima vyombo vya habari mapato kwa kuzuia machapisho yake kutokea magazetini bila maelezo.

Jambo bora la kuzingatia ni kwamba gazeti la The Standard ambalo ndilo nembo ya shirika hili lilifanyiwa mageuzi na kwa mwonekano wake mpya, kuzinduliwa

# TAARIFA YA AFISA MKUU MTENDAJI, YA MWAKA ULIOKAMILIKA TAREHE 31 DISEMBA 2017

mwezi Machi. Mageuzi hayo yalihusu mageuzi ya mwonekano vilevile kuboresha yaliyomo, lengo likiwa kufanya The Standard kuwavutia wasomaji wa matabaka yote. Aidha yalilenga kuwavutia wasomaji wapya kwa kuzindua majarida mapya, mfano Hustle kwa wajasiriamali, Hashtag kwa wanafunzi katika vyuo vya kadri na Sunday Magazine kwa ajili ya familia, huku yalipiga jeki vitengo maarufu vilivyopo, kama vile Crazy Monday, Financial Standard, Pulse, Eve and Smart Harvest. Wasomaji wamelipokea gazeti hili lenye mwonekano mpya kwa msisimko mkubwa.

Shirika hili aidha lilifikisha upeo shughuli za vitengo vyake vya matangazo, kuwapo ongezeko dhahiri la mapato katika Radio Maisha na vituo viwili vya runinga. Mapato kupitia matangazo yalishuhudiwa katika KTN News, kutokana na kuongezeka kwa umaarufu wake na idadi ya watazamaji. Vilevile, kuongezeka kwa mapato kupitia matangazo kulishuhudiwa katika runinga ya KTN Home, vitengo vya habari za mitandaoni – Standard Digital, na gazeti la The Nairobian linalochapishwa kila wiki.

## MATOKEO YA VITENGO

### MAGAZETI

Uuzaji wa nakala za magazeti mwaka huu uliendelea kuathiriwa na mabadiliko ya wazi ya usomaji na kubadilika kwa utegemeaji kutoka magazeti hadi mitandao. Hata hivyo, kupitia kuboreshwa kwa yaliyomo, kuanzishwa kwa vitengo vipya, na njia mpya ya kuwapa wasomaji machapisho ya kukithi haja zao, kuna matarajio ya kuwapata wasomaji ambao hawajafikiwa na ambao hawajatoshelezwa ifaavyo.

Wasomaji wa The Nairobian wamedizi kuongezeka, huku mtazamo ukibadilika kutoka katika mwendelezo wa yanayochapishwa hadi kuimarisha mapato kupitia matangazo.

Katika kusonga mbele, Shirika hili lingali na matumaini kwamba mabadiliko katika Standard yatachangia ukuaji. Uongozi wa Shirika utaendelea kuangazia ubora na machapisho yanayotoa ushindani.

### THE STANDARD

Kufuatia kutekelezwa kwa mageuzi mwanzoni mwa mwaka, Gazeti la The Standard ilinakili ukuaji mwanzoni baada ya uzinduzi kisha kasi hiyo kushuka miezi iliyofuata. Hata hivyo, idadi ya mauzo iliongezeka uchaguzi ulipokaribia, chanzo kikuu kikiwa ushindani katika kuangazia kampeni za uchaguzi. Uongozi wa Shirika una matumaini kwamba kutokana na kuboreshwa kwa yaliyomo, idadi ya nakala zinazouzwa itaongeka mwaka wa 2018.

### THE NAIROBIAN

Mauzo ya The Nairobian yalikumbwa na mazingira tata katika mwaka unaoangaziwa. Ikizingatiwa kwamba gezeti hili lingali maarufu miongoni mwa wasomaji kote nchini, uongozi wa Shirika unatafuta njia za kuhakikisha kuwa litaendelea kuongoza.

### KTN (HOME CHANNEL)

KTN ilidumisha nafasi yake ya pili katika utazamaji, huku tofauti baina yake na kituo kinachoongoza ikiwa ndogo. Vipindi vilifanyiwa mabadiko kimaksudi kwa kulenga zaidi vipindi vya kufaa kategoria mbalimbali ya watazamaji.

### KTN NEWS

Ikiwa imetimiza miaka miwili mwaka wa 2017 tangu kuzinduliwa, runinga ya KTN News iliimarika katika idadi ya watazamaji na kufikia nambari ya tatu. Msukumo wa ukuaji wa kituo hiki ulitokana na suala kwamba ndiyo runinga ya pekee inayotangaza kwa saa 24. Uangaziaji kwa njia ya kipekee uchaguzi mkuu pia ulihakikisha kuwa rininga hii inazidi kuwa faafu katika mazingira yenye ushindani.

Kuhusu mapato, ni muhimu kutaja kuwa kituo kiliimarika katika mwaka unaoangaziwa, umakini ukibadilika na kuelekezewa vipindi vinavyoleta mapato.

Mtazamo wa kijumla, katika kusonga mbele, ni chanya huku juhudi zikiwa kuwekeza katika kituo hiki na wakati huo huo kuzalisha vipindi vinavyotoa ushindani.

### RADIO MAISHA

Radio Maisha ilizidi kuimarika, kwa kudumisha nafasi ya pili miongoni kwa redio zinazosikiliza zaidi. Kwa hivyo, mapato yaliongezeka na uongozi wa Shirika hili una matumaini kwamba kituo hiki kitakua hata zaidi mwaka wa 2018.

### STANDARD DIGITAL

Ukuaji wa Standard Digital ulizidi kushuhudiwa mwaka wa 2017. Ukurasa wa mitandaoni ulirejelea nafasi yake ya kwanza licha ya ushindani mkali. Mapato kwa kiasi fulani yalidumishwa ambapo ukuaji wa kijumla ukirekodiwa katika mwaka unaoangaziwa.

## USIMAMIZI WA WAFANYAKAZI NA VIPAJI

Mafunzo na ukuaji ni mambo muhimu katika kuhakikisha kuwa wafanyakazi wa Shirika hili wanawezeshwa kuhusu ubunifu katika utoaji bidhaa na huduma na kuimarisha utamaduni wa utendakazi bora kazini. Shirika linazidi kuwezeka katika uwezo wake wa kuwapa mafunzo na kuwatathmini wafanyakazi na kwa sasa linatathmini utendakazi kiotomatiki.

Shirika hili lilishrikiana na Aga Khan University Graduate School of Media and Communications kulipa mafunzo kundi la pili na wanahabari chini ya mpango wa ukuzaji vipaji wa The Standard Media Academy. Wakufunzi kumi na wawili waliopata mafunzo Oktoba 2017 na wamepewa majukumu katika vitengo vya utangazaji.

## MATARAJIO YA BAADAYE

Inatarajiwa kwamba sekta ya uanahabari na hali ya uchumi kwa ujumla zitaimarika tena licha ya joto la kisiasa lililoshuhudiwa 2017. Kupitia mazingira imara ya kufanyia biashara, fursa mpya na mwongozo bainifu wa utakelezaji, uongozi wa Shirika hili lina matumaini kwamba mwaka wa 2018 utakuwa wa faida.

Shirika hili litaendelea kuwekeza katika utoaji mafunzo ili kuongeza ujuzi miongoni mwa wafanyakazi kwa kuhakikisha tija kuu, ubora wa yaliyomo na kwa ujumla utoaji huduma bora.

Nawashukuru kwa dhati wakurugenzi, kundi la wasimamizi, wafanyakazi na washikadau wote kwa mchango wenu na kujitolea kulihudumia Shirika.

Orlando Lyomu

*Kaimu Afisa Mkuu Mtendaji*

# REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2017, 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

| | 2017 | 2016 |
|---|---|---|
| | KSHS'000 | KSHS'000 |
| (Loss)/profit before taxation | (282,186) | 269,475 |
| Taxation credit/(expense) | 71,348 | ( 70,954) |
| **(Loss)/profit for the year transferred to retained earnings** | **(210,838)** | **198,521** |
| Attributable to: | | |
| Non-controlling interests | 60,254 | 23,228 |
| Owners of the Company | (271,092) | 175,293 |
| | **(210,838)** | **198,521** |

## 3. DIVIDEND

The directors do not recommend a dividend payment for the year ended 31 December 2017 (2016 – Nil).

## 4. DIRECTORS

The directors who served since 1 January 2017 and upto the date of this report are set out on page 4.

## 5. RELEVANT AUDIT INFORMATION

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

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

## 6. AUDITORS

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

## 7. BUSINESS OVERVIEW

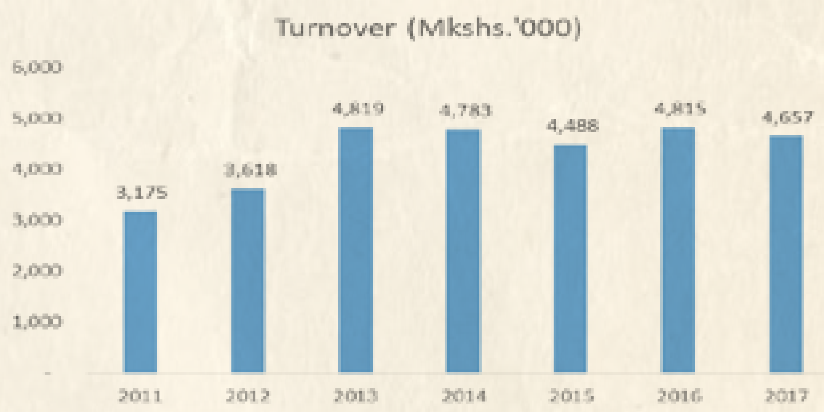
### SUMMARY OF RESULTS

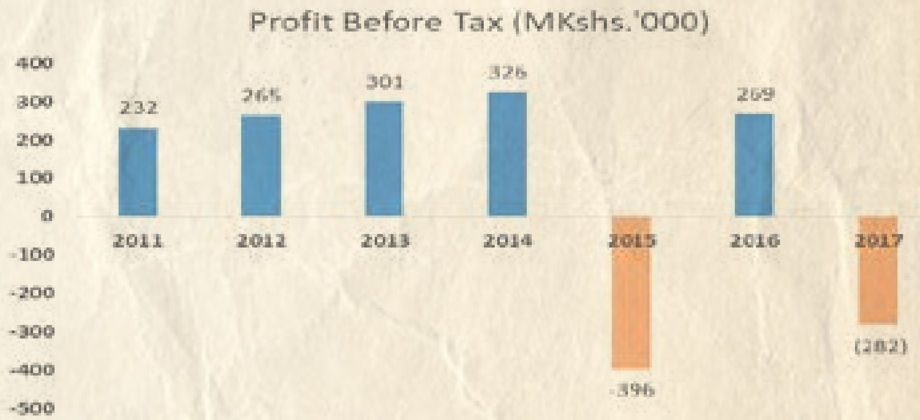
The Group experienced challenges in the year which included; an extended electioneering period, reduced advertising in the print media, delayed payments by key clients which adversely affected the results for the year 2017. In light of the challenges faced, management has placed focus to diversify revenue generating activities and therefore reduce the reliance on the print business segments.

The Group revenue declined slightly to KShs 4.7 billion from KShs 4.8 billion in the prior year following a slow growth in the second half of the year. The Group's revenue growth lines were mainly on broadcast business. Radio revenue grew by 41% whereas Television grew by 9% in comparison to last year performance. Circulation revenue was stagnant compared to year 2016 closing at KShs 1 billion, while digital revenue declined by 9%.

Direct costs recorded a marginal increase of 4% largely driven by news services and contribution expenses as a result of increased coverage during the election period.

Overheads costs increased by 16% compared to last year, the drivers being: staff costs, office rent as result of additional space, professional fees, advertising and marketing costs.



# REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 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.
- Outdoor advertising which provides billboard advertising across the country.
- Standard Digital which is our online platform.

## PRINT

Print circulation volumes have remained relatively stable compared to last year closing the period at a revenue of Kshs.1 billion. The result achieved was out of management's effort to strengthen the Editorial and Circulation functions to retain and grow readership. As well as the impact of the redesign that availed new content sections catering for the youth segment such as Hustle and Hashtag.

Print advertising revenue declined by 17% compared to 2016 mainly due to decline in spending by key advertisers that include government and major advertising agencies. Disruptions occasioned by the extended election period was a major driver of the spend reduction

## BROADCAST – TV

The TV business has maintained steady growth to realise a revenue increase of 9% compared to 2016. This has been driven by improved commercialisation of KTN-News and innovative offerings to customers including but not limited to live coverage and sponsorships. Investment in high quality programs which resonate well with viewers such as Joseph from Egypt, King David and Baba Yao amongst others. Recruitment of talents and improved market share combined contributed to the growth.

## BROADCAST – RADIO

Radio revenue increase by 41% compared to 2016. 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 recorded a 5% decrease compared to 2016. The year under review was a challenging one for the business, stiff competition, loss of key sites together with prolonged electioneering period significantly affected the business.

## DIGITAL

Digital revenue declined by 9%, mainly driven by lost opportunity in the key segments such as gaming.

## FINANCIAL POSITION

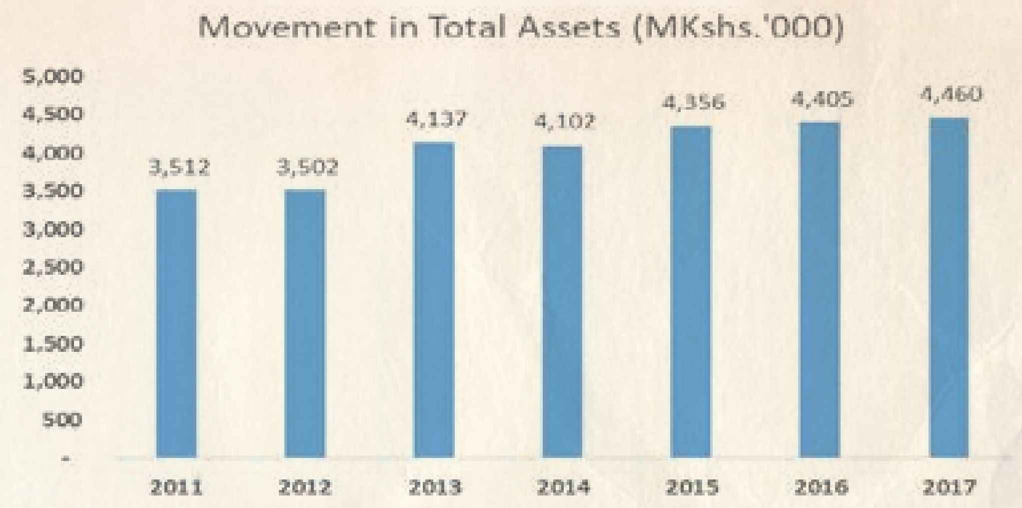
The Group has maintained a strong financial position recording a growth of 1% in total assets. This affirms the company strategy to enhance growth for all its business units despite facing a difficult period and experiencing reduced revenue versus increased costs.

## 2018 MANAGEMENT AGENDA

The Group continues to be face various challenges in the media industry which include but are not limited to: changes in key client advertising spend & strategies and increased competition.

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 have been proposed in the company 5 year strategy and 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 through capacity building and new product offers to grow revenue.
- Diversify print products and customers to mitigate on the current decline.
- Develop 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 16 March 2018

BY ORDER OF THE BOARD

Company Secretary

Date: 16 March 2018

# CORPORATE GOVERNANCE

Good corporate governance practices are essential to the delivery of sustainable stakeholder value. At The Standard Group PLC, 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 Board and management of the Group and Company 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.

## BOARD OF DIRECTORS

The Board is responsible for the overall direction of the Group with oversight and review of the management, administration and overall governance. 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 9 directors, 8 of whom are Non-Executive directors. 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 CHARTER

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

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

## BOARD OF DIRECTORS RESPONSIBILITIES

The Board's role is to, among other things:

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

## BOARD MEETINGS

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

This financial year, a total of eight (8) 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 2017

| Member | Position | 03.03.17 | 22.06.17 (Sp.) | 23.06.17 | 31.08.17 (Sp.) | 1.09.2017 (Sp.) | 07.10.17 | 31.10.17 (Sp.) | 1.12.17 |
|---|---|---|---|---|---|---|---|---|---|
| Robin Sewell | Chairman | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | ✓ |
| Julius Kipngetich (Appointed w.e.f. 07.10.2017) | Independent Director | - | - | - | - | - | ✓ | ✓ | - |
| James Mcfie | Non-Executive Director | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Zehrabanu Janmohamed | Non-Executive Director | ✓ | - | - | - | ✓ | ✓ | - | ✓ |
| Samuel L. Tiampati | Non-Executive Director | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Shaun Zambuni | Non-Executive Director | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Sam Shollei (resigned w.e.f. 01.09.2017) | Executive Director | ✓ | ✓ | ✓ | ✓ | - | - | - | - |
| Orlando Lyomu | Executive Director | ✓ | ✓ | ✓ | - | ✓ | ✓ | ✓ | ✓ |
| Francis Munywoki (resigned w.e.f. 31.01.2018) | Executive Director | ✓ | ✓ | ✓ | - | - | ✓ | - | - |

# CORPORATE GOVERNANCE ( CONTINUED)

## DIRECTOR SKILLS, EXPERIENCE AND DIVERSITY

The Standard Group PLC seeks to have a Board that has a diverse mix of individuals with relevant attributes skills, knowledge and experience. The Directors jointly have the overall collective competence to deal with current and emerging issues and effectively guide management in attainment of its strategic objectives.

## BOARD COMMITTEES

The Board has approved the delegation of certain authorities to Board Committees where applicable, and to 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 four (4) times during the year.

Finance and Audit Committee meetings and members' attendance for 2017

| Member | Position | 22.02.17 | 26.05.17 | 29.09.17 | 17.11.17 |
|---|---|---|---|---|---|
| James Mcfie | Non-Executive Director (Chairman) | ✓ | ✓ | ✓ | ✓ |
| 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 2017

| Member | Position | 22.02.17 | 26.05.17 | 29.09.17 | 30&31.10.17 | 17.11.17 |
|---|---|---|---|---|---|---|
| Samuel L. Tiampati | Non-Executive Director | ✓ | ✓ | ✓ | ✓ | ✓ |
| James Mcfie | Non-Executive Director | ✓ | ✓ | ✓ | ✓ | ✓ |
| Zehrabanu Janmohamed | Non-Executive Director | - | - | ✓ | - | - |
| Shaun Zambuni | Non-Executive Director | ✓ | ✓ | ✓ | ✓ | ✓ |

## ROLE OF THE COMPANY SECRETARY

The Company Secretary's roles and responsibilities include:

- Providing a central source of guidance and advice to the Board, and within the Company, on matters of statutory and regulatory compliance and governance.
- Providing guidance to the Board on how responsibilities can be discharged in the best interest of the Company.
- Facilitating induction training for new directors and assisting with the 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.
- Assist the Board with the evaluation exercise and coordinate the governance audit process.
- Facilitate effective communication between the organization and shareholders, customers and other stakeholders.
- Keeping formal records of Board discussions and following up on the timely execution of agreed actions.

## COMMUNICATION WITH SHAREHOLDERS

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

The 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 GOVERNANCE ( CONTINUED)

## SIGNIFICANT CHANGE IN SHAREHOLDERS

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

## TOP TEN SHAREHOLDERS AT 31 DECEMBER 2017

The ten largest shareholders of the Company as at 31 December 2017 were as follows:

| No. | Name of shareholder | No. of shares | % Shareholding |
|---|---|---|---|
| 1 | S.N.G Holdings Limited | 56,422,699 | 69.03% |
| 2 | Trade World Kenya Limited | 8,906,068 | 10.90% |
| 3 | Miller Trustees Limited | 8,608,569 | 10.53% |
| 4 | Gulamali Ismail | 1,414,800 | 1.73% |
| 5 | Kirtes H Premchand Shah | 429,716 | 0.53% |
| 6 | The Standard Group Limited Esop Trust | 266,880 | 0.33% |
| 7 | Denroma Investment Limited | 238,640 | 0.29% |
| 8 | Julius Gecau | 220,793 | 0.27% |
| 9 | Eufrazio Juliao Goes | 220,000 | 0.27% |
| 10 | Savitaben Velji Raichand Shah | 208,070 | 0.25% |

## SHARES DISTRIBUTION SCHEDULE AS AT 31 DECEMBER 2017

| | Range | Number of Shareholders | Number of Shares held | Percentage |
|---|---|---|---|---|
| 1 | 1 to 500 | 2,276 | 298,164 | 0.36 % |
| 2 | 501 to 1000 | 398 | 290,584 | 0.36 % |
| 3 | 1001 to 5000 | 603 | 1,200,717 | 1.47 % |
| 4 | 5001 to 10000 | 116 | 799,226 | 0.98 % |
| 5 | 10001 to 50000 | 83 | 1,612,336 | 1.97 % |
| 6 | 50001 to 100000 | 2 | 145,000 | 0.18 % |
| 7 | 100001 to 500000 | 9 | 2,033,645 | 2.49 % |
| 8 | 500001 to 1000000 | - | - | - % |
| 9 | 1000001 to 2000000000 | 4 | 75,352,136 | 92.19 % |
| **Total** | | **3,491** | **81,731,808** | **100.00%** |



## SHAREHOLDERS PROFILE AS AT 31 DECEMBER 2017

| | Category | Number of Shareholders | Number of Shares held | Percentage |
|---|---|---|---|---|
| 1 | Foreign Investors | 97 | 56,825,708 | 69.53% |
| 2 | Local Institutions | 212 | 18,814,003 | 23.02% |
| 3 | Local Individuals | 3,182 | 6,092,097 | 7.45 % |
| **Total** | | **3,491** | **81,731,808** | **100.00%** |

## CORPORATE SOCIAL INVESTMENT REPORT

The Standard Group has a CSR portfolio that has embraced the main pillars of education, environment, health and disability. 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

**Standard Media Academy:** During the year under review, the Group recruited 12 graduates under its media training program. The 12 underwent rigorous training at the Aga Khan University Graduate School of Media and Communications, thanks to a partnership deal between the Group and the university. The trainees graduated and have since been deployed to work for the Group's various platforms.

**Tegla Loroupe Foundation run:** The Group sponsored the Tegla Loroupe Foundation Education Marathon that was held in Turkana. The annual run is aimed at fostering peace in Turkana, West Pokot counties and neighboring communities. Standard Group staff participated in the event, adding impetus to the noble cause.

**BobLeo Children's Home for the Physically Handicapped:** The Standard Group in conjunction with Jain Social Group, through Dr Manu Chandaria, donated 12 wheelchairs and other appliances worth about KSh2 million to students of BobLeo Children's Home in West Pokot County. The beneficiaries are now able to attend classes and undertake other daily activities with ease.

**Niko Fiti Campaign:** Kenya Reinsurance Corporation Limited (Kenya Re) enlisted The Standard Group as its exclusive media partner to promote its 2017 Education Integration Program. The program, whose other partners are the Ministry of Education and the Association for the Physically Disabled of Kenya (APDK), is modifying facilities at Lenana School, Nairobi, and Moi Girls Isinya, in Kajiado, to ensure access, mobility and integration of students with various disabilities in the institutions.

This is part of Kenya Re's long-standing partnership with Standard Group that gives visibility and voice to public education campaigns in the counties to end stigma and discrimination against persons with disability. The program also distributes assistive devices to people with disability across all age groups.

### HEALTH

The Standard Group has been actively engaged in pushing the health agenda nationally and is particularly keen on running campaigns that achieve this goal. In the year under review, the Group was involved in the following health-related activities;

**Mater Heart Run:** The Group partnered with Mater Hospital to support Mater Heart Run 2017. The run is held annually and has over the years gained immense popularity. Funds raised from the event cater for the cost of cardiac surgery for children whose families cannot afford to pay for the operation. The run attracted thousands of Kenyans in six counties, providing the Group with a strong brand visibility. Standard Group staff members also participated in the event.

**Malaika Awards:** The Group sponsored Malaika Awards 2017 which comprise a walk that aims to raise awareness on disability and culminates in an awards gala dinner that recognizes people living with disability but who are doing extraordinary things in society.

**My Eyes Your Eyes Campaign:** The Group partnered with the Kenya Society for the Blind (KSB) to help it reach out to thousands of Kenyans to participate in a variety of public awareness and education campaigns, and to support fundraising efforts to combat blindness.

**Coast Hospice:** Based in Mombasa, Coast Hospice provides health services for terminally ill patients. The Group sponsored a golf tournament that was aimed at raising funds to support the facility's' health services.

**Cancer Awareness:** The Group went big on cancer awareness in 2017. Using all the media platforms, we partnered with two major organizations, the Kenya Cancer Association (Kencansa) and Women 4Cancer, to raise awareness on the importance of cancer prevention through early detection. The campaigns culminated in walks that saw hundreds of Kenyans, including Standard Group staff, participate and undergo screening.

## ENVIRONMENT

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

**Environment, Water, Sanitation and Health (E-WASH) Campaign:** In the year under review, the Group, through the Corporate Affairs Department, drafted a concept for the flagship Group CSR project targeting schools. The initiative will see needy schools across the country benefit from construction of modern toilets, provision of water and tree planting to green their environments. The project is being implemented in partnership with like-minded stakeholders.

**Chemususu Dam Marathon:** The annual marathon, sponsored by the Standard Group, raises funds to conserve the Chemususu Dam catchment area in Baringo - Elgeyo Marakwet, with the aim of increasing access to clean water to 50 per cent of the communities living in the environs of the dam.

## 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.

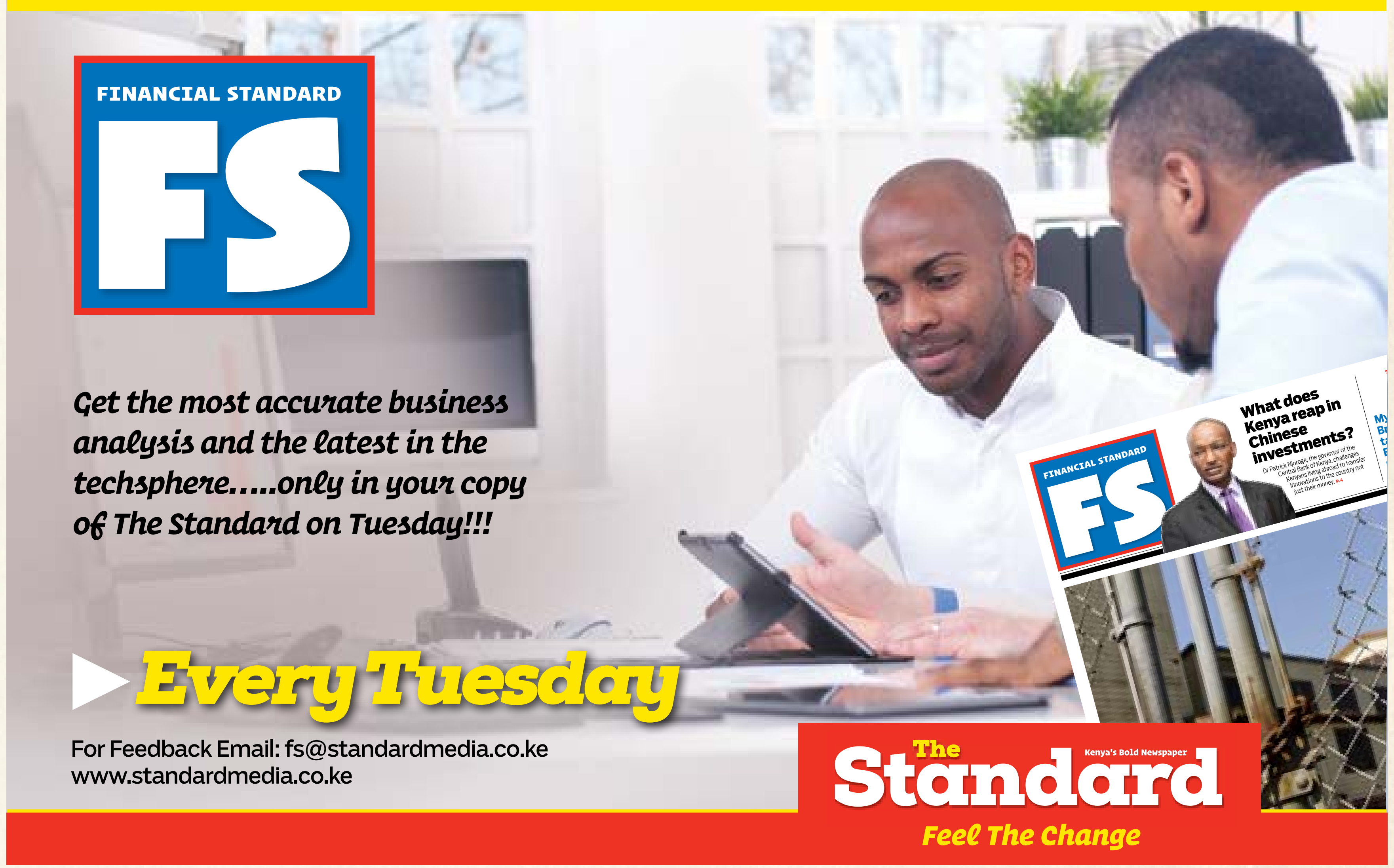
The Group has established operational procedures and controls to facilitate proper safeguard of assets and accurate financial reporting.

## 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. The Company Secretary maintains and updates a register of conflict of interest.

## 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.



## DIRECTORS REMUNERATION REPORT

The Standard Group PLC (formerly The Standard Group Limited) is pleased to present the Director's Remuneration report for the year ended 31st December 2017. The report sets out the remuneration arrangements for the Directors for the year under review.

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

### DETAILS OF DIRECTORS

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

| Name | Position |
|---|---|
| Robin Sewell | Chairman (Non-Executive Director) |
| Julius Kipngetich | Deputy Chairman (Independent/Non-Executive Director) (Appointed on 07.10.2017) |
| Orlando Lyomu | Acting Group Chief Executive Officer (Appointed on 01.09.2017) |
| Sam Shollei | Group Chief Executive Officer (Resigned on 01.09.2017) |
| Zehrabanu Janmohamed | Non-Executive Director |
| Lerionka S. Tiampati | Non-Executive Director |
| Dr. James Boyd Mcfie | Non-Executive Director |
| Shaun Zambuni | Non-Executive Director |
| Francis Munywoki | Managing Director, Print Operations (Resigned on 31.01.2018) |

### REMUNERATION POLICY

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.

### REMUNERATION STRUCTURE FOR NON-EXECUTIVE DIRECTORS

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

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

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

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

### REMUNERATION STRUCTURE FOR EXECUTIVE DIRECTORS:

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

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

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

### EXECUTIVE DIRECTORS

| Name | Date of Contract | Unexpired Term | Notice Period | Amount payable on Termination (KShs'000) |
|---|---|---|---|---|
| Sam Shollei | 1/1/2017 | Resigned | 6 | 15,300 |
| Orlando Lyomu | 1/3/2017 | 38 Months | 3 | 5,464 |
| Francis Munywoki | 1/8/2015 | Resigned | 3 | 5,430 |

## DIRECTORS REMUNERATION REPORT (CONTINUED)

### Remuneration structure for Executive Directors (continued)

| | 2017 KShs'000 | | | | 2016 KShs'000 | | | |
|---|---|---|---|---|---|---|---|---|
| Name | Basic Pay | Insurance | Gratuity | Total | Basic Pay | Insurance | Gratuity | Total |
| Sam Shollei | 24,127 | 1,004 | 3,600 | **28,731** | 28,200 | 922 | 3,150 | **32,272** |
| Orlando Lyomu | 23,440 | 353 | 2,556 | **26,349** | 21,000 | 321 | 2,160 | **23,481** |
| Francis Munywoki | 19,200 | 289 | 2,520 | **22,009** | 20,180 | 291 | 2,520 | **22,991** |
| **TOTAL** | **66,767** | **1,646** | **8,676** | **77,089** | **69,380** | **1,534** | **7,830** | **78,744** |

### NON-EXECUTIVE DIRECTORS

| | Fees and sitting allowance | |
|---|---|---|
| | 2017 KShs'000 | 2016 KShs'000 |
| Robin Sewell | 1,800 | 1,920 |
| Samuel Lerionka Tiampati | 2,065 | 2,035 |
| Dr. James Boyd Mcfie* | 2,000 | 1,935 |
| Zehrabanu Janmohamed | 860 | 3,360 |
| Shaun Zambuni | 2,110 | 2,035 |
| Julius Kipngetich | 645 | - |
| TOTAL | 9,480 | 9,603 |

*Funds are donated to charity

### CHANGES TO DIRECTORS' REMUNERATION

There were no substantial changes relating to the Directors' remuneration policy made during the year (2016: None).

### APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

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

### BY ORDER OF THE BOARD

Company Secretary

Date: 16 March 2018

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the financial statements of The Standard Group PLC and its subsidiaries set out on pages 42 to 101 which comprise the statements of financial positions of the Group and of the company as at 31 December 2017, 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, were approved and authorised for issue by the Board of Directors on 16 March 2018.

James Boyd McFie

Dr James Boyd Mcfie

Director

Orlando Lyomu

Director

# DIRECTORS' PROFILE

### 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.

### Dr. JULIUS KIPNGETICH
**Deputy Chairman**

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

### MR. SHAUN ZAMBUNI
**Non Executive Director**

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

### MS. ZEHRABANU JANMOHAMED
**Non Executive Director**

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

### MR. SAMUEL L. TIAMPATI
**Non Executive Director**

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

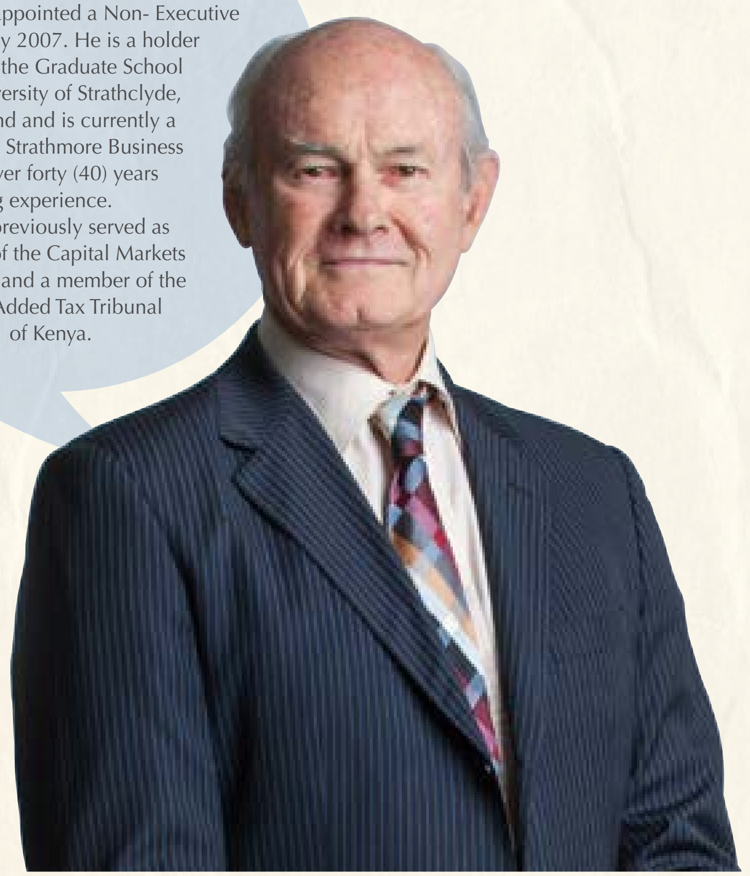
### MR. ORLANDO LYOMU
**Ag. Group Chief Executive Officer**

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

### DR. JAMES BOYD MCFIE
**Non Executive Director**

Dr. Mcfie was appointed a Non- Executive Director in July 2007. He is a holder of a PhD. from the Graduate School of Business, University of Strathclyde, Glasgow, Scotland and is currently a Senior Lecturer at Strathmore Business School with over 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.



### DR GITHINJI GITAHI
**Independent Non-Executive Director**

Dr. Githinji is the Group Chief Executive Officer of AMREF Health Africa. Previously, he served as International VP and Regional Director, Africa, of Smile Train and International Regional Director, Africa.

He worked at Nation Media Group as Managing Director, Monitor Publications Ltd (an NMG subsidiary in Uganda) and General Manager (Marketing and Circulation). He has held various senior marketing positions in the past. Dr. Githinji is also the International Co-Chair for UHC2030, a World Bank and WHO initiative for Universal Health Coverage.

He holds a Master's degree in Business Administration (Marketing option) from USIU and a Bachelor of Medicine and Surgery from University of Nairobi.

### MS JULIANA ROTICH
**Independent Non-Executive Director**

Ms. Rotich is an entrepreneur, consultant and advisor. She was previously Executive Director at BRCK.org, a position she has held since February 2016 and a Director at BRCK Inc. since October 2013. She was a Co-Founder and CEO at Ushahidi Inc. in Chicago and Kenya in the years 2011 to 2015. She has also held various positions as Program Director, Data Analyst, and Consultant at several high technology companies. She holds a degree in Computer Science from University of Missouri, Kansas City, is a Sr. TED Fellow, MIT Media Lab Director's Fellow and has a wealth of experience in the IT industry spanning over 15 years

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

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of The Standard Group PLC (the Group and company) set out on pages 42 to 101, which comprise the consolidated and company statements of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated and separate financial position of The Standard Group PLC as at 31 December 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Kenyan Companies Act, 2015.

### Basis for opinion

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

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

### Key audit matters

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

**Valuation of trade receivables**

See Note 5 and 22 to the financial statements.

| The key audit matter | How the matter was addressed |
|---|---|
| Trade receivables constitute more than 25% of the Group and Company total assets. The profile of the customers who constitute the trade receivables balance varies in character and risk. Amounts due from customers may be outstanding for long periods of time before being received by the Group and Company thus potentially rendering the amounts impaired. This could result in an overstatement of the value of trade receivables if the recoverability of the amounts is in doubt.<br><br>Valuation of trade receivables is considered a key audit matter because the directors make subjective significant judgements over both timing of recognition of impairment and the estimation of the size of any such impairment. | — Our audit procedures in this area included, among others:<br>— Testing the adequacy and appropriateness of controls over the existence and recoverability of trade receivables balances.<br>— Testing a sample of outstanding customer balances as at 31 December 2017 for post year end receipts.<br>— Evaluating directors' judgments and assumptions with regards to the application of provisions to potentially impaired trade receivables. |

**Provisions and contingent liabilities in respect of litigations**

See Note 29 and 38 to the financial statements

| The key audit matter | How the matter was addressed |
|---|---|
| The Group and Company are subject to claims, which could have a significant impact on the Group's and Company's results if the potential exposures were to materialise.<br><br>The Directors apply judgement when considering whether, and how much, to provide for the potential exposure of each litigation.<br><br>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, amongst others:<br>— Assessing the processes and controls over litigations operated by the Group and Company.<br>— Discussing with the Group and Company in-house legal counsel to understand the nature of ongoing claims, and to assess the latest status and accounting and disclosure implications.<br>— Inspecting formal confirmations from the Group and Company external legal counsel for significant litigation matters to assess completeness of provisioning and disclosure.<br>— Assessing relevant historical information and recent judgments made by the courts of law alongside legal opinion from external lawyers to challenge the basis used for the provisions recorded or disclosures made by Directors.<br>— Considering the adequacy and completeness of the Group and Company disclosures made in relation to contingent liabilities where provisions were not required. |

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

## Report on the audit of the financial statements (continued)

### Other information

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

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

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

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

### Responsibilities of Directors for the financial statements

As stated on page 33, the Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and in the manner required by Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

### Report on other legal and regulatory requirements

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

(i) In our opinion the information given in the Report of the Directors on page 18 to 21 is consistent with the financial statements;

(ii) In our opinion the auditable part of the Directors' Remuneration Report on pages 30 to 32 has been properly prepared in accordance with the Kenya Companies Act, 2015; and

(iii) Our report is unqualified.

KPMG Kenya

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

Date: 16 March 2018

# EXECUTIVE MANAGEMENT

**MR. JOE MUNENE**
Managing Director,
Broadcast

**MR. JOSEPH ODINDO**
Group Editorial Director

**MS. IRENE KIMANI**
Commercial Director

**MR. CHARLES KIMATHI**
Head of Corporate Affairs

**MS. MILLICENT NGETICH**
Head of legal

**BENEDICT OMOLLO**
Head of Strategy

**MR. ROBERT TOROiTICH**
General Manager, Digital

**MOSES OCHOLA**
General Manager,
Sales & Distribution

**MR. NICHOLAS SIWATOM**
Group Head of Human Resources

**MS. DOREEN MBAYA**
Head of Marketing

**MR. KEN MUOKI**
Head of Audit

**MR. AUSTIN OKOTH**
Head of Finance

**MR. KIZITO NAMULANDA**
Head of Outdoor Advertising

**MS. EDDAH MBOGO**
Head of ICT

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

| | Note | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|---|
| Revenue | 7 | 4,657,488 | 4,815,327 |
| Direct costs | 8 | (1,384,302) | (1,332,116) |
| Other gains | 9 | 184,110 | 98,918 |
| Selling and distribution costs | 10 | (443,117) | (472,805) |
| Administrative expenses | 11 | (3,115,314) | (2,606,130) |
| Finance costs | 12 | (181,051) | (233,719) |
| **(Loss)/profit before taxation** | **13** | **(282,186)** | **269,475** |
| Taxation credit/(expense) | 15(a) | 71,348 | (70,954) |
| **(Loss)/profit for the year** | | **(210,838)** | **198,521** |
| **Total comprehensive income for the year** | | **(210,838)** | **198,521** |
| **Attributable to:** | | | |
| Non-controlling interests | 25 | 60,254 | 23,228 |
| Owners of the parent | | (271,092) | 175,293 |
| | | **(210,838)** | **198,521** |
| Earnings per share – Basic and diluted (KShs) | 16 | **(3.32)** | **2.14** |

The notes set out on pages 49 to 101 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

| | Note | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 17(a) | 1,796,645 | 1,846,786 |
| Prepaid operating lease rentals | 18 | 114,024 | 115,658 |
| Intangible assets | 19(a) | 659,198 | 405,482 |
| Deferred tax asset | 27(b) | 15,308 | 35,314 |
| | | 2,585,175 | 2,403,240 |
| **Current assets** | | | |
| Inventories | 21(a) | 311,361 | 150,567 |
| Trade and other receivables | 22(a) | 1,509,789 | 1,812,340 |
| Taxation recoverable | 15(c) | 18,629 | 6,883 |
| Cash and bank balances | 31(b) | 34,683 | 31,901 |
| | | 1,874,462 | 2,001,691 |
| **TOTAL ASSETS** | | **4,459,637** | **4,404,931** |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves (Page 45)** | | | |
| 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) | 1,156,922 | 1,428,014 |
| Attributable to owners of the company | | 1,605,058 | 1,876,150 |
| Non-controlling interests | 25 | 260,198 | 199,944 |
| **Total equity** | | **1,865,256** | **2,076,094** |
| **Non-current liabilities** | | | |
| Deferred tax liability | 27(a) | 21,446 | 145,340 |
| Borrowings | 28(a) | 360,603 | 471,594 |
| | | 382,049 | 616,934 |
| **Current liabilities** | | | |
| Borrowings | 28(a) | 854,899 | 738,255 |
| Employee benefits | 30(a) | 30,548 | 21,745 |
| Trade and other payables | 29(a) | 1,223,228 | 845,454 |
| Taxation payable | 15(c) | 25,627 | 17,861 |
| Due to related parties | 26(b) | 78,000 | 88,588 |
| | | 2,213,332 | 1,711,903 |
| **TOTAL EQUITY AND LIABILITIES** | | **4,459,637** | **4,404,931** |

The financial statements on pages 42 to 101 were approved and authorised for issue by the Board of Directors on 16 March 2018.

James Boyd Mcfie
Director

Orlando Lyomu
Director

The notes set out on pages 49 to 101 form an integral part of these financial statements.

## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

| | Note | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 17(b) | 1,504,397 | 1,547,869 |
| Prepaid operating lease | 18 | 114,024 | 115,658 |
| Intangible assets | 19(b) | 561,994 | 338,607 |
| Investments | 20 | 70,367 | 70,367 |
| | | 2,250,782 | 2,072,501 |
| **Current assets** | | | |
| Inventories | 21(b) | 305,130 | 139,753 |
| Trade and other receivables | 22(b) | 1,037,245 | 1,366,873 |
| Due from group company | 26(a) | 10,480 | 174,608 |
| Tax recoverable | 15(c) | 18,629 | - |
| Cash and bank balances | | 32,739 | 28,066 |
| | | 1,404,223 | 1,709,300 |
| **TOTAL ASSETS** | | **3,655,005** | **3,781,801** |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves (Page 46)** | | | |
| 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) | 879,001 | 1,212,807 |
| **Shareholders' equity** | | 1,327,137 | 1,660,943 |
| **Non-current liabilities** | | | |
| Deferred tax liability | 27(b) | 21,446 | 145,340 |
| Borrowings | 28(b) | 360,603 | 471,594 |
| | | 382,049 | 616,934 |
| **Current liabilities** | | | |
| Borrowings | 28(b) | 828,984 | 720,232 |
| Employee benefits | 30(b) | 27,395 | 13,854 |
| Trade and other payables | 29(b) | 1,000,848 | 652,797 |
| Tax payable | 15(c) | - | 17,861 |
| Due to related parties | 26(b) | 88,592 | 99,180 |
| | | 1,945,819 | 1,503,924 |
| **TOTAL EQUITY AND LIABILITIES** | | **3,655,005** | **3,781,801** |

The financial statements on pages 42 to 101 were approved and authorised for issue by the Board of Directors on 16 March 2018

James Boyd Mcfie

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**James Boyd Mcfie** — Director

**Orlando Lyomu** — Director

The notes set out on pages 49 to 101 form an integral part of these financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2017

| | 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 |
|---|---|---|---|---|---|---|---|
| **2017:** | | | | | | | |
| At 1 January 2017 | 408,654 | 39,380 | 102 | 1,428,014 | 1,876,150 | 199,944 | 2,076,094 |
| **Total comprehensive income** | | | | | | | |
| Loss for the year | - | - | - | (271,092) | (271,092) | 60,254 | ( 210,838) |
| **At 31 December 2017** | **408,654** | **39,380** | **102** | **1,156,922** | **1,605,058** | **260,198** | **1,865,256** |
| **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 49 to 101 form an integral part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

| | Share capital KShs'000 | Share premium KShs'000 | Capital redemption reserve KShs'000 | Retained earnings KShs'000 | Total KShs'000 |
|---|---|---|---|---|---|
| 2017: | | | | | |
| At 1 January 2017 | 408,654 | 39,380 | 102 | 1,212,807 | 1,660,943 |
| **Total comprehensive income for the year** | | | | | |
| Loss for the year | - | - | - | ( 333,806) | ( 333,806) |
| **At 31 December 2017** | **408,654** | **39,380** | **102** | **879,001** | **1,327,137** |
| 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 49 to 101 form an integral part of these financial statements.




Kenya's Bold Newspaper

# Standard

## Editorial Print

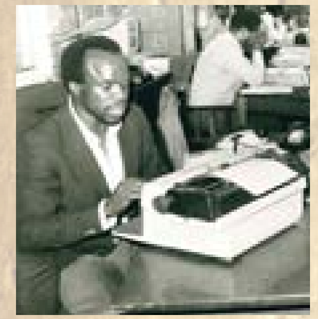
The paper is Kenya's second-largest national newspaper and the flagship product of the Standard Group. Its reach cuts across all market segments, with clear leadership in some niche segments, such as the youth, and some key markets, including Nyanza, Coast, Western and Rift Valley. The newspaper has loyal readership among a cross-section of the Kenyan population, with niche products especially popular among Kenya's youthful population.

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

The Standard is a strong brand, recognized across the East African region, having been established in 1902. Three titles are published under this brand - The Standard (Daily) and the weekend editions - The Standard on Saturday and The Standard on Sunday. The three editions carry unique magazines for each day of the week. They include Crazy Monday, Financial Standard, Hustle, Hashtag Education Matters, Home & Away, Pulse, Eve, Smart Harvest and Sunday Magazine.

**1907:** When the Standard was registered, the primary writing tool was the manual typewriter. registered

**1966:** The typewriter had improved in efficiency, looked more appealing and easy wiht soft keys.



**1992:** A standard reporter keys in a story on A4 paper, using a typewriter (Olivetti were the most popular then). This was then handed over to a sub editor who subbed the story manually on the paper and then pass it to typesetters who would typeset the story, and process bromides (Photo sensitive paper).

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

| | Note | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 31(a) | 870,766 | 756,406 |
| Interest paid | 12 | (181,051) | (233,719) |
| Tax paid | 15(c) | (36,490) | (33,361) |
| **Net cash generated from operating activities** | | **653,225** | **489,326** |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | 19(a) | (359,009) | (25,128) |
| Purchase of property, plant and equipment | 17(a) | (307,425) | (178,128) |
| Proceeds from disposal of property, plant and equipment | | 10,338 | 13,871 |
| **Net cash used in investing activities** | | **(656,096)** | **(189,385)** |
| **Cash flows from financing activities** | | | |
| Dividends paid | 14 | - | (25,392) |
| Bank loans received | 28(a) | 1,014,482 | 1,103,522 |
| Bank loans repaid | 28(a) | (1,081,300) | (1,227,831) |
| **Net cash used in financing activities** | | **(66,818)** | **(149,701)** |
| Net (decrease)/increase in cash and cash equivalents | | (69,689) | 150,240 |
| Cash and cash equivalents at 1 January | | (300,162) | (450,402) |
| **Cash and cash equivalents at 31 December** | 31(b) | **(369,851)** | **(300,162)** |

The notes set out on pages 49 to 101 form an integral part of these financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2017

### 1. REPORTING ENTITY

The Standard Group PLC (formerly The Standard Group Limited) (The Company - "Standard Group") 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 2017 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.

**1961:** The Rolleiflex camera first manufactured in 1929, was one of the most reliable camera used by newspaper photojournalists, with a capacity of taking one frame at a click. The rolls of film would be sent to the photo editor together with captions handwritten on a piece of paper. A dark room technician would process the pictures at the head office.

**1996:** With improved technology, Standard acquired modern digital cameras with FM2 telephoto lens with a capacity of taking mutiple shots per click. Dark rooms were rendered absolute.

The 30.4-megapixel full-frame sensor along with the Canon's Digic 6+ image processor. Other features include ISO range of 100-32000, 7fps burst mode, video recording up to 4K at 30fps, Wi-Fi b/g/n, GPS, NFC, and USB 3.0. The camera has a 3.2-inch fixed touch-enabled LCD display 1.6 million-dot resolution.

## 2. BASIS OF PREPARATION (CONTINUED)

### (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.

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

### (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 under IRFS 8 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:

| | 2017 | 2016 |
|---|---|---|
| Buildings | 2% | 2% |
| Plant and machinery | 5% - 10% | 5% - 10% |
| Motor vehicles | 25% | 25% |
| 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

Production

**1990:** Prepress department, where subbed articles were type set and forwarded to paste up department responsible for page composition.

**COMPUGRAPHIC PHOTOSETTER:** The machine used for typesetting, used photo sensitive paper that had to be processed in a dark room and given to paste-up artists who composed the newspaper pages on artboards.

**DRAUGHTING TABLE :** Used by paste-up artistes. . Rules were manually drawn using rotaring® pens, and blocks or columns of text were pasted in position using cow Gum (below).

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Impairment (continued)

### (i) Financial Assets (continued)

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.

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

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

**(iii) Short term employee benefits**

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

**(iv) Share-based payment**

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

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

### (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.

**REPRO CAMERA:** Was used to shoot composed pages, and produce films (Below), for plate making.

**2006:** Standard invested in new technology - Computer To Plate (CTP) which erased use of films and darkrooms giving way to efficiency and better utilization of manpower.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) New standards, amendments 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 2017, including consequential amendments to other standards with the date of initial application by the Group being 1 January 2017. The nature and effects of the changes are as explained here in.

| 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 Unrealised Losses (Amendments to IAS 12) | 1 January 2017 |
| Annual improvements cycle (2014-2016) – (Amendments to IFRS 12 Disclosure of Interest in Other Entities) | 1 January 2017 |

Disclosure Initiative (Amendments to IAS 7)

The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

The adoption of this standard did not have a material impact on the financial statements of the Group.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) - continued

The standard was effective for annual periods beginning on or after 1 January 2017 with early application permitted. As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Board has not added additional transition relief for first-time adopters.

The adoption of this standard did not have a significant impact on the financial statements of the Group.

Annual improvements cycle (2014-2016) – (Amendments to IFRS 12 Disclosure of Interest in Other Entities)

The disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The adoption of these changes did not have an impact on the financial statements of the Group since the Group does not have interest in other entities.

The adoption of these changes did not have a significant impact on the financial statements of the Group.

**(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017, and have not been applied in preparing these financial statements.

The Group does not plan to adopt these standards early. These are summarised as shown;

| | |
|---|---|
| – IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| – IFRS 9 Financial Instruments (2014) | 1 January 2018 |
| – 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 |
| – IFRIC 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| – IAS 40 Transfers of Investment Property | 1 January 2018 |
| – Annual improvements cycle (2014-2016) – (Amendments to IFRS 1 First time adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures) | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |
| IFRIC 23 Income tax exposures | 1 January 2019 |
| IFRS 9 Prepayment Features with Negative Compensation | 1 January 2019 |
| IAS 28 Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| IFRS 17 Insurance contracts | 1 January 2021 |
| Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28). | To be determined |

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS18 Revenue, IFRIC13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) New Standards, Amendments and Interpretations (Continued)

### (ii) New Standards, Amendments and Interpretations in issue but not yet effective for the year ended 31 December 2017 (Continued)

### IFRS 15 Revenue from Contracts with Customers (continued)

and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

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

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

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

The Group is assessing the potential impact the adoption of this standard will have on the financial statements of the Group.

IFRS 9: Financial Instruments (2014)

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

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

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

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

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 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 is 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 adoption of these amendments will not have an impact on the financial statements of the Group as it does not have share-based payment transactions.

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;

• 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 this standard is not expected to have an impact on the financial statements of the Group.

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:

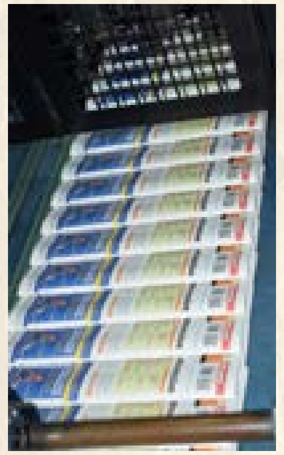
(a) at fair value; or

(b) at the fair value of the consideration paid or received at a date other than the date of initial recognition of

Printing

**1969:** The single colour Standard press

**1969:** The single colour Standard press



**1969:** The single colour Standard press



## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) New Standards, Amendments and Interpretations (Continued)

### (ii) New Standards, Amendments and Interpretations in issue but not yet effective for the year ended 31 December 2017 (continued)

### IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (continued)

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.

Management is currently evaluating the impact of the new standard to the Group's financial statements

Transfers of Investment property (Amendments to IAS 40)

The IASB has amended the requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property.

The adoption of these standard will not have an impact on the financial statements of the Group as it does not have investment property.

Annual improvements cycle (2014-2016) – (Amendments to IFRS 1 First time adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures)

IFRS 1 First-time Adoption of IFRS

Outdated exemptions for first-time adopters of IFRS are removed effective for annual periods beginning on or after 1 January 2018.

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

IAS 28 Investments in Associates and Joint Ventures

A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

The adoption of these changes is not expected to have an impact on the financial statements of the Group and Company since they are not a venture capital organisation.

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 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.

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017 - continued

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:

a) 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.

b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

c) 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:

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

(b) 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 and Company are assessing the potential impact on its financial statements resulting from the application of this standard.

IFRIC 23 Clarification on accounting for Income tax exposures

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made. Uncertainty is reflected in the overall measurement of tax and separate provision is not allowed.

The entity is required to measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty).

The entity will also need to provide disclosures, under existing disclosure requirements, about

(a) judgments made;

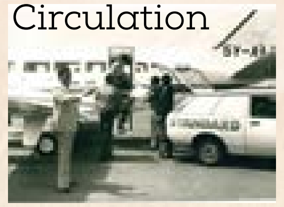
(b) assumptions and other estimates used; and

(c) potential impact of uncertainties not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted

The Group is assessing the potential impact on its

Circulation



**1988:** Before the adoption of current pick-up trucks used for distribution, Standard newspapers were delivered in station wagon cars and airlifted from wilson airport to North Eastern Kenya.

**1998:** A branded distribution pick up

**2018:** Plain distribution pick ups

**1997:** Readers ejoying their favourite newspaper financial statements resulting from the application of this standard.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

Management is currently evaluating the impact of the new standard to the Group's financial statements.

The amendments apply for annual p3eriods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.

Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Management is currently evaluating the impact of the new standard to the Group's financial statements.

The amendments apply for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

(a) insurance contracts, including reinsurance contracts, it issues;

(b) reinsurance contracts it holds; and

(c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

(a) the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and

(b) the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:

(a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017 - continued

IFRS 17 Insurance Contracts – continued

(b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A Company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The adoption of the standard will not have an impact on the financial statements of the Group and Company.

Sale or Contribution of Assets between an Investor and its Associate or Company (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 Company 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 Company 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.

Management is currently evaluating the impact of the new standard to the Group's financial statements.

The Group did not early adopt new or amended standards in the year ended 31 December 2017.

## 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.

(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:

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (a) Market risk (continued)

### (i) Foreign exchange risk(continued)

**Group and Company**

| | USD KShs'000 | EURO KShs'000 | GBP KShs'000 | TOTAL KShs'000 |
|---|---|---|---|---|
| **2017:** | | | | |
| **Financial assets** | | | | |
| Cash at bank | ( 1,461) | 5,698 | 323 | 4,560 |
| **Financial liabilities** | | | | |
| Trade payables | (91,969) | (21,654) | (7,329) | (120,952) |
| **Net foreign currency liability** | (93,430) | (15,956) | (7,006) | (116,392) |
| **2016:** | | | | |
| **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) |

At 31 December 2017, 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 1,163,920 (2016 - KShs 400,580).

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

| | Average | | Closing | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| USD | 103.3 | 101.5 | 103.2 | 102.3 |
| EURO | 116.3 | 113.0 | 123.3 | 107.1 |
| GBP | 133.3 | 138.9 | 138.8 | 125.4 |



(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 430 million (2016 - KShs 430 million) at rates determined by prevailing market conditions.

As at 31 December 2017, 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 1,810,504. (2016 - KShs 1,206,213).

(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 2017 is made up as follows:

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

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b). Credit risk (continued)

The amount that best represented the Group's maximum exposure to credit risk as at 31 December 2016 was 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 analysis above is based on the ageing below:

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



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

| | 2017 KShs '000 | 2016 KShs '000 |
|---|---|---|
| **Group:** | | |
| Balance brought forward | 413,078 | 525,947 |
| Charge for the year | 362,333 | 281,535 |
| Bad debt write back | 8,932 | - |
| Bad debt write offs and credit notes | (1,107) | (228,989) |
| Bad debts recoveries | (182,201) | (165,415) |
| **Balance carried forward** | **601,035** | **413,078** |
| **Company:** | | |
| Balance brought forward | 330,987 | 445,388 |
| Charge for the year | 284,807 | 224,828 |
| Bad debt write offs and credit notes | - | (194,258) |
| Bad debts recoveries | (140,889) | (144,971) |
| **Balance carried forward** | **474,905** | **330,987** |

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 2017 (2016 – 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b) Credit risk (continued)

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

| | 2017 KShs '000 | 2016 KShs '000 |
|---|---|---|
| **Group:** | | |
| Bank and cash balances (Note 31 (b)) | 34,683 | 31,901 |
| Other receivables (Note 22(a)) | 28,885 | 317,013 |
| | 63,568 | 348,914 |
| **Company:** | | |
| Bank and cash balances | 32,739 | 28,066 |
| Other receivables (Note 22(b)) | 24,978 | 303,611 |
| Due from related parties (Note 26 (a)) | 10,480 | 174,608 |
| | 68,197 | 506,285 |

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

(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. 430 million (2016 – KShs 430 million).

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

| Group | Less than 1 month KShs'000 | Between 1 – 3 months KShs'000 | Between 3 – 12 months KShs'000 | Over 1 year KShs'000 | Total KShs'000 |
|---|---|---|---|---|---|
| **At 31 December 2017** | | | | | |
| **Related party loans** | - | - | 78,000 | - | 78,000 |
| Bank borrowings | 109,616 | 122,517 | 275,098 | 355,377 | 862,608 |
| Hire purchase loans | 3,255 | 3,651 | 16,429 | 52,954 | 76,289 |
| Overdraft facility | 404,534 | - | - | - | 404,534 |
| Trade and other payables | 142,072 | 818,396 | 42,930 | - | 1,003,398 |

| 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** | | | | | |
| Related party loans | - | - | 88,588 | - | 88,588 |
| 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 | 393,605 | 49,121 | - | 607,328 |

| Company | 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 2017** | | | | | |
| Related party loans | - | - | 88,592 | - | 88,592 |
| Bank borrowings | 109,616 | 122,517 | 275,098 | 355,377 | 862,608 |
| Hire purchase loans | 3,255 | 3,651 | 16,429 | 52,954 | 76,289 |
| Overdraft facility | 378,619 | - | - | - | 378,619 |
| Trade and other payables | 129,107 | 661,420 | 42,930 | - | 833,457 |

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Liquidity risk (continued)

| | | | | | |
|---|---|---|---|---|---|
| **At 31 December 2016** | | | | | |
| Related party loans | - | - | 99,180 | - | 99,180 |
| Bank borrowings | 17,192 | 76,636 | 418,225 | 555,751 | 1,064,837 |
| Hire purchase loans | 1,069 | 3,290 | 2,736 | - | 7,095 |
| Overdraft facility | 314,040 | - | - | - | 314,040 |
| Trade and other payables | 137,750 | 228,161 | 40,935 | - | 406,846 |

(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<br>Listed derivative instruments<br>Listed equities | Corporate and other government bonds and loans<br>Over-the-counter (OTC) derivatives | Corporate bonds in illiquid markets<br>Highly structured OTC derivatives with unobservable parameters |
| Types of financial liabilities: | Listed derivative instruments | Over-the-counter (OTC) derivatives | Highly structured OTC derivatives with unobservable parameters |

The table above shows the classification of financial assets, financial liabilities and non-financial assets held at fair value into the valuation hierarchy set out below as at 31 December 2016 and 2017.


## Television - KTN

Established in 1990 as Kenya's first private, independent TV station, KTN has a strong reputation for bold, objective and authoritative news reporting, as well as entertainment for the whole family. KTN, which is a household name in Kenya, has been rated as the No. 2 TV station in the country. Now popularly known as KTN Home, this iconic channel, with its slogan – "Welcome Home" – continues to offer heart-warming programs that have made it a darling of viewers.

KTN News

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

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (d) Fair values (continued)

(ii) Fair values for financial assets and financial liabilities

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

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

**Group**
**2017**

| | Other liabilities KShs'000 | Loans and receivables KShs'000 | Total carrying value KShs'000 | Fair value KShs'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade and other receivables | - | 1,479,346 | 1,479,346 | 1,479,346 |
| Cash and bank balances | - | 34,683 | 34,683 | 34,683 |
| | - | 1,514,029 | 1,514,029 | 1,514,029 |
| **Financial liabilities** | | | | |
| Amounts due to related parties | 78,000 | - | 78,000 | 78,000 |
| Borrowings | 1,215,502 | - | 1,215,502 | 1,142,510 |
| Trade and other payables | 1,003,398 | - | 1,003,398 | 1,003,398 |
| | 2,296,900 | - | 2,296,900 | 2,223,908 |
| **2016** | | | | |
| **Financial assets** | | | | |
| Trade and other receivables | - | 1,772,308 | 1,772,308 | 1,772,308 |
| Cash and bank balances | - | 31,901 | 31,901 | 31,901 |
| | - | 1,804,209 | 1,804,209 | 1,804,209 |
| **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 | 607,328 | - | 607,328 | 607,328 |
| | 1,905,765 | | 1,905,765 | 1,878,666 |



**Company**
**2017**

| | Other liabilities KShs'000 | Loans and receivables KShs'000 | carrying value KShs'000 | Fair value KShs'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Amounts due from related parties | - | 10,480 | 10,480 | 10,480 |
| Trade and other receivables | - | 1,027,612 | 1,027,612 | 1,027,612 |
| Cash and bank balances | - | 32,739 | 32,739 | 32,739 |
| | - | 1,070,831 | 1,070,831 | 1,070,831 |
| **Financial liabilities** | | | | |
| Amounts due to related parties | 88,592 | - | 88,592 | 88,592 |
| Borrowings | 1,189,587 | - | 1,189,587 | 1,116,595 |
| Trade and other payables | 833,457 | - | 833,457 | 833,457 |
| | 2,111,636 | - | 2,111,636 | 2,038,644 |
| **2016** | | | | |
| **Financial assets** | | | | |
| Amounts due from related parties | - | 174,608 | 174,608 | 174,608 |
| Trade and other receivables | - | 1,331,477 | 1,331,477 | 1,331,477 |
| Cash and bank balances | - | 28,066 | 28,066 | 28,066 |
| | - | 1,534,151 | 1,534,151 | 1,534,151 |
| **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 | 406,846 | - | 406,846 | 406,846 |
| | 1,697,852 | | 1,697,852 | 1,670,873 |

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.

### 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 Newspaper, Billboards and Broadcasting.

**(b) Segment revenues and results**

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

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Newspaper & Billboards | Broadcasting | Elimination | Total | Newspaper & Billboards | Broadcasting | Elimination | Total |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| External sales | 3,011,565 | 1,645,923 | - | 4,657,488 | 3,398,811 | 1,416,516 | - | 4,815,327 |
| Other gains and losses | 67,983 | 116,127 | - | 184,110 | 90,693 | 8,225 | - | 98,918 |
| Expenses | (3,570,859) | (1,371,874) | - | (4,942,733) | (3,191,512) | (1,219,539) | - | (4,411,051) |
| Finance costs | ( 163,651) | ( 17,400) | - | ( 181,051) | ( 211,872) | ( 21,847) | - | ( 233,719) |
| **Segment (loss)/profit** | | | | | | | | |
| **before taxation** | **( 654,962)** | **372,776** | **-** | **( 282,186)** | **86,120** | **183,355** | **-** | **269,475** |
| Income tax credit/(expense) | 177,497 | ( 106,149) | - | 71,348 | ( 15,027) | ( 55,927) | - | ( 70,954) |
| **(Loss)/profit after** | | | | | | | | |
| **taxation** | **( 477,465)** | **266,627** | **-** | **( 210,838)** | **71,093** | **127,428** | **-** | **198,521** |
| **(c) Segment assets and liabilities** | | | | | | | | |
| Segment assets | 3,086,627 | 1,360,148 | (21,072) | 4,425,700 | 3,373,960 | 1,173,734 | (185,200) | 4,362,494 |
| Segment liabilities | 2,169,608 | 398,745 | (21,072) | 2,547,278 | 1,675,210 | 675,626 | (185,200) | 2,165,636 |
| Capital expenditure | 241,932 | 424,452 | - | 666,434 | 165,910 | 37,346 | - | 203,256 |
| Depreciation and | | | | | | | | |
| amortisation expense | 337,946 | 118,031 | - | 455,977 | 333,618 | 87,428 | - | 421,046 |

## 7.REVENUE

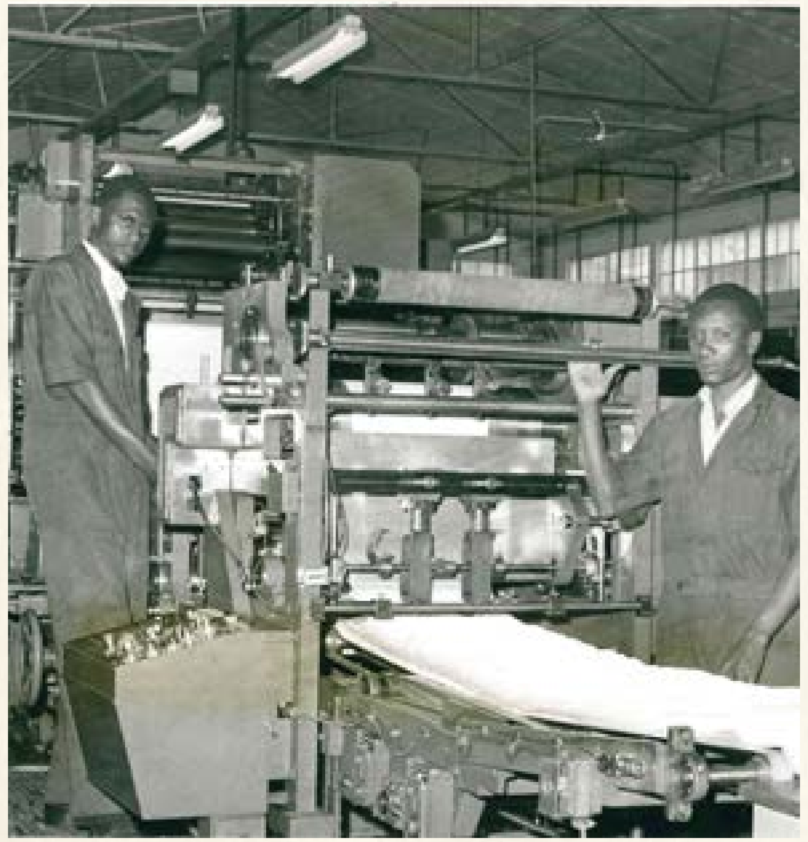
| | 2017<br>KShs'000 | 2016<br>KShs'000 |
|---|---|---|
| Advertising | 3,644,423 | 3,799,883 |
| Circulation | 1,013,065 | 1,015,444 |
| | 4,657,488 | 4,815,327 |

## 8. DIRECT COSTS

| | | |
|---|---|---|
| Material cost | 517,348 | 510,062 |
| Programmes | 187,033 | 212,492 |
| Depreciation | 161,633 | 177,357 |
| News contribution costs | 127,920 | 103,524 |
| Advertising commission | 91,489 | 93,968 |
| News service | 90,128 | 61,022 |
| Operating lease | 73,062 | 60,173 |
| TV licenses | 56,219 | 52,595 |
| Maintenance | 49,926 | 39,042 |
| Production salaries | 19,604 | 13,748 |
| Billboard costs | 8,654 | 6,592 |
| Others | 1,286 | 1,541 |
| | 1,384,302 | 1,332,116 |

## 9. OTHER GAINS/(LOSSES)

| | | |
|---|---|---|
| Miscellaneous income | 122,734 | 41,311 |
| Sale of returns, production waste and other income | 34,619 | 33,940 |
| Printing services | 20,333 | 17,956 |
| Gain on disposal of property and equipment | 10,255 | 6,714 |
| Net foreign exchange loss | ( 3,831) | 364 |
| Loss on impaired assets | - | (1,367) |
| | 184,110 | 98,918 |



## 10. SELLING AND DISTRIBUTION

| | 2017<br>KShs'000 | 2016<br>KShs'000 |
|---|---|---|
| Commission | 242,456 | 274,911 |
| Marketing and promotion | 102,938 | 107,555 |
| Transport and distribution costs | 85,374 | 86,875 |
| Packing materials | 12,349 | 3,464 |
| | 443,117 | 472,805 |

## 11. ADMINISTRATIVE EXPENSES

| | 2017<br>KShs'000 | 2016<br>KShs'000 |
|---|---|---|
| Staff costs | 1,568,083 | 1,384,161 |
| Rent and office expenses | 232,399 | 207,183 |
| Depreciation charge | 184,357 | 127,826 |
| Amortisation | 109,987 | 109,863 |
| Professional fees | 257,048 | 107,583 |
| Impairment losses | 187,957 | 116,120 |
| Repairs and maintenance | 97,883 | 89,081 |
| Vehicle running and hire | 72,752 | 74,619 |
| Telephone and postages | 83,753 | 64,820 |
| Travel and accommodation | 30,660 | 63,539 |
| General insurance | 51,660 | 57,446 |
| Licences | 66,103 | 56,703 |
| Bank charges | 39,571 | 35,771 |
| Electricity and water | 42,393 | 28,907 |
| Training | 37,233 | 18,412 |
| Subscription and donation | 11,260 | 17,865 |
| Printing and stationery | 13,512 | 14,358 |
| Directors' fees | 9,480 | 9,603 |
| AGM and board meeting costs | 6,533 | 4,810 |
| Entertainment | 5,488 | 8,768 |
| Others | 7,212 | 5,918 |
| Mileage | - | 2,774 |
| | 3,115,314 | 2,606,130 |

Staff costs include:

| | | |
|---|---|---|
| Salaries and wages | 1,275,968 | 1,136,841 |
| Staff welfare | 231,729 | 183,856 |
| Pension contributions | 57,288 | 60,767 |
| Others | 3,098 | 2,697 |
| | 1,568,083 | 1,384,161 |

Average number of employees

| | | |
|---|---|---|
| Management | 47 | 43 |
| Others | 797 | 767 |
| **Total** | **844** | **811** |

## 12. FINANCE COSTS

| | 2017<br>KShs '000 | 2016<br>KShs '000 |
|---|---|---|
| Interest on term loans | 113,865 | 158,457 |
| Interest on overdrafts | 57,163 | 68,742 |
| Interest on shareholder loans | 5,191 | 5,190 |
| Interest on hire purchase loans | 4,832 | 1,330 |
| | 181,051 | 233,719 |

## 13. PROFIT BEFORE TAXATION

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

| | 2017<br>KShs '000 | 2016<br>KShs '000 |
|---|---|---|
| Depreciation | 345,990 | 311,101 |
| Amortisation - intangible assets | 108,353 | 108,294 |
| - prepaid operating lease rentals | 1,634 | 1,633 |
| Directors' emoluments: | | |
| - Fees - non-executive | 9,480 | 9,603 |
| - Executive directors | 77,089 | 78,744 |
| Auditors' remuneration - current year | 5,571 | 5,088 |
| Gain on disposal of plant and equipment | ( 10,255) | (6,714) |

## 14. DIVIDEND PER SHARE

| | 2017<br>KShs '000 | 2016<br>KShs '000 |
|---|---|---|
| **Group and Company** | | |
| Dividends – Ordinary shares | - | - |

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

A total of KShs 25,392,000 dividends payable for 2015 were fully paid 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 (credit)/expense | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|
| Current taxation charge | 32,822 | 68,909 |
| Over provision of current tax in prior year | (282) | (4,152) |
| **Current tax** | **32,540** | **64,757** |
| Deferred tax in respect of the current year | (103,006) | 11,197 |
| Adjustments recognised in the current year in relation to the (Note 27) deferred tax of prior year | (882) | (5,000) |
| **Deferred tax** | **(103,888)** | **6,197** |
| **Total income tax (credit)/ expense recognised in the current year** | **(71,348)** | **70,954** |

| (b) Reconciliation of expected tax based onaccounting (loss)/profit to taxation expense | 2017 | 2016 |
|---|---|---|
| (Loss)/profit before taxation | (282,186) | 269,475 |
| Tax at the applicable rate of 30% | ( 84,656) | 80,843 |
| Tax effect of non-deductible costs | 14,472 | 3,142 |
| Income not subject to tax | - | ( 3,879) |
| Prior year over provision of deferred tax | ( 882) | ( 5,000) |
| Over provision of current tax in prior year | ( 282) | ( 4,152) |
| | (71,348) | 70,954 |

(c) Taxation payable/(recoverable)

| | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|
| **Group** | | |
| At beginning of the year | 10,978 | (20,418) |
| Current tax charge | 32,540 | 64,757 |
| Tax paid in the year | (36,490) | (33,361) |
| **At 31 December** | **7,028** | **10,978** |
| Comprising: | | |
| Tax payable | 25,657 | 17,861 |
| Tax recoverable | (18,629) | (6,883) |
| | **7,028** | **10,978** |
| **Company** | | |
| At beginning of the year | 17,861 | ( 13,694) |
| Current tax - charge for the year | - | 64,757 |
| - tax paid in the year | (36,490) | (33,202) |
| **At 31 December** | **(18,629)** | **17,861** |

## 16. BASIC AND DILUTED EARNINGS PER SHARE

| | 2017 | 2016 |
|---|---|---|
| (Loss)/profit attributable to owners of the Company – KShs'000 | (271,092) | 175,293 |
| Number of shares during the year | 81,730,854 | 81,730,854 |
| Basic earnings per share – KShs | (3.32) | 2.14 |

## 17. PROPERTY, PLANT AND EQUIPMENT

| (a) Group<br>2017:<br>Cost | Buildings<br>KShs'000 | Plant & machinery<br>KShs'000 | Motor vehicles<br>KShs'000 | fittings & equipment<br>KShs'000 | work in progress<br>KShs'000 | Total<br>KShs'000 |
|---|---|---|---|---|---|---|
| At 1 January 2017 | 676,674 | 2,329,565 | 187,744 | 572,626 | 40,027 | 3,806,636 |
| Additions | 991 | 98,510 | 58,886 | 79,590 | 69,448 | 307,425 |
| Disposals | - | - | ( 58,547) | (797) | - | ( 59,344) |
| Write off | - | - | ( 147) | ( 7,105) | ( 3,756) | ( 11,008) |
| Transfers to intangible assets | - | ( 186) | - | - | ( 4,185) | ( 4,371) |
| Transfer to from WIP | 1,995 | 45,715 | - | - | (47,710) | - |
| At 31 December 2017 | 679,660 | 2,473,604 | 187,936 | 644,314 | 53,824 | 4,039,338 |
| Depreciation | | | | | | |
| At 1 January 2017 | 79,360 | 1,178,215 | 159,998 | 542,277 | - | 1,959,850 |
| Charge for the year | 13,760 | 253,394 | 17,450 | 61,386 | - | 345,990 |
| Write off | - | - | ( 147) | (3,714) | - | ( 3,861) |
| Reallocation to intangible | - | ( 25) | - | - | - | ( 25) |
| Eliminated on disposal | - | - | (58,464) | (797) | | ( 59,261) |
| At 31 December 2017 | 93,120 | 1,431,584 | 118,837 | 599,152 | | 2,242,693 |
| **Carrying amount** | | | | | | |
| **At 31 December 2017** | **586,540** | **1,042,020** | **69,099** | **45,162** | **53,824** | **1,796,645** |
| **2016:** | | | | | | |
| **Cost** | | | | | | |
| 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 | 9,360 | 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** |

At 31 December 2017, property, plant and equipment with cost of KShs 749,795,603 (2016 – KShs 855,194,175) were fully depreciated. The notional depreciation charge on these assets would have been KShs 196,786,264 (2016 – KShs 195,200,495).



(b) Company

| 2017: | Buildings<br>KShs'000 | Plant & machinery<br>KShs'000 | Motor vehicles<br>KShs'000 | Furniture fittings & equipment<br>KShs'000 | Capital work in progress<br>KShs'000 | Total<br>KShs'000 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| At January 2017 | 596,069 | 1,655,825 | 188,138 | 492,578 | 39,668 | 2,972,278 |
| Additions | 991 | 41,211 | 57,374 | 51,736 | 69,448 | 220,760 |
| Write offs | - | - | - | - | (3,756) | (3,756) |
| Disposals | - | - | ( 58,547) | (797) | - | (59,344) |
| Transfers from WIP | 1,995 | 45,715 | - | - | (47,710) | - |
| Transfer to intangible assets | - | - | - | - | (4,186) | (4,186) |
| At 31 December 2017 | 599,055 | 1,742,751 | 186,965 | 543,517 | 53,464 | 3,125,752 |
| Depreciation | | | | | | |
| At January 2017 | 76,763 | 791,430 | 158,878 | 397,338 | - | 1,424,409 |
| Charge for the year | 12,148 | 172,239 | 17,261 | 54,559 | - | 256,207 |
| Eliminated on disposals | - | - | ( 58,464) | (797) | - | (59,261) |
| At 31 December 2017 | 88,911 | 963,669 | 117,675 | 451,100 | - | 1,621,355 |
| **Carrying amount** | | | | | | |
| **At 31 December 2017** | **510,144** | **779,082** | **69,290** | **92,417** | **53,464** | **1,504,397** |
| **2016: 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 | - | 1,424,40 |
| **Carrying amount** | | | | | | |
| **At 31 December 2016** | **519,306** | **864,395** | **29,260** | **95,240** | **39,668** | **1,547,869** |

At 31 December 2017, property, plant and equipment with cost of KShs 540,108,635 (2016 – KShs 534,309,732) were fully depreciated. The notional depreciation charge on these assets would have been KShs 158,636,685 (2016 – KShs 148,782,943).

## 18. PREPAID OPERATING LEASE RENTALS

| | 2017 KShs'000 | 2016 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 | 12,342 | 10,709 |
| Charge for the year | 1,634 | 1,633 |
| At 31 December | 13,976 | 12,342 |
| **Carrying amount at 31 December** | **114,024** | **115,658** |

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

## 19. INTANGIBLE ASSETS

(a) Group

| | Trademark KShs'000 | Software KShs'000 | Broadcasting Licenses KShs'000 | Total 2017 KShs'000 | Total 2016 KShs'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 January | 6,000 | 547,034 | 132,155 | 685,189 | 618,910 |
| Additions | | 54,926 | 304,083 | 359,009 | 25,128 |
| Transfer from PPE | - | 4,371 | - | 4,371 | 41,151 |
| Write off | - | ( 1,403) | - | (1,403) | - |
| At 31 December | 6,000 | 604,928 | 436,238 | 1,047,166 | 685,189 |
| Amortisation | | | | | |
| At 1 January | - | 279,707 | - | 279,707 | 171,413 |
| Charge for the year | - | 108,353 | - | 108,353 | 108,294 |
| Reallocation from PPE | - | 25 | - | 25 | - |
| Write off | - | (117) | - | (117) | - |
| At 31 December | - | 387,968 | - | 387,968 | 279,707 |
| Carrying amount | | | | | |
| At 31 December | 6,000 | 216,960 | 436,238 | 659,198 | 405,482 |

(b) Company

| | Trademark KShs'000 | Software KShs'000 | Broadcasting Licenses KShs'000 | Total 2017 KShs'000 | Total 2016 KShs'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 January | 6,000 | 547,034 | 65,280 | 618,314 | 552,035 |
| Additions | - | 21,222 | 304,083 | 325,305 | 25,128 |
| Transfer from property plant and equipment | - | 4,185 | - | 4,185 | 41,151 |
| At 31 December | 6,000 | 572,441 | 369,363 | 947,804 | 618,314 |
| **Amortisation** | | | | | |
| At 1 January | - | 279,707 | - | 279,707 | 171,412 |
| Charge for the year | - | 106,103 | - | 106,103 | 108,295 |
| At 31 December | - | 385,810 | - | 385,810 | 279,707 |
| Carrying amount | | | | | |
| **At 31 December** | 6,000 | 186,631 | 369,363 | 561,994 | 338,607 |

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 % | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|---|---|
| The Standard Limited | Dormant | 100% | 3,398 | 3,398 |
| Baraza Limited | Broadcasting | 51% | 92 | 92 |
| Agency Sales and Promotion Limited | Dormant | 100% | 2 | 2 |
| Toads Media Group Limited | Leasing | 100% | 66,875 | 66,875 |
| | | | **70,367** | **70,367** |

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

## 21. INVENTORIES

| | 2017 | 2016 |
|---|---|---|
| | KShs'000 | KShs'000 |
| **(a) Group** | | |
| Raw materials | 177,947 | 40,016 |
| Consumables | 128,590 | 101,876 |
| Broadcast programmes | 4,824 | 8,675 |
| | **311,361** | **150,567** |

Inventories expensed during the year amounted to KShs. 704,381,000 (2016 - KShs 722,554,000).

| | 2017 | 2016 |
|---|---|---|
| **(b) Company** | KShs'000 | KShs'000 |
| Raw materials | 177,947 | 40,016 |
| Consumables | 127,183 | 99,737 |
| | **305,130** | **139,753** |

Inventories expensed during the year amounted to KShs. 517,348,000 (2016 - KShs 510,055,000).

## 22. TRADE AND OTHER RECEIVABLES

| | 2017 | 2016 |
|---|---|---|
| | KShs'000 | KShs'000 |
| **(a) Group** | | |
| Trade receivables | 2,051,496 | 1,868,373 |
| Impairment losses | (601,035) | (413,078) |
| | **1,450,461** | **1,455,295** |
| Other receivables | 28,885 | 317,013 |
| Prepayments | 30,443 | 40,032 |
| | **1,509,789** | **1,812,340** |
| **(b) Company** | | |
| Trade receivables | 1,477,539 | 1,358,853 |
| Impairment losses | (474,905) | (330,987) |
| | **1,002,634** | **1,027,866** |
| Other receivables | 24,978 | 303,611 |
| Prepayments | 9,633 | 35,396 |
| | **1,037,245** | **1,366,873** |

## 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** |

## 23. SHARE CAPITAL (CONTINUED)

**(c)Movement in fully paid ordinary shares**

| | No. of shares | Share capital KShs'000 | Share premium KShs'000 | Total KShs'000 |
|---|---|---|---|---|
| At 31 December 2017 | 81,730,854 | 408,654 | 39,380 | 448,034 |
| At 31 December 2016 | 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**

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

| | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|
| At 1 January | 199,944 | 176,716 |
| Share of results for the year | 60,254 | 23,228 |
| **At 31 December** | **260,198** | **199,944** |

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.

Radio Maisha
Tuko mbele pamoja!

**Maisha FM**

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

## 25. NON-CONTROLLING INTERESTS (CONTINUED)

| Baraza Limited | | |
|---|---|---|
| As at 31 December | 2017 | 2016 |
| | KShs '000 | KShs'000 |
| **Non-controlling interest** | **49%** | **49%** |
| Assets | 818,604 | 801,230 |
| Liabilities | (287,588) | (393,182) |
| Net assets | 531,016 | 408,048 |
| Net assets attributable to NCI | 260,198 | 199,958 |
| Revenue | 1,199,312 | 1,099,464 |
| Expenses | (1,076,344) | (1,052,060) |
| Profit for the year | 122,968 | 47,404 |
| **Total comprehensive income** | **122,968** | **47,404** |
| **Total comprehensive income attributable to non-controlling interest** | **60,254** | **23,228** |
| Net cash inflow from operating activities | 110,586 | 35,271 |
| Net cash outflow from investing activities | (120,369) | (34,701) |
| **Net cash (outflow)/inflow** | **(9,783)** | **570** |



## 26. RELATED PARTY BALANCES

**(a) Due from related companies**

| | Group 2017 | 2016 | Company 2017 | 2016 |
|---|---|---|---|---|
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Baraza Limited | - | - | 10,480 | 174,608 |

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:

| | 2017 | 2016 |
|---|---|---|
| | KShs'000 | KShs'000 |
| **Group** | | |
| Within 1 year | 78,000 | 88,588 |
| Between 2 and 5 years | - | - |
| | **78,000** | **88,588** |
| **Company** | | |
| Within 1 year | 88,592 | 99,180 |
| Between 2 and 5 years | - | - |
| | **88,592** | **99,180** |

| | Effective interest rate | 2017 | 2016 |
|---|---|---|---|
| **Group** | % | KShs'000 | KShs'000 |
| *(i) Loans* | | | |
| The Standard Media Group Holdings Limited (common shareholding) | - | 14,887 | 14,887 |
| Trade World (K) Limited (shareholders) | 8.0 | 11,858 | 25,342 |
| Miller Trustees (shareholders) | 8.0 | 51,255 | 48,359 |
| | | **78,000** | **88,588** |
| **Company** | | | |
| Standard Media Group Holdings Limited | - | 14,887 | 14,887 |
| Trade World (K) Limited | 8.0 | 11,858 | 25,342 |
| Miller Trustees Limited | 8.0 | 51,257 | 48,361 |
| The Standard Limited | - | 10,590 | 10,590 |
| | | **88,592** | **99,180** |

## 26. RELATED PARTY BALANCES (CONTINUED)

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

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

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

The Group has transactions with shareholders and companies in which directors of The Standard Group PLC are also directors (Note 34).

## 27. DEFERRED TAX LIABILITY/(ASSET)

| (a) Group | 2017 | 2016 |
|---|---|---|
| | KShs'000 | KShs'000 |
| Movement on the deferred tax liability is as follows: | | |
| At 1 January | 145,340 | 160,775 |
| Deferred tax credit in respect of the current year | (123,930) | ( 10,435) |
| Adjustments recognised in the current year in relation to the deferred tax of prior year (Note 15(a)) | 36 | (5,000) |
| **At 31 December** | **21,446** | **145,340** |

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 | 25,582 | 43,633 |
| Leave pay provision | (1,496) | (1,132) |
| Gratuity provision | (946) | (2,367) |
| Unrealised exchange gain | (36) | 10 |
| Doubtful debts provision | (37,839) | ( 34,605) |
| Other provisions | (573) | - |
| Tax losses | - | (40,853) |
| **At 31 December** | **(15,308)** | **( 35,314)** |

The movement on the deferred tax asset is as follows:

| | 2017 | 2016 |
|---|---|---|
| | KShs'000 | KShs'000 |
| At 1 January | (35,314) | ( 56,946) |
| Prior year overprovision | (918) | - |
| Expense | 20,924 | 21,632 |
| At 31 December | **(15,308)** | **( 35,314)** |

| (b) Company | | |
|---|---|---|
| Deferred tax (asset)/ liability | | |
| Accelerated capital allowances | 215,671 | 254,072 |
| Gratuity provision | (8,219) | (4,156) |
| Leave provision | (9,953) | (4,978) |
| Foreign exchange loss | (59) | (302) |
| General provisions for doubtful receivables | (142,471) | ( 99,296) |
| Other provisions | (6,905) | - |
| Trading losses | (26,618) | - |
| Net deferred tax (asset)/liability | **21,446** | **145,340** |

## 28. BORROWINGS

**(a) Group**

The borrowings are repayable as follows:

| | HP loans KShs'000 | Term loans KShs'000 | Overdrafts KShs'000 | 2017 Total KShs'000 | 2016 Total KShs'000 |
|---|---|---|---|---|---|
| On demand and within one year | 15,393 | 434,972 | 404,534 | 854,899 | 738,255 |
| Between 1 and 2 years | 16,695 | 195,095 | - | 211,790 | 437,324 |
| Between 2 and 5 years | 28,003 | 120,810 | - | 148,813 | 34,270 |
| | **60,091** | 750,877 | 404,534 | 1,215,502 | 1,209,849 |
| Amounts due for settlement within one year | 15,393 | 434,972 | 404,534 | 854,899 | 738,255 |
| Amount due after one year | 44,698 | 315,905 | - | 360,603 | 471,594 |
| | 60,091 | 750,877 | 404,534 | 1,215,502 | 1,209,849 |
| The movement in the year was as follows: | | | | | |
| Beginning of the year | 7,095 | 870,691 | 332,063 | 1,209,849 | 1,486,950 |
| Additions | 66,012 | 948,470 | - | 1,014,482 | 1,103,522 |
| Repayments | (13,016) | (1,068,284) | - | (1,081,300) | (1,227,831) |
| Movement in overdrafts | - | - | 72,471 | 72,471 | (152,792) |
| **At 31 December** | 60,091 | 750,877 | 404,534 | 1,215,502 | 1,209,849 |

| | HP Loans KShs'000 | Term loans KShs'000 | Overdrafts KShs'000 | Total KShs'000 |
|---|---|---|---|---|
| At 31 December 2017: | | | | |
| Stanbic Bank Kenya Limited | 12,825 | 210,436 | 254,983 | 478,244 |
| Stanbic Bank Kenya Limited (Short term raw materials) | - | 71,084 | - | 71,084 |
| Commercial Bank of Africa Limited (Short term raw materials) | - | 46,399 | - | 46,399 |
| Commercial Bank of Africa Limited | 47,266 | 422,958 | 149,551 | 619,775 |
| | **60,091** | **750,877** | **404,534** | **1,215,502** |
| **At 31 December 2016:** | | | | |
| Stanbic Bank Kenya Limited | 2,786 | 246,049 | 171,232 | 420,067 |
| Stanbic Bank Kenya 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** |

**(b) Company**

The borrowings are repayable as follows:

| | HP Loans KShs'000 | Term loans KShs'000 | Overdrafts KShs'000 | 2017 Total KShs'000 | 2016 Total KShs'000 |
|---|---|---|---|---|---|
| On demand and within one year | 15,393 | 434,972 | 378,619 | 828,984 | 720,232 |
| Between 1 and 2 years | 16,695 | 195,095 | - | 211,790 | 437,324 |
| Between 2 and 5 years | 28,003 | 120,810 | - | 148,813 | 34,270 |
| | **60,091** | **750,877** | **378,619** | **1,189,587** | **1,191,826** |
| **Amount due for settlement** within one year | 15,393 | 434,972 | 378,619 | 828,984 | 720,232 |
| Amount due after one year | 44,698 | 315,905 | - | 360,603 | 471,594 |
| | **60,091** | **750,877** | **378,619** | **1,189,587** | **1,191,826** |
| Beginning of the year | 7,095 | 870,691 | 314,040 | 1,191,826 | 1,471,992 |
| Additions | 66,012 | 948,470 | - | 1,014,482 | 1,103,522 |
| Repayments | (13,016) | (1,068,284) | - | (1,081,300) | (1,227,831) |
| Movement in overdrafts | - | - | 64,579 | 64,579 | ( 155,857) |
| **At 31 December** | **60,091** | **750,877** | **378,619** | **1,189,587** | **1,191,826** |

| | HP Loans KShs'000 | Term loans KShs'000 | Overdrafts KShs'000 | Total KShs'000 |
|---|---|---|---|---|
| **At 31 December 2017:** | | | | |
| Stanbic Bank Kenya Limited | 12,825 | 210,435 | 236,711 | 459,971 |
| Stanbic Bank Kenya Limited (Short term raw materials) | - | 71,083 | - | 71,083 |
| Commercial Bank of Africa Limited (Short term raw materials) | - | 46,399 | - | 46,399 |
| Commercial Bank of Africa Limited | 47,266 | 422,958 | 141,852 | 612,076 |
| Kenya Commercial Bank Limited | - | - | 57 | 57 |
| | **60,091** | **750,875** | **378,620** | **1,189,586** |
| **At 31 December 2016:** | | | | |
| Stanbic Bank Kenya Limited | 2,786 | 246,049 | 153,209 | 402,044 |
| Stanbic Bank Kenya 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** |

## 28. BORROWINGS - CONTINUED

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

– Joint and several debenture for KShs 130 million, a variation of joint and several debenture for KShs 243 million, a second further joint and several debenture for KShs 117 million (an aggregate of Kshs 490 Million) ranking pari passu with a debenture created by the borrower in favour of Commercial Bank of Africa;

– Legal charge, being supplemental to the above debentures, for KShs 490 million created by Standard Group 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 PLC supported by the Board of Director's resolution authorising issuance of the same;

–Corporate guarantee and indemnity for KShs 359,000,000 by Baraza Limited in favour of the bank and on account of The Standard Limited;

–Corporate guarantee and indemnity from The Standard Limited for KShs 25 Million in favour of the bank on account of Baraza Limited;

– Corporate guarantee and indemnity for KShs 25 Million by The Standard Group PLC in favour of the bank on account of Baraza Limited;

– Letter of undertaking by The Standard Production Services Limited consenting to the sale of Land Reference Number 209/9717, Nairobi in the event of default by the Company;

– Inter-lenders' agreement between the Bank, Commercial Bank of Africa and the borrower; and

– Hire Purchase Agreements executed between the bank and the Company and lodgements with the bank of all the relevant logbooks together with blank transfer forms for the assets financed under the Vehicle and Asset Finance Facility.

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

– Joint and several, fixed and floating debenture charge over all the assets of the Company, Baraza Limited and The Standard Limited for KShs 890 million;

– Joint and several, fixed and floating debenture for KShs 110 million over all the assets of the Company and Toads Media Group Limited;

– Supplemental legal charges for an aggregate of KShs 890 million over Land Reference Number 209/18213 in the name of the Company together with the title, ranking pari passu with charges of Stanbic Bank Kenya Limited;

– Corporate guarantee and indemnity from Baraza Limited for KShs 890 million;

– Corporate guarantee and indemnity from The Standard Limited for KShs 890 million;

– Corporate guarantees from Toads Media Group Limited in the amount of KShs 110 million;

– Hire purchase loans are secured by the assets that are the subject of those loans;

– Deed of assignment of all the rights under the assets financed;

– Inter-lenders' agreement between the Bank, Commercial Bank of Africa and the borrower; and

– Original log books and blank transfer forms for various motor vehicles.

The effective interest rates on the borrowings were as follows:

| | HP Loans | Term loans | Overdraft |
|---|---|---|---|
| | % | % | % |
| **Year ended 31 December 2017** | | | |
| Stanbic Bank Kenya Limited | 14.00 | 14.00 | 14.00 |
| Commercial Bank of Africa Limited | 14.00 | 14.00 | 14.00 |
| **Year ended 31 December 2016** | | | |
| Stanbic Bank Kenya Limited | 14.00 | 14.00 | 14.00 |
| Commercial Bank of Africa Limited | 14.00 | 14.00 | 14.00 |

## 29. TRADE AND OTHER PAYABLES

| | 2017 | 2016 |
|---|---|---|
| | KShs'000 | KShs'000 |
| **(a) Group** | | |
| Trade | 343,199 | 288,995 |
| Accruals and other payables | 660,199 | 318,333 |
| Provisions | 188,075 | 179,708 |
| Value Added Tax payable | 31,755 | 58,418 |
| | **1,223,228** | **845,454** |
| **(b) Company** | | |
| Trade | 317,079 | 226,186 |
| Accruals and other payables | 516,378 | 180,660 |
| Provisions | 157,830 | 155,675 |
| Value Added Tax payable | 9,561 | 90,276 |
| | **1,000,848** | **652,797** |

## 30. EMPLOYEE BENEFIT

| | 2017 | 2016 |
|---|---|---|
| | KShs'000 | KShs'000 |
| **(a) Group** | | |
| Gratuity provision | 30,548 | 21,745 |
| Movement in gratuity provision is as shown below: | | |
| At 1 January | 21,745 | 21,370 |
| Amounts paid in the year | ( 23,409) | ( 17,763) |
| Additional provision | 32,122 | 18,138 |
| **At 31 December** | **30,548** | **21,745** |
| **(b) Company** | | |
| Gratuity provision | **27,395** | **13,854** |
| Movement in gratuity provision is as shown below: | | |
| At 1 January | 13,854 | 15,422 |
| Amounts paid in the year | ( 16,106) | ( 17,763) |
| Additional provision | 29,647 | 16,195 |
| **At 31 December** | **27,395** | **13,854** |

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

| | 2017 | 2016 |
|---|---|---|
| **(a) Reconciliation of (loss)/profit before tax to cash generated from operations** | **KShs'000** | **KShs'000** |
| (Loss)/profit before tax | (282,186) | 269,475 |
| Adjustments for: | | |
| Depreciation (Note 17 (a)) | 345,990 | 311,101 |
| Amortisation - intangible assets (Note 19 (a)) | 108,353 | 108,294 |
| - prepaid operating lease rentals (Note 18) | 1,634 | 1,633 |
| Gain on sale of plant and equipment (Note 9) | ( 10,255) | ( 6,714) |
| Loss on write off of plant and equipment | 7,147 | 1,367 |
| Loss on write off of intangible assets | 1,286 | - |
| Interest expense (Note 12) | 181,051 | 233,719 |
| **Operating profit before tax before working capital changes** | **353,020** | **918,875** |
| Changes in working capital | | |
| Inventories | (160,794) | ( 3,426) |
| Trade and other receivables | 302,551 | (309,906) |
| Trade and other payables | 377,774 | 167,891 |
| Employee benefits | 8,803 | 375 |
| Related party balances | ( 10,588) | ( 17,403) |
| Cash generated from operations | **870,766** | **756,406** |
| **(b) Cash and cash equivalents** | | |
| Bank and cash balances- continuing operations | 34,683 | 31,901 |
| Bank overdraft (Note 28 (a)) | (404,534) | (332,063) |
| | **(369,851)** | **(300,162)** |

## 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 55,452,098 (2016 – KShs 60,766,995) in contributions payable.

## 33. OPERATING LEASES

Outstanding commitments under operating leases are as follows:

| | 2017 | 2016 |
|---|---|---|
| | KShs'000 | KShs'000 |
| Tenancy payable: | | |
| Not later than one year | 55,556 | 64,608 |
| Between one and two years | 53,132 | 55,556 |
| Between two and five years | 50,474 | 53,132 |
| Over 5 years | 98,819 | 75,087 |
| | **257,981** | **248,383** |
| Amounts charged to profit or loss in the year in respect of operating leases | **73,062** | **60,173** |

## 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:

| | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|
| Fees for services as a director | | |
| Non-executive directors | 9,480 | 9,603 |
| Other emoluments | | |
| Salaries and other short-term employment benefits: | | |
| Executive directors' and key management | 106,382 | 102,197 |
| **Total** | **115,862** | **111,800** |

| **(b) Cash transfers** | **2017** | **2016** |
|---|---|---|
| | KShs'000 | KShs'000 |
| Cash transfers from The Standard Group PLC to Baraza Limited | **212,500** | **120,400** |
| Cash transfers from Baraza Limited to The Standard Group PLC | **78,500** | **224,227** |

| **(c) Payments on behalf** | **2017** | **2016** |
|---|---|---|
| | KShs'000 | KShs'000 |
| Payments by The Standard Group PLC on behalf of Baraza Limited | **2,938** | **40,031** |
| Payments by Baraza Limited on behalf of The Standard Group PLC | **-** | **39,829** |

**(d) Interest expense**

| | | |
|---|---|---|
| Interest on shareholder loan | **5,191** | **5,190** |

## 35. CAPITAL COMMITMENTS

**Group**

| | 2017 | 2016 |
|---|---|---|
| | KShs'000 | KShs'000 |
| Authorised and contracted for | 450,000 | 102,886 |
| Authorised but not contracted for | 12,737 | 87,202 |
| | **462,737** | **190,088** |

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.

## 36. CAPITAL RISK MANAGEMENT (CONTINUED)

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

| | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|
| Share capital | 408,654 | 408,654 |
| Share premium | 39,380 | 39,380 |
| Capital redemption reserve | 102 | 102 |
| Retained earnings | 1,156,922 | 1,428,014 |
| Non - controlling interests | 260,198 | 199,944 |
| **Equity** | **1,865,256** | **2,076,094** |
| Total borrowings | 1,215,502 | 1,209,849 |
| Less: cash balances | ( 34,683) | ( 31,901) |
| **Net debt** | **1,180,819** | **1,177,948** |
| **Gearing** | **63%** | **57%** |

## 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.

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

(a) free seed shares where no amounts are paid or are payable by the recipient on receipt of the option; and

(b) shares offered to employees at a discounted price. The options carry rights to dividends and voting rights.

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

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

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

*Fair value of share options granted in the year*

The weighted average fair value of share options granted in 2011 was KShs 33.03. Options were valued with reference to quoted market prices. There were no share options granted in 2017 and 2016.

*Share options outstanding at the end of the year*

There were no share options outstanding as at 31 December 2017 and 2016.

## 38. CONTINGENT LIABILITIES

As at 31 December 2017, the Group had outstanding contingent liabilities amounting to KShs 728,258,000 (2016 - KShs 577,750,000) in respect of on-going litigation mainly relating to libel charges arising in the normal course of business. A total of KShs 550,065,000 (2016 – KShs 453,594,492) of the contingent liabilities have been insured while a total of KShs 178,192,943 (2016 – KShs 124,255,508) have been provided for by the Group to cover both the balance and the cost of professional legal services.

Legal opinions obtained from the Group's advocates show that no additional liability will arise.

## 39. SUBSEQUENT EVENTS

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

## 40. INCORPORATION

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

## APPENDIX I

| | 2017 | 2016 |
|---|---|---|
| | KShs'000 | KShs'000 |
| Revenue | 3,458,176 | 3,715,863 |
| Direct costs | (973,077) | (924,225) |
| Staff costs | (1,194,148) | (1,055,486) |
| Selling and distribution costs | (417,317) | (451,357) |
| Administration expenses | (1,235,666) | (944,307) |
| Other gains and losses | 67,983 | 90,693 |
| Finance costs | (163,651) | (230,742) |
| (Loss)/profit before taxation | (457,700) | 200,439 |
| Taxation credit/(expense) | 123,894 | (49,322) |
| **(Loss)/profit after taxation** | **(333,806)** | **151,117** |


## APPENDIX II

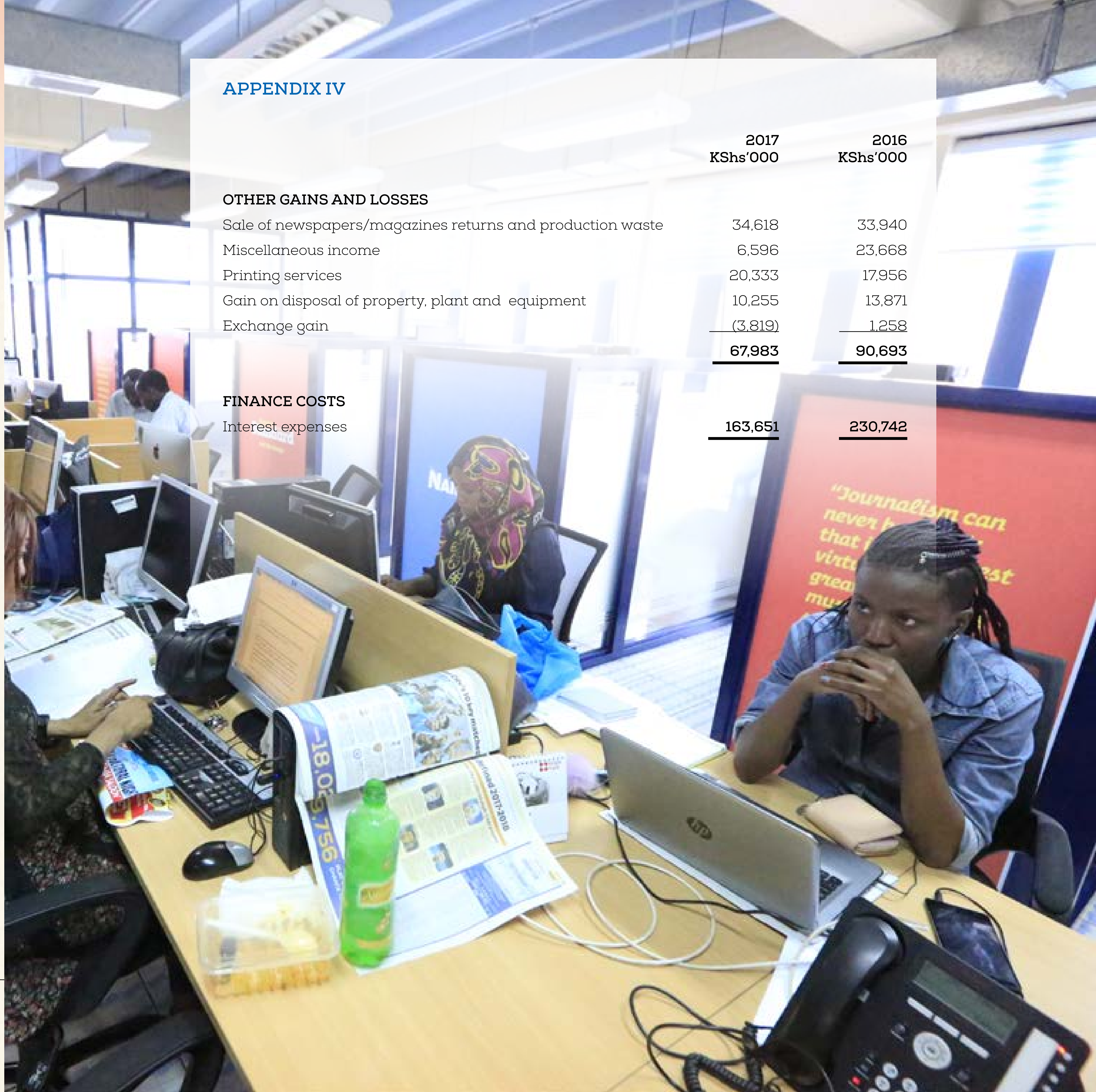
| | 2017 | 2016 |
|---|---|---|
| | KShs'000 | KShs'000 |
| **REVENUE** | | |
| Advertising | 2,445,112 | 2,700,419 |
| Circulation | 1,013,064 | 1,015,444 |
| | **3,458,176** | **3,715,863** |
| | | |
| **DIRECT COSTS** | | |
| Material cost | 496,633 | 489,907 |
| Depreciation | 182,382 | 197,515 |
| Contribution | 115,904 | 88,152 |
| Operating lease | 73,062 | 60,173 |
| Maintenance | 43,453 | 37,909 |
| News service | 32,100 | 30,229 |
| Production salaries | 19,603 | 13,748 |
| Cost of sales outdoor advertising | 8,654 | 6,592 |
| Events | 1,286 | - |
| | **973,077** | **924,225** |
| | | |
| **STAFF COSTS** | | |
| Salaries and wages | 977,370 | 885,475 |
| Personnel costs – other | 172,761 | 120,352 |
| Pension contribution | 41,485 | 47,436 |
| Other | 2,532 | 2,223 |
| | **1,194,148** | **1,055,486** |


## APPENDIX III

| | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|
| **SELLING AND DISTRIBUTION COSTS** | | |
| Commission | 254,805 | 274,910 |
| Transport and distribution costs | 82,818 | 86,875 |
| Marketing and promotion | 79,694 | 89,572 |
| | **417,317** | **451,357** |
| **ADMINISTRATION EXPENSES** | | |
| Rent and office expenses | 193,016 | 133,022 |
| Amortisation | 107,692 | 109,863 |
| Professional fees | 224,684 | 81,386 |
| Bad debts | 136,473 | 71,175 |
| Depreciation charge | 76,121 | 69,830 |
| Vehicle running and hire | 66,503 | 67,506 |
| Telephone and postages | 74,497 | 61,561 |
| Repair and maintenance | 60,316 | 60,489 |
| Licences | 66,103 | 56,703 |
| Travel and accommodation | 25,413 | 54,745 |
| General insurance | 45,049 | 46,492 |
| Bank charges | 38,232 | 34,285 |
| Electricity and water | 38,620 | 26,349 |
| Training | 36,388 | 18,412 |
| Directors' fees, AGM and board meetings | 15,991 | 14,413 |
| Subscription and donation | 10,210 | 14,110 |
| Printing and stationery | 9,505 | 10,403 |
| Entertainment | 5,363 | 8,586 |
| Others | 5,490 | 4,977 |
| | **1,235,666** | **944,307** |

## APPENDIX IV

| | 2017 KShs'000 | 2016 KShs'000 |
|---|---|---|
| **OTHER GAINS AND LOSSES** | | |
| Sale of newspapers/magazines returns and production waste | 34,618 | 33,940 |
| Miscellaneous income | 6,596 | 23,668 |
| Printing services | 20,333 | 17,956 |
| Gain on disposal of property, plant and equipment | 10,255 | 13,871 |
| Exchange gain | (3,819) | 1,258 |
| | **67,983** | **90,693** |
| **FINANCE COSTS** | | |
| Interest expenses | **163,651** | **230,742** |



# SHAREHOLDERS INFORMATION

## NOTICE OF THE ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the One Hundredth (100th) Annual General Meeting of the Shareholders of The Standard Group PLC ("the Company") will be held at **The Standard Group Centre along Mombasa Road**, Nairobi, on **Friday, 25th May 2018** 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 2017**
To receive, consider and, if thought fit, to adopt the Audited Consolidated Financial Statements for the year ended 31st December 2017 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 2017.

C. **ELECTION OF DIRECTORS:**
(i) The following Directors who retire on rotation in accordance with Article 101 of the Company's Articles of Association and being eligible, offer themselves for re-election as Directors of the Company: Mr. Robin Sewell and Ms. Zehrabanu Janmohamed.
(ii) The following Directors who were appointed to fill casual vacancies retire in accordance with Article 102 of the of the Company's Article of Association and being eligible, offer themselves for re-election as Directors of the Company: Dr. Julius Kipngetich, Dr. Gitahi Githinji and Ms. Juliana Rotich
(iii) Pursuant to the provisions of the Section 769 of the Companies Act 2015, the following Directors be elected to serve as members of the Finance & Audit Committee: Dr. James Boyd Mcfie, Mr. Shaun Zambuni, Dr. Julius Kipngetich, Dr. Githinji Gitahi and Ms. Juliana Rotich.

D. **REMUNERATION OF DIRECTORS**
To approve the remuneration of Directors and Directors' Remuneration Report for the year ended 31st December 2017.

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

**BY ORDER OF THE BOARD**

**MILLICENT NG'ETICH**
**COMPANY SECRETARY**

Date: 3rd May 2018

**NOTE**

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. If the member is a corporation, the proxy shall be appointed in accordance with 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 the 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 PLC**
**P.O. Box 30080 - 00100**
**NAIROBI, KENYA**

I/We.....................................................................................................................................

Holder of ID/Passport No. ..........................................................................................................

and of P.O Box.........................................................................................................................

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

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

Name....................................................................................................................................

ID/Passport No. .......................................................................................................................

Mobile number..........................................................................................................................

or failing him/her, the Chairman of the Metting to be my/our proxy, to vote for me/us and on my/our behalf at the 100th Annual General Meeting of the Company to be held on Friday, 25th May 2018 at 11.00 a.m. or at any adjournment thereof.

Signed this.............................................day of ..........................................................................2018

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 23rd May 2018 i.e. 48 hours before the time appointed for holding the meeting.

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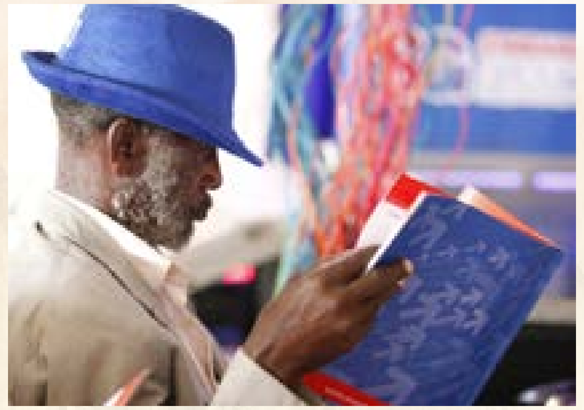
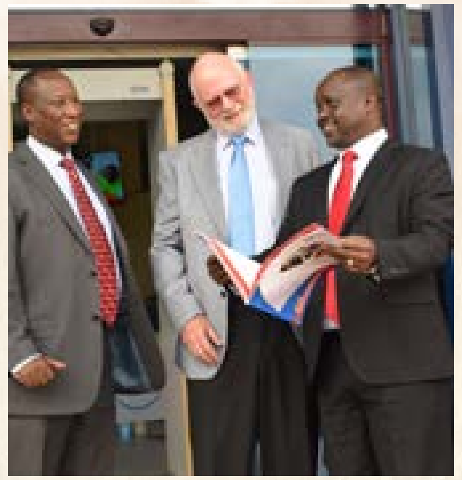
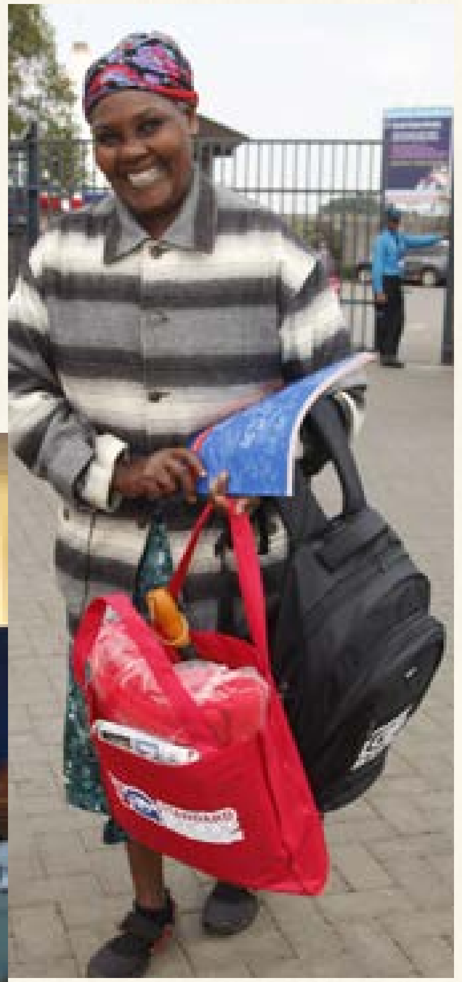
# PAST ANNUAL GENERAL MEETINGS HELD AT THE STANDARD GROUP





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