



# ANNUAL REPORT

& FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER

## 2019





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THE **adults**  
in the room

Emmanuel, Barbara & Eric

Nairobi **94.4** Mombasa **87.9** Malindi **97.7** Nyeri **90.9** Nakuru **96.0** Kisumu **102.5**

Eric

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# Directors and statutory information

## DIRECTORS

Robin Sewell\* - Chairman  
Dr. Julius Kipngetich - Deputy Chairman  
Orlando Lyomu - Group Chief Executive Officer  
Dr. Githinji Gitahi  
Julianna Rotich  
Zehrabanu Janmohamed  
Samuel L. Tiampati - Resigned on 3 April 2020  
Dr. James Boyd Mcfie  
Shaun Zambuni\*  
\* British

## COMPANY SECRETARY

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

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## AUDITOR

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

## LEGAL ADVISORS

TripleOKLaw Advocates LLP  
ACK Garden House, 5 Floor, First Ngong Avenue  
P.O. Box 43170 - 00100, Nairobi

## BANKERS

Stanbic Bank Kenya Limited  
Stanbic Bank Centre, Westlands Road, Chiromo  
P.O. Box 72833 - 00200, Nairobi

NCBA Bank Kenya PLC (Formerly Commercial Bank of Africa Limited and NIC Bank Kenya PLC)  
NCBA Centre Upperhill, Mara & Ragati Roads  
P.O. Box 30437 - 00100, Nairobi

Kenya Commercial Bank Kenya Limited  
Moi Avenue  
P.O. Box 48400 - 00100, Nairobi

## COMPANY REGISTRARS

Image Registrars Limited  
Absa Towers (Formerly Barclays Plaza), Loita Street  
P.O. Box 9287 - 00100, Nairobi



# Strategy report

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

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

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



## PURPOSE

To inspire lives through media and entertainment.



## VISION

Voice of society.



## MISSION

Disseminate media content that provides a voice to society.

## Chairman's Statement

# Together, we can build a brighter future



32%

Percentage increase in TV frequencies in the last five (5) years



52%

Percentage increase in radio frequencies in the last five (5) years

It is my honour to present the Annual Report and Audited Financial Statements of the Standard Group PLC for the year ended 31 December 2019.

### The Media Industry

Broadcasting is the medium of choice for an ever larger number of households in the country, due to the increased choice and improved content available on Radio and TV stations. TV and Radio frequencies have over the 5-year period from 2014 to 2018 increased by 32% and 52% respectively. Since 2015 all TV stations have been digital, a change that reduced barriers to entry and thus by 2018 the number of stations had nearly doubled from 62 to 120. Radio stations increased from 135 to 178 with 111 being English and Kiswahili and the rest vernacular.

Newspaper readership has at the same time declined primarily due to the availability of information on digital platforms. This decline is estimated at 17% over the 5-year period to 2018, with the sales of English daily newspapers reducing from 102 million to 87.1 million and Kiswahili daily newspapers from 5.8 million to 3.7 million. The number of online users has however continued to increase reflecting the change in consumer preferences. This increase is estimated at approximately 179% from 1 billion "visits" in 2014 to 2.8 billion in 2018.

During a year when the difficult trading environment resulted in the overall advertising budget of businesses to shrink, print & broadcast advertising revenue faced stiff competition from digital and billboards. This reduced our income from the private sector while Government spending has continued to decline since the introduction of centralised procurement through the Government Advertising Agency (GAA). The industry has to continuously innovate to ensure our products are always focused on meeting changing customer needs.

### The Board

Our Board meetings are focused on strategy, talent management, governance and reviewing the operations of the business and during the year the Board has continued to oversee the implementation of, and where necessary amend, the Group's 5 year Strategic Plan.

### Our Strategy

We continue to innovate and seek to create new niche products. During the last year, the Group unveiled an array of new media products which are designed to resonate with customer needs and to keep our promise of being market-responsive in a rapidly changing media landscape. Our strategy was always focused on improving revenue and stakeholder returns. Among the products unveiled were 2 new radio stations - Vybez Radio and Spice FM, 2 new TV stations - Farmers TV and Burudani TV and 4 new print publications - Mt. Kenya Star, Pambazuko, Travelog and Pulser.

The Group has continued to focus efforts on growing our digital products to supply shifting customer demands and take advantage of technological advancements. To further ensure the implementation of our strategy is achieved, we have invested in talent management tools and training that ensure that we not only attract but retain the right talent.

We continue to drive thought leadership in key sectors of the economy by creating forums that bring together experts and policy drivers with the general public for candid conversations on important topics. In 2019 the Group organised public forums under the initiative "Transform Kenya" to discuss matters affecting Education, Health, Industrialisation and Animal Protection. The "Transform Kenya Agenda" has received support from both the government and private sectors through joint initiatives.





**ROBIN SEWELL**

CHAIRMAN

179%

Global Online readers increased from 1 billion in 2014 to 2.8 billion in 2018.

The "Farm Kenya Initiative" has been developed to bring together stakeholders in the farming sector to provide information from "Farm-To-Fork". The initiative is carried on all our media platforms, with a fully dedicated TV-station, with farming shows on Radio Maisha and content on print and digital.

The Group's key intention is to ensure that we remain at the head of the media industry and continue to remain true to our vision and mission to provide a "voice to society".

#### Dividends

Given the very challenging year we have had, with regret the Board does not recommend a dividend for the year.

#### Share price and market capitalisation

As at December 31<sup>st</sup> 2019 the Group had a total of 81.7 million shares in issue with a market capitalization of KShs 2.4 billion, compared to KShs 2.22 billion at the same time in 2018.

#### Outlook - 2020 and beyond

Despite the challenging economic conditions and the problems that the Coronavirus pandemic will undoubtedly cause to both the Group and the country, the Board is confident that continued innovation and the new products and revenue streams that we are creating will allow the Group to withstand both the current and future challenges and return to profitability.

The Group will, so far as possible, continue to implement our strategic plan, seek to further deepen our engagement with customers and continue to develop niche products and services to respond to market needs.

#### Acknowledgment

The Board wishes to acknowledge and thank the management team and staff for their continued dedication and effort at this difficult time and our media customers and business partners whose loyalty and contribution to the Group's business in the year was invaluable.

I also would like to pay a particular tribute to Mr Lerionka Tiampati who retired from the Board in April this year after 9 years' service as a non-executive director of the Group. During that time, Mr Tiampati has served not only on the main Board but also as the Chairman of the Human Resources and Remuneration Committee and member of the Finance & Audit and Editorial Committees of the Board. His hard work and wise counsel have been invaluable and will be missed by the entire Board, who join me in wishing him well in his future endeavours and thanking him for his outstanding contribution to the Group.

The Board join me in praying for a speedy resolution to the current Coronavirus crisis and that the country successfully rides out the storm.

Thank you

**Robin Sewell**  
Chairman



## Ripoti Ya Mwenyekiti

# Pamoja tunaweza kuwa na mstakabali mwema

**N**i fursa yangu kuwasilisha Ripoti ya Kila Mwaka na Taarifa ya Kifedha Iliyokaguliwa ya Shirika la Standard Group PLC ya mwaka uliomalizika Disemba 31, 2019.

### Sekta ya Habari

Utangazaji ndio mfumo unaopendelewa na familia nyingi zaidi nchini, kwa sababu ya upatikanaji wake na ubora wa yale yanayopeperushwa katika vituo vya redio na runinga. Masafa ya runinga na redio kwa kipindi cha miaka mitano iliyopita kuanzia 2014 hadi 2018 yaliongezeka kwa asilimia 32% na 52% mtawalia. Tangu mwaka 2015 vituo vyote vya runinga vimekuwa vya kidijitali, badiliko lililoondoa vizingiti vya kujiunga na soko, hivyo basi kufikia 2018 idadi ya vituo vilikuwa tayari vimeongezeka karibu mara dufu kutoka 62 hadi 120. Vituo vya redio viliongezeka kutoka 135 hadi 178 ambapo 111 ni vya Kiingereza na Kiswahili na vilivyosalia vikiwa vya lugha za kiasili.

Usofaji wa magazeti katika kipindi hicho ulipungua, kimsingi kwa sababu ya upatikanaji wa habari kwenye majukwaa ya kidijitali. Kupungua huku kunakadiriwa kuwa 17% kwa kipindi cha miaka 5 hadi 2018, ambapo mauzo ya magazeti ya kila siku ya Kiingereza yalipungua kutoka milioni 102 hadi milioni 87.1 na magazeti ya kila siku ya Kiswahili kutoka milioni 5.8 hadi milioni 3.7. Idadi ya watumiaji wa mitandao hata hivyo imeendelea kuongezeka, hali inayoonyesha mabadiliko katika yale yanayopendelewa na watumiaji. Ongezeko hili linakadiriwa kuwa takriban asilimia 179% kutoka bilioni 1 mwaka 2014 hadi bilioni 2.8 mnamo 2018.

Katika mwaka ambapo mazingira magumu ya kufanyia biashara yalisababisha kupungua kwa bajeti ya jumla ya matangazo ya biashara, mapato ya matangazo kupitia magazeti na kitengo cha utangazaji yalikabiliwa na ushindani mkali wa dijitali na mabango. Hali hii ilipunguza mapato yetu kutoka sekta binafsi huku matumizi ya fedha serikalini yakiendelea kupungua tangu kuanzishwa kwa jukwaa la pamoja la matangazo kupitia Mamlaka ya Matangazo ya Serikali, (GAA). Ni sharti sekta hii iendeleze uvumbuzi ili kuhakikisha kuwa kila mara huduma zetu zinalinga kukidhi mahitaji ya wateja yanayozidi kubadilika.



**ROBIN SEWELL**

MWENYEKITI

### Bodi

Mikutano yetu ya Bodi inalenga mkakati, usimamizi wa vipaji, utawala na tathmini ya shughuli za biashara na mwaka huu Bodi imeendelea kusimamia utekelezaji, na palipo na haja, kufanyia marekebisha Mpango wa Kimkakati wa Miaka 5 wa Shirika.

### Mkakati wetu

Tunaendelea kubuni na kulenga kutoa huduma zinazohitajika. Katika kipindi cha mwaka mmoja uliopita, Shirika lilizindua vitengo vingi vipya vya huduma ambavyo vimebuniwa kwa namna ya kushughulikia mahitaji ya wateja na vimeundwa kutimiza ahadi yetu ya kufanya vyema kibiashara katika mazingira ya kubadilika haraka kwa hali katika sekta ya habari. Mikakati yetu ya kila mara ililenga kuboresha mapato na faida kwa washikadau. Miongoni mwa vitengo vilivyozinduliwa ni vituo 2 vipya vya redio - Vybez Radio na Spice FM, vituo 2 vipya vya runinga - Farmers TV na Burudani TV na machapisho 4 mapya - Mt. Kenya Star, Pambazuko, Travelog na Pulser.

Shirika limeendelea kuzingatia juhudi za kuimarisha huduma za dijitali ili kutosheleza mahitaji ya wateja yanayobadilika na kutumia fursa ya maendeleo ya kiteknolojia. Ili kuhakikisha hata zaidi kwamba kuna utekelezaji wa mikakati yetu unaafikiwa, tumewekeza katika njia za usimamizi wa vipaji na mafunzo ili kuhakikisha kwamba hatuvutii tu bali pia tunadumisha vipaji muhimu.

Tunaendelea kuwashirikisha viongozi wenye ujuzi katika sekta muhimu za uchumi kwa kuandaa majukwaa ya kuwaleta pamoja wataalam na waendesha-sera pia umma kwa jumla, katika mazungumzo ya wazi juu ya mada muhimu. Mnamo mwaka wa 2019 Shirika liliandaa majukwaa ya umma chini ya mpango wa "Kubadili Kenya" (Transform Kenya) kujadili masuala yanayoathiri Elimu, Afya, Ukuaji wa Viwanda na Utunzaji wa Wanyama. "Ajenda ya Transform Kenya" imepokea usaidizi kutoka kwa serikali vilevile sekta binafsi kupitia mipango ya pamoja.

Mpango wa "Farm Kenya Initiative" umeandaliwa ili kuwaleta pamoja washikadau katika sekta ya kilimo ili kutoa maelezo kuanzia uzalishaji hadi matumizi. Mpango wenyewe unapeperushwa kwenye majukwaa yetu yote, runinga ikiufanya kipaumbele, vikiwamo vipindi vya kilimo katika Radio Maisha na yanayojadiliwa kuangaziwa katika gazeti na kitengo cha Dijitali.

Lengo kuu la Shirika ni kuhakikisha kuwa tunaendelea kuongoza sekta ya habari na kuendelea kuafikia maono na malengo ya kuihudumia jamii.

### Magawio

Kwa kuzingatia mwaka mgumu mno ambao tumekuwa nao, kwa masikitiko Bodi haipendekezi gawio la mwaka.

### Thamani ya hisa na mtaji wa soko

Kufikia Disemba 31, 2019 Shirika lilikuwa na jumla ya hisa milioni 81.7 za kuuza na mtaji wa soko wa shilingi bilioni 2.4, kulinganishwa na shilingi bilioni 2.22 kipindi sawa na hicho mwaka 2018.

### Matarajio - 2020 kwenda mbele

Licha ya hali ngumu za kiuchumi na matatizo ambayo janga la korona ambayo bila shaka yatalisababishia Shirika vilevile nchi, Bodi ina matumaini kwamba suala la mwendelezo wa uvumbuzi na vitengo vipya vilevile mikondo ya mapato tunayojenga, litaliwezesha Shirika kustahimili changamoto za sasa na za baadaye kabla ya kurejelea faida.

Shirika, kadri inavyowezekana litaendelea kutekeleza mpango wetu wa kimkakati, kulenga kuendeleza ushirikiano na wateja na kuendelea kutoa huduma zinazohitajika kulingana na mahitaji ya soko.

### Shukrani

Bodi ingependa kutambua na kupongeza kundi la wasimamizi na wafanyakazi kwa kuendelea kujitolea kwao vilevile juhudi wakati huu mgumu, pia wateja wetu wa huduma za matangazo na washirika wa kibiashara ambao uaminifu wao na mchango wao katika biashara ya Shirika mwaka huo ulikuwa wa manufaa makubwa.

Ningependa pia kutoa sifa spesheli kwa Bw. Lerionka Tiampati ambaye alistaafu katika Bodi mwezi Aprili mwaka huu baada ya kuhudumu kwa miaka 9 akiwa Mkurugenzi Mtendaji asiye mwanachama wa kundi la wasimamizi wa Shirika. Wakati huo, Bwana Tiampati alihudumu si tu katika Bodi Kuu bali pia alikuwa Mwenyekiti wa Kamati ya Usimamizi wa Wafanyakazi na Ushauri Kuhusu Malipo na mwanachama wa Kamati za Fedha na Ukaguzi na ile ya Uhariri katika Bodi. Bidii na ushauri wake wa busara umekuwa wenye umuhimu mkubwa na utapezwa na Bodi nzima, ambayo inaungana nami kumtakia heri katika shughuli zake za baadaye na kumshukuru kwa mchango wake unaodhihirika kwa Shirika.

Bodi inaungana nami katika kuomba kupatikana kwa suluhusu ya haraka kwa janga lililopo la virusi vya korona na kwamba nchi inafanikiwa kukabili mawimbi haya.

Asante

**Robin Sewell**  
Mwenyekiti



# We are Home...



Welcome Home

   @KTNHome

*Whereas, children may be away from school, families are creating learning opportunities together. We are keeping teachable moments alive with some thrilling wholesome family entertainment... **#WeAreHome***



*Keep yourself and your loved ones safe at home*

- Wash your hands with soap under running water for at least 20 seconds and if unavailable, use hand sanitizer with at least 65% alcohol content
- Stay home and only go out when absolutely necessary
- Keep social distance (maintain at least 1.5m distance from people while in public)

Watch us on BAMBA 1, Dstv 272, GoTV 92, Zuku 12, Alldan 01, Azam & Continental STB's and Signet

## CEO's Statement

# People, purpose and opportunities

I am honoured to present the business highlights for the financial year ended 31 December 2019.

The Group's turnover decreased by 14% to close at KShs 4.1 billion in 2019 compared to KShs 4.8 billion in 2018 driven largely by the decline in performance across most brands.

Notwithstanding the decline in revenues, costs increased as a result of inflation as well as costs associated with new products that were launched in order to grow revenues. The impact on revenues is expected within the next two years. Direct costs increased by 19%, closing at KShs 1.46 billion from KShs 1.22 billion in 2019. This growth was largely due to an increase in newsprint prices globally. Increase in overhead costs was managed at inflation to increase by 3% and closed at KShs 3.3 billion compared to KShs 3.2 billion in 2018.

The Group closed 2019 at a loss before tax of KShs 716 million against a profit before tax of KShs 397 million in 2018.

### Challenges and Opportunities

The year 2019 was a particularly difficult one for the media industry and despite our best efforts to mitigate the challenges, there was a significant decline from the 2018 performance. This was mainly driven by changes in the gaming and the alcoholic beverage sectors, in addition to the overall economic downturn leading to a significant erosion in our revenue streams.

The Government increased regulations in the gaming industry which saw some of the companies exit the market. Government directive to procure through Government Advertising Agency (GAA) together with a reduction in amounts spent, led to a decline in revenue. In addition, extension of watershed hours for alcoholic beverage advertising impacted on the revenue and overall performance of the business. Additionally, long delays by the government and private sector customers in honouring outstanding obligations led to cash flow challenges leading to increased financing costs and delays in strategic investments. The Group was owed KShs. 1.2 billion by Government Advertising Agency and other government bodies by the end of the Financial Year (FY) 2019. We hope the position will improve in line with the directive to settle pending bills

The Group's strategy to mitigate the effects of the economic downturn, present challenges of doing business

with Government, technological onslaught on legacy media and a host of other business and policy-related challenges is to re-invent the organisation into a digital first company. Diversification of commercial operations, quick innovations, repurposing of editorial content and partnerships with a cross-section of stakeholders seeking to deliver impactful solutions are some of the initiatives undertaken so far.

The Group took the bold decision in 2018 to invest in the expansion of our media offerings, recognising the rapidly changing consumption trends that have become more niche. We launched two TV channels -KTN Burudani (btv) and KTN Farmers TV, two radio stations - Spice FM and Vybez Radio, two monthly magazines - Travelog and Pulser - and two regional weekly newspapers - Pambazuko and Mount Kenya Star. The classifieds offering was also revamped as a strong e-commerce digital platform under the Digger Classifieds brand. While these new products are still at their infancy, some have already shown great promise and have gained traction within the market. Farmers TV, Spice FM, Travelog and Pambazuko have picked much faster and cut their niche in the market. We expect this performance to be sustained and grow revenue in the Financial Year 2020.

We launched several initiatives that are expected to drive revenue growth. These are the "Farm Kenya" Initiative, "Transform Kenya" Forum and an Events Department. They have been instrumental in positioning the Group as a key player in national and international forums and have already started contributing towards revenue growth.

### Business transformation

As a media house, our success is anchored on journalistic excellence, and our ability to respond to consumer needs. To ensure that we remain competitive and relevant in the new media landscape, we have initiated a business transformation project that will propel us to the cutting edge of global journalistic innovation. The core of this transformation is our newsroom, commercial and editorial convergence that will redefine the way we work and how we engage with our customers.

### Product Performance

Our broadcast platforms have experienced a steady growth and retention of market share.





“

**Looking ahead, we see great opportunities for sustained growth. One of our goals is to transform The Standard Group into a truly agile organisation. ”**

**ORLANDO LYOMU**  
GROUP CHIEF EXECUTIVE OFFICER

Radio Maisha recorded a 22% audience growth at the close of 2019. The station was voted Favourite Radio Station in Kenya winning the People's Choice Award from KUZA in June 2019. Our new radio stations (Spice FM and Vybez Radio) have been doing well in audience recruitment with a steady month-on-month growth after their introduction in August 2019. So far, both new radio stations have shown potential to break even ahead of the industry average of about 3 years.

In 2019, KTN News and KTN Home audiences grew by 11% and 18% respectively year-on-year. KTN Home was ranked 2nd while KTN News was ranked 4th in terms of viewership nationally. The Group believes that the broadcast division will be crucial in terms of future revenue generation.

Newspaper sales remained flat during the year despite challenges caused by shifting consumer habits and digital disruptions. Regional publications offered an opportunity to address the gaps in areas of low uptake of our flagship publications. New distribution channels through our business partners are being explored to help grow sales. New magazines in the flagship publication, The Standard, have been introduced to serve niche markets.

### People and Talent Management

We continue to attract, grow and retain talent that will help in achievement of the Group's strategy. The Group is an equal opportunity employer and continues to invest in staff training, development, engagement and welfare.

The highlights for the year were:

- ▶ Selection of 12 young talent who underwent a fully sponsored media training through partnership with a leading university to develop new age journalistic excellence.
- ▶ Launching of The Standard Group Women's Network which provides a platform for engagement, mutual support and career growth for the company's female employees. This has opened new networks for them through partnerships with like-minded organisations. These include Voice of America and Ministry of Gender and Youth Affairs, as well as UN Women that opened training and scholarship opportunities for the women in the organisation.

### Prospects

To ensure sustainability and growth of our performance, the Group has adopted a strategy that is focused on developing niche products that are responsive to customer needs and are economically viable.

It is my belief that with the innovations undertaken in the year, the Group is well equipped to face the challenges and changes expected in the media industry and the Kenyan economy.

### Acknowledgement

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

Thank you

**Orlando Lyomu**  
Group Chief Executive Officer



## Ripoti Ya Afisa Mkuu Mtendaji

# Lengo, watu na fursa

Ni fursa yangu kuwasilisha mambo muhimu kuhusu biashara kwa mwaka wa kifedha uliomalizika Disemba 31, 2019.

Faida ya Shirika ilipungua kwa asilimia 14 % hadi shilingi bilioni 4.1 mnamo mwaka 2019 kulinganishwa na shilingi bilioni 4.7 mnamo mwaka wa 2018, hali iliyochangiwa pakubwa na kushuka kwa matokeo katika vitengo vingi.

Gharama za Shirika ziliongezeka kwa sababu ya uwekezaji katika vitengo vipya vilivyozinduliwa mwaka wa 2019 ambavyo uwezo wake wa mapato unatarajiwa kushuhudiwa hata katika mwaka wa pili. Gharama za moja kwa moja ziliongezeka kwa 19%, na kufikia shilingi bilioni 1.46 kutoka shilingi bilioni 1.22 mwaka wa 2019. Ongezeko hilo lilitokana na kuongezeka kwa bei ya karatasi za uchapishaji wa magazeti wakati huo kutokana na upungufu uliokuwapo kuelekea mwisho wa 2018. Kuongezeka kwa gharama ya uendeshaji shughuli kulidhibitiwa na mfumko wa bei na kuongezeka kwa 2 % na mwaka kukamilika kwa gharama ya shilingi bilioni 3.3 kulinganishwa na shilingi bilioni 3.2 mwaka 2018.

Shirika lilifunga mwaka wa 2019 kwa hasara ya shilingi milioni 716 kabla ya kutozwa kodi dhidi ya faida ya shilingi milioni 397 kabla ya kutozwa kodi mnamo 2018.

### Changamoto na fursa zilizopo

Mwaka wa 2019 ulikuwa mgumu mno hasa kwa sekta ya habari na licha ya juhudi zetu kubwa za kupunguza changamoto, mapato ya shirika yalipungua pakubwa kulinganisha na 2018. Hali hii ilichangiwa hasa na misukosuko iliyoathiri sekta hii pamoja na mporomoko wa kijumla wa uchumi na kuathiri pakubwa mikondo yetu ya mapato.

Serikali ilizidisha udhibiti wa sekta ya michezo ya bahati nasibu hali iliyozifanya baadhi ya kampuni kujiondoa. Mwongozo wa serikali kuhusu kufanya matangazo ya biashara kupitia Mamlaka ya Matangazo ya Serikali (GAA) na kupunguzwa kwa fedha za



**ORLANDO LYOMU**

AFISA MKUU MTENDAJI





**Kikundi cha  
Standard Group  
Women Network  
kinachotoa jukwaa  
la mashauriano,  
kufaana na ukuaji  
kitaaluma kwa  
wafanyakazi wa  
kike wa Shirika  
hili, kimetoa fursa  
mpya kwao kupitia  
ushirikiano na  
mashirika yenye  
mitazamo sawa. ”**

matangazo kulisababisha kupungua kwa mapato. Zaidi ya hayo, kuongezwa kwa saa za makatazo ya kufanya matangazo ya vileo kuliathiri mapato na matokeo ya jumla ya Shirika.

Kupungua kwa kiwango cha fedha katika soko kutokana na hali ya serikali kuchelewesha malipo kumezidi kuathiri biashara. Kumezidisha gharama ya kuendeshea shughuli. Shirika linadai Mamlaka ya Matangazo na taasisi nyingine za serikali shilingi bilioni 1.2. Tuna matumaini kuwa hali hii itaboreka kuambatana na agizo la kulipia madeni yanayodaiwa.

Kampuli za uzalishaji, biashara na taasisi za kifedha zimepunguza matumizi ya fedha na katika hali nyingine kujiondoa kutoka majukwaa ya tangu awali ya habari. Baadhi ya taasisi hizo zimeamua kutegemea majukwaa ya kidijitali, ambapo matumizi ya fedha kwenye majukwaa hayo ni madogo kulinganisha na runinga, redio na gazeti. Hali hii inaambatana na kubadilika kwa mahitaji ya watumiaji.

Mkakati wa Shirika wa kupunguza athari za kuzorota kwa uchumi, changamoto za sasa za kufanya biashara na Serikali, athari za teknolojia kwa vyombo vya habari na changamoto nyingine zinazohusiana na biashara na sera, ni kubadili mkondo wa mambo katika kampuni na kufanya dijitali kipaumbele. Upanuzi wa shughuli za biashara, uvumbuzi wa haraka wa kufanyia mabadiliko mambo yanayotangazwa na ushirikiano na washikadau mbalimbali wanaoniua kutoa matokeo yenye suluhu ni baadhi ya mipango iliyowekwa ili kukabili hali hiyo.

Ni kwa sababu hii ndipo tulichukua uamuzi wa kijasiri 2019 kuwekeza katika upanuzi wa vyombo vyetu vya habari, kwa kutambua mabadiliko ya haraka ya mikondo ya yale yanayohitajika zaidi. Tulizindua vituo viwili vya runinga-KTN Burudani (btv) na KTN Famers TV, vituo viwili vya redio - Spice FM na Vybez Radio, majarida mawili ya kila mwezi - Travelog na Pulser - na magazeti

mawili ya kimaeneo ya kila wiki - Pambazuko na Mount Kenya Star. Matangazo kutoka kwa wadhamini pia yaliboreshwa kupitia jukwaa imara la kidijitali la e-commerce kutoka Digger Classifieds.

Wakati vyombo hivi vipya vingali katika hatua za mwanzo, vimeonesha matumaini makubwa, mikondo ya ukuaji wao, kama ilivyotarajiwa, imetofautiana; Farmers TV, Spice FM, Travelog na Pambazuko zimekua kwa kasi sana na kukidhi mahitaji kwenye soko. Tunatarajia kudumishwa kwa matokeo haya na kuongeza mapato katika Mwaka wa Kifedha wa 2020.

Tulizindua mipango kadhaa ambayo itaongeza ukuaji wa mapato. Mipango yenyewe ni Farm Kenya Initiative, Transform Kenya na Idara ya Matukio. Mipango hiyo imesaidia sana katika kulifanya Shirika kuwa mshirika muhimu katika vikao vya kitaifa na kimataifa na ukuaji wa mapato.

#### **Mageuko katika biashara**

Kama shirika la habari, msingi wa kufaulu kwetu ni mafanikio katika uanahabari, na uwezo wetu wa kutimiza mahitaji ya watumiaji. Ili kuhakikisha tunasalia katika nafasi nzuri ya ushindaji na huduma kuzidi kuhitajika katika ulingo mpya wa habari, tumeanzisha mradi wa mageuko katika biashara ambao utatufikisha hadi viwango vya juu vya uvumbuzi katika uanahabari duniani. Msingi wa mageuko haya ni chumba chetu cha habari, muunganisho wa idara ya mauzo na habari ambao utadhihirisha namna mpya ya kufanya kazi na jinsi tunavyoshirikiana na wateja wetu.

#### **Matokeo ya Vitengo**

Majukwaa yetu ya matangazo yamepata ukuaji thabiti na udumishaji wa nafasi katika soko.

Radio Maisha ilirekodi ukuaji wa 22% wa wasikilizaji kufikia mwishoni mwa mwaka wa 2019 uliotokana na mtagusano na wasikilizaji, unganisho, na shughuli za kijamii. Kituo

kilipigiwa kura kuwa Redio inayopendwa Zaidi Nchini Kenya katika Tuzo za KUZA mnano mwezi Juni 2019.

Redio zetu mbili mpya (Spice FM na Vybez Radio) zimekuwa zikifanya vizuri katika kuwapata wasikilizaji wapya na ukuaji wa mwezi baada ya mwezi tangu kuzinduliwa Agosti, 2019. Spice FM imeonyesha ukuaji mkubwa na haijayumba tangu kuzinduliwa. Maoni ya wasikilizaji kuhusu idhaa zote mbili yamekuwa mazuri na kuonesha fursa nyingi na nafasi za ukuaji.

Mnamo mwaka wa 2019, watazamaji wa KTN News na KTN Home waliongezeka kwa 11% na 18% mtawalia kwa mwaka. KTN Home iliorodheshwa katika nafasi ya pili na KTN News nafasi ya nne.

Standard Digital ilikua kwa 8% mnamo 2019 huku tovuti ya Eve Woman ikipata ukuaji wa 36%.

Usambazaji wa nakala za magazeti mwaka huo uliendelea kushuka, lakini uzingatiaji wa yanayohitajika na wasomaji kupitia machapisho mapya ya kimaeneo ulitoa nafasi ya kujaliza mapungufu katika maeneo ambayo ununuaji wa magazeti yetu uko chini. Njia mpya na zisizo za kawaida za usambazaji kupitia washirika wetu wa kibiashara zinatekelezwa ili kuimarisha usambazaji wa magazeti. Majarida mapya katika gazeti letu kuu The Standard, yametolewa ili kutosheleza hitaji la masoko.

#### Usimamizi wa watu na vipaji

Tunaendelea kuvutia, kukuza na kudumisha vipaji ambavyo vitasaidia kufanikisha mkakati wa Shirika. Tunatoa fursa sawa, na linaendelea kuwekeza katika mafunzo ya wafanyakazi, maendeleo, ushirikishaji na maslahi yao.

#### Mambo muhimu ya mwaka yalikuwa;

Uteuzi wa vijana 12 wenye vipaji ambao walipata mafunzo ya uanahabari yaliyodhaminiwa kwa ukamilifu kupitia ushirikiano na kimojawapo cha vyuo vinavyoongoza ili kukuza mafanikio katika uanahabari wa kizazi kipya.

Ustadi wa kidijitali; mwanahabari mwenye stadi mbalimbali kuambatana na ajenda yetu ya mageuko ya kidijitali.

Matani ya mafunzo yaliandaliwa na kusambaziwa

wafanyakazi kupitia mfumo wa kidijitali wa E- learning ili kuwajengea ujuzi na uwezo wa kikazi.

Kikundi cha Standard Group Women Network kinachotoa jukwaa la mashauriano, kufaana na ukuaji kitaaluma kwa wafanyakazi wa kike wa Shirika hili, kimetoa fursa mpya kwao kupitia ushirikiano na mashirika yenye mitazamo sawa. Yanajumuisha mashirika kama Sauti ya Amerika na Wizara ya Jinsia na Masuala ya Vijana vilevile UN Women yaliyoanzisha mafunzo na nafasi za ufadhili wa masomo kwa wanawake katika Shirika hili.

#### Matarajio ya Baadaye

Ili kuhakikisha uendeleu na ukuaji wetu, Shirika limekumbatia mkakati ambao unalenga kukuza huduma zinazohitajika ambazo zinaendana na mahitaji ya wateja na yanayoendana na hali ya uchumi.

Nina imani kwamba kutokana na uvumbuzi uliofanywa katika mwaka huo, Shirika limejiimarisha vilivyo kukabili changamoto na mabadiliko yanayotarajiwa katika sekta ya habari vilevile uchumi wa Kenya.

#### Shukrani

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

**Orlando Lyomu**  
Afisa Mkuu Mtendaji

# FarmKenya Initiative



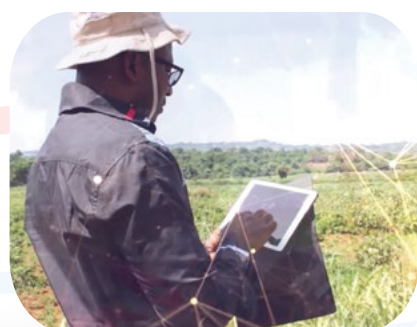
A 24/7 channel providing agriculture coverage from farming practices, latest innovations and technology to agri-business value chain.

**Farmers TV** can be watched on Bamba channel 13, Startimes channel 176 and Pang channel 176



**Smart Harvest**  
& Technology

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



## Digital Platform

Offers farmers increased market visibility locally and regionally to achieve a seamless value chain process.

Get the latest trends on [www.farmers.co.ke](http://www.farmers.co.ke) with videos, verified links, news and fresh updates



## Maisha Kilimo Show

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



**On Ground: Agricultural Forums/Exhibitions**





## Transform Kenya Forum (TKF)

### A Standard Group PLC initiative

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

This forum is driven by all Standard Group's media platforms – TV, Radio, Print and Digital – culminating in a three-hour town hall debate, with an audience representing a cross-section of interests. **Transform Kenya Forum** encourages and facilitates public participation and engagement in resolving Kenya's economic and social challenges.



### 1. The Standard County Golf Classic - Sigona Golf Club



### 2. Eldoret stakeholders cocktail





### 3. Stakeholder Engagements - Kisii & Nyamira counties



### 4. The Standard County Golf Classic - Machakos Golf Club



# Corporate Governance

The Standard Group PLC Board of Directors embrace principles of good corporate governance in steering the Group to effectively achieve its mandate for sustainable growth in shareholder value and to meet stakeholder expectations.

As a company listed in the Nairobi Securities Exchange, we remain steadfast in complying with statutory and regulatory requirements as outlined in the Constitution, the Companies Act 2015, the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the Code), and the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002.

Besides complying with the Code, the Board has committed to embed internal rules of engagement to support corporate governance. These internal guidelines are constituted in the Code of Conduct and Ethics to which every Director and employee attests their adherence.

## BOARD OF DIRECTORS

The Board is collectively responsible for the overall direction of the Group with oversight and review of the management, administration and overall governance. The Board exercises its oversight role by setting appropriate business strategy and overseeing delivery against the set objectives. The composition of the Board is stipulated in the Group's *Articles of Association* which provides that the board shall comprise of a maximum of twelve (12) directors.

The Board currently consists of eight (8) directors, one (1) executive director and seven (7) non-executive directors including the chairman, of whom three (3) are independent directors. The Board is responsible for recommending directors for election by shareholders at the Annual General Meeting (AGM). Nominated directors undergo screening by the Board's Nominations Committee guided by the *Board Appointment Guidelines* duly approved by the Board. All the director's appointment is subject to confirmation by shareholders at the AGM. At every AGM, at least one third of the directors, except the Group Chief Executive Officer, retire by rotation and are eligible for re-election.

## BOARD OPERATIONS

The Board has in place an annual programme that sets out the Board activities for the year. This enables the Board to have a detailed review of the Group's operation and strategy, approve business plans, budgets and financial statements. The Board meets at least four times a year and additionally as may be necessary.

The Board chairman, in conjunction with the Group Chief Executive Officer and Company Secretary, sets the agenda for each meeting. The Board receives all information relevant to the discharge of its obligations in accurate and timely manner enabling it to maintain effective control over strategic, financial, operational and compliance issues. As provided in the Board Charter, the Board is entitled to seek independent professional advice at the company's expense on any matter connected with the discharge of its responsibilities.

## BOARD CHARTER

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

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

## BOARD OF DIRECTORS RESPONSIBILITIES

The Board is responsible for ensuring that the business is financially viable and properly managed so as to protect and enhance the company's interest over time. To achieve continued prosperity for the Company, the Board exercises leadership, enterprise, integrity and good judgement and shall always act in the best interest of the company. The following are the roles and responsibilities of the Board:

- 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 management.
- 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.



**The Board has committed to embed internal rules of engagement to support corporate governance. These internal guidelines are constituted in the Code of Conduct and Ethics to which every Director and employee attests their adherence. ”**



## BOARD MEETINGS

The Board has a schedule of its meetings and the agenda for each Board meeting is prepared and circulated to member's at least seven (7) days in advance. Board Meetings are held every quarter and in exceptional circumstances as dictated by requirements of business operations. The meetings are structured in a way that allows for open discussions. During the year ended 31 December 2019, a total of six (6) Board Meetings were held.

Board meetings and members' attendance for 2019

Member	Position	15.03.2019	24.05.2019	30.08.2019	27.11.2019*	28.11.2019
<b>Robin Sewell</b>	Chairman	√	√	√	√	√
<b>Dr. Julius Kipnetich</b>	Independent Director	x	√	√	√	√
<b>Dr. James Mcfie</b>	Non-Executive Director	√	√	√	√	√
<b>Zehrabanu Janmohamed</b>	Non-Executive Director	√	√	√	x	x
<b>Samuel L. Tiampati ***</b>	Non-Executive Director	√	√	√	√	√
<b>Shaun Zambuni</b>	Non-Executive Director	√	√	√	√	√
<b>Orlando Lyomu</b>	Executive Director	√	√	√	√	√
<b>Juliana Rotich</b>	Independent Director	√	√	√	√	√
<b>Dr. Githinji Citahi</b>	Independent Director	√	√	x	√	√

\* Special Board meeting

\*\*\*Resigned effective 3 April 2020

x Not attended

√ Attended

## BOARD SKILLS AND DIVERSITY

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

The constitution of this Board takes into consideration diversity in gender, age, ethnicity and culture. The Board promotes diversity and encourages initiatives to improve gender diversity in management. This has resulted in the establishment of The Standard Group Women Network which continues to articulate the voice of women within the organisation and position them for leadership.

## BOARD INDUCTION AND DEVELOPMENT

All newly engaged Directors receive a comprehensive induction programme tailored to their individual needs to acquaint them with their responsibilities as well as keep them abreast of the Company's strategy and operations. The induction program consists of detailed presentations and briefings from the Executive Directors, Executive Management and the Company Secretary on company operations.

The Board members undergo regular training and education to enable them to discharge their responsibilities effectively. Members receive regular briefings from the executive management on developments in the media industry both locally and globally. The Board is also apprised of regulatory changes that directly impact the operations of the Group.

During the year under review, the Board underwent training on areas of Corporate Governance as prescribed by the Code as well as IFRS 9 accounting standards facilitated by Strathmore Business School and KPMG Auditors, respectively.

## BOARD EVALUATION

In line with the provisions of the Code, the Board reviews its performance and that of its Committees, the Executive and Non-Executive Directors, the Chairman and Company Secretary, on an annual basis. The Evaluation is facilitated by an independent external facilitator once every two years.

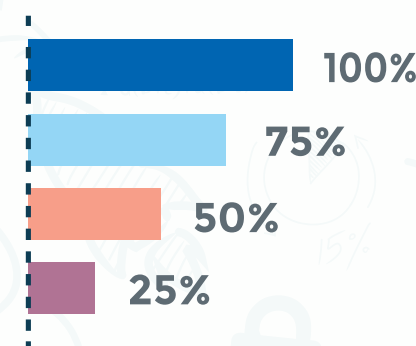
The evaluation for the year ended 31 December 2019 was conducted internally by the Chairman through the coordination of the Company Secretary. The evaluation was conducted by each Director completing a Board Evaluation Form which is designed to obtain feedback on the Board's performance in key thematic areas. The Evaluation also seeks to identify development opportunities and areas of improvement. Results were collated confidentially by the Company Secretary and reviewed by the Chairman. The evaluation concluded that the Board continues to be effective. The evaluation also found that Board members have a good understanding of the business and receive the information they need to inform decisions.

## BOARD INDEPENDENCE AND CONFLICTS OF INTEREST

The Board comprises of seven (7) non-executive directors, of whom three (3) are independent as defined in the Code and the Board Charter. As per the Board Charter, the Board only considers directors to be independent where they have served for a period of less than nine (9) years and are independent of management and free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the directors' capacity to bring an independent Judgement to bear on issues before the Board and to act in the best interest of the Group or the shareholders generally.

The directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to the directors' attention, whether direct or indirect. All business transactions with all parties, directors or their related parties are carried out at arm's length. Directors are required to give advance notice of any conflict issues to the Chairman or Company Secretary. The Board maintains a Conflict of Interest register and this is tabled as the first agenda item of all Board meetings. Directors are excluded from the quorum and vote in respect of any matters in which they have an Interest.

During the year 2019, the following three (3) directors of the company were considered independent: Dr. Julius Kipngetich, Dr. Gitahi Githinji and Juliana Rotich. No incidences of material conflict of interest were identified for any of the non-executive directors, however, during the HR & Remuneration Committee meeting held on 17 May 2019, a director declared his interest in one agenda which was noted by the Committee and the director abstained from discussing and voting on the issue.





### Board Committees

The Board has approved the delegation of certain authorities to Board Committees where applicable, and to management. The Board has established four (4) Board Committees namely; Finance & Audit Committee, Nominations Committee, Human Resources & Remuneration Committee and Editorial Committee. The Committees execute their functions in accordance with the terms of reference which defines its mandate, roles and responsibilities. The Charters for the respective Committees are available on the Company's website. The Committees are instrumental in monitoring Group operations, conduct of business, systems and internal controls.

#### 1. Finance and Audit Committee

This Committee consists of five (5) directors and in line with the Code, it comprised of three (3) independent and non-executive directors. The Chairman is an independent non-executive director and one member holds professional qualification in accounting and is a member of ICPAK. The Committee meets quarterly or as required and reports to the Board after every Committee meeting. The Committee regularly invites the Executive management to the Committee's meetings. External auditors are also invited to attend the meetings when necessary.

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

The Committee is also responsible for reviewing and assessing the company's risk management process and the adequacy of the overall control environment. Risk registers, based on a standardized methodology, are used to identify, assess and monitor the key risks (both financial and nonfinancial) faced by the Group each quarter. All identified risks are assessed at three levels (high/medium/low) by reference to their impact and likelihood. Mitigation plans are put in place to manage the risks identified and the risk registers and mitigation plans are reviewed on a quarterly basis.

The Board, with advice from its Finance & Audit Committee, has completed its annual review of the effectiveness of the system of risk management and internal control for the period ended 31 December 2019. No significant failings or weaknesses were identified, and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

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

The current members of the committee are:

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

Finance and Audit Committee meetings and members' attendance for 2019

Member	Position	22.02.2019	17.05.2019	02.08.2019	15.11.2019	27.11.2019*
<b>Dr. Githinji Gitahi</b>	Chairman	√	√	√	√	√
<b>Shaun Zambuni</b>	Non-Executive Director	√	√	√	√	√
<b>Juliana Rotich</b>	Independent Director	√	√	√	√	√
<b>Dr. Julius Kipngetich</b>	Independent Director	√	√	√	×	√
<b>Dr. James Mcfie</b>	Non-Executive Director	√	√	√	√	√
<b>Robin Sewell**</b>	Non-Executive Director	N/A	N/A	N/A	N/A	√

\*Special meeting

\*\*In-attendance by invitation

× Not attended

√ Attended

## 2. Human Resources and Remuneration Committee

This Committee consists of three (3) directors, comprising the Chairlady who is a Non- Executive director and other directors. The Committee regularly invites the executive management to the Committee's meetings. The Committee meets quarterly or as required. The Committee reviews and ensures that the human resources and remuneration policies and practices in the Company support the overall objectives of the Group and enable the recruitment, development and retention of highly skilled staff in line with the business needs.

The Committee is also responsible for reviewing the Group's organizational structure and ensuring that the Group's human resources and remuneration offering are sufficiently competitive to attract and retain the desired talent pool.

The Committee is also responsible for reviewing and monitoring policies and principles for selection, retention and termination of executive management and setting the terms of service for executive management and their remuneration structure covering salary and benefits; performance-based variable rewards; pensions and/or gratuity.

The Committee is also responsible for reviewing and monitoring the Group's Succession Plan and appraising the performance of executive management.

The Committee met ten (10) times during the year.

The current members of the committee are:

1. Zehrabanu Janmohamed - Chairlady
2. Dr. James Mcfie
3. Shaun Zambuni
4. Samuel L. Tiampati \*\*\*



**Human Resources and Remuneration Committee meetings and members' attendance for 2019**

Member	Position	29.01.2019*	22.02.2019	19.03.2019*	06.05.2019*	07.05.2019*	10.05.2019*	17.05.2019	02.08.2019	06.09.2019*	15.11.2019
<b>Zehrabanu Janmohamed</b>	Chairperson	√	√	√	√	×	√	√	√	√	√
<b>Dr. James Mcfie</b>	Non-Executive Director	×	√	√	√	√	√	√	√	√	√
<b>Shaun Zambuni</b>	Non-Executive Director	√	×	√	√	√	√	√	√	√	×
<b>Samuel L. Tiampati ***</b>	Non-Executive Director	√	√	√	√	√	√	√	√	√	√
<b>Dr. Julius Kipnetich**</b>	Independent Director	N/A	N/A	√	N/A	√	N/A	N/A	N/A	N/A	N/A
<b>Juliana Rotich**</b>	Independent Director	N/A	N/A	N/A	√	√	√	N/A	N/A	N/A	N/A
<b>Dr. Githinji Gitahi**</b>	Independent Director	N/A	N/A	N/A	√	N/A	N/A	N/A	N/A	√	N/A

\* Special meeting

\*\* In-attendance by invitation

\*\*\* Resigned w.e.f 3 April 2020

×

√ Attended

**3. Editorial Committee**

This Committee consists of five (5) directors, comprising of a Chairman who is an Independent/Non-Executive director and other directors and regularly invites the Executive management and the respective Managing Editors. The Committee meets quarterly or as required. The role of the Committee is to develop the Group's Editorial Policies and provide overall leadership and oversight over the Group's journalism and media content.

The Committee met four (4) times during the year.

The current members of the committee are:

1. Dr. Julius Kipnetich- Chairman
2. Zehrabanu Janmohamed
3. Shaun Zambuni
4. Samuel L. Tiampati \*\*\*
5. Juliana Rotich
6. Dr. Githinji Gitahi

**Editorial Committee meetings and members' attendance for 2019**

Member	Position	01.03.2019	17.05.2019	09.08.2019	22.11.2019
<b>Dr. Julius Kipnetich</b>	Chairman	√	√	√	×
<b>Zehrabanu Janmohamed</b>	Non-Executive Director	×	×	×	×
<b>Shaun Zambuni</b>	Non-Executive Director	√	√	√	√
<b>Samuel L. Tiampati***</b>	Non-Executive Director	√	√	√	√
<b>Juliana Rotich</b>	Independent Director	√	√	√	√
<b>Dr. Githinji Gitahi</b>	Independent Director	√	√	√	√
<b>Dr. James Mcfie</b>	Non-Executive Director	√	√	√	√

\*\*\* Resigned w.e.f 3 April 2020

×

√ Attended

#### 4. Nomination Committee

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

The Committee is also charged with the responsibility of evaluating and reporting to the Board on an annual basis, the effectiveness and performance of the Board and the Directors in the discharge of their responsibilities.

The Committee is also responsible for reviewing executive appointments, succession and development plans and proposing the remuneration structures of Executive and Non-Executive members of the Board.

Key activities undertaken by the Committee during the financial year ended 31 December 2019 include:

- ▶ Directors' annual appointment and re-election at the AGM including renewal of the appointment of Dr. James Mcfie and Samuel Lerionka Tiampati and the re-election of the members of the Finance & Audit Committee.
- ▶ Reviewing the effectiveness of the Board and its Committees following the Board Evaluation exercise for the year ended 31 December 2018.
- ▶ Reviewing the Corporate Governance Report and Remuneration report in respect of the Annual Report for year 31 December 2018.
- ▶ Reviewing the CMA Corporate Governance Compliance and Code Reporting requirements.

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

The Committee met once during the year.

Member	Position	15.03.2019
Robin Sewell	Chairman	√
Dr. Julius Kipngetich	Independent Director	√
Dr. James Mcfie	Non-Executive Director	√
Zehrabanu Janmohamed	Non-Executive Director	×
Samuel L. Tiampati ***	Non-Executive Director	√
Shaun Zambuni	Non-Executive Director	√
Orlando Lyomu	Executive Director	√
Juliana Rotich	Independent Director	√
Dr. Githinji Gitahi	Independent Director	√

\*\*\* Resigned w.e.f 3 April 2020

× Not attended

√ Attended



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### 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.

### Code of Ethics and Conduct

The Group continues to promote an ethical culture among the Board, staff and key stakeholders to inculcate a value-based approach in business operations and decision making. The Code of conduct and Ethics enables the Board and employees conduct business and embodies their commitment to pursue the highest standards of ethical behaviour when dealing with customers, suppliers, regulatory authorities and other stakeholders.

### Shareholder Relations

To ensure transparency and fairness in line with corporate governance best practice and enhance investor relations, the Board maintains active communication and engagements with shareholders and the public by providing regular as well as ad hoc information regarding Group strategy, operations and performance and addressing areas of concern. This is achieved through the following:

- The Group publishes its half-year and full year trading results in two newspapers with nationwide circulation. The Group additionally posts all material information on its website [www.standardmedia.co.ke](http://www.standardmedia.co.ke) and stakeholders are encouraged to visit the website for general information. The Group additionally releases material information to the Capital Markets Authority and the Nairobi Securities Exchange in line with regulatory requirements.
- The Annual General Meeting (AGM) is held annually where shareholders engage the Company Directors and Management on matters relating to our business. Shareholders are notified at least 21 days before the AGM and copies of the Annual Report made available to enable them review the proposed agenda and prepare to attend. A shareholder may appoint a proxy to attend and vote on his or her behalf during the AGM if unable to attend in person. At the meeting, a reasonable opportunity is allowed for shareholders to ask questions about or make comments on the management of the Group.
- The Company has also retained Image Registrars Limited to provide shares registrar services. The firm handles day to day requirements of shareholders. The registrar's offices are located at Barclays Plaza, 5th Floor, Loita Street, P. O. Box 9287 - 00100, Nairobi.
- The Group also regularly responds to numerous queries from shareholders and interested parties on a wide range of issues.

### Restrictions on Insider Trading

The Group has a policy on insider trading. Directors, employees and contractors are made aware that they ought not to trade in the company's shares while in possession of any material insider information that is not available to the public. To the best of the Group's knowledge, there was no insider dealing in the financial year ended 31 December 2019.

### Whistle Blowing Policy

The Group has a Whistleblowing Policy which provides a platform for employees, suppliers, customers and contractors to raise concerns regarding any suspected wrongdoing. The Policy also outlines the framework through which such concerns are identified and addressed. The Group encourages the reporting of such wrongdoing in a way that protects and supports whistle-blowers. Reasonable steps have been put in place to protect a person who makes disclosure of any inappropriate behavior. The Board ensures that risks arising from any ethical issues are identified and managed in the risk management process.

### Procurement Policy

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

### Information Technology policy

The Group has established an IT policy which aims to protect the information technology infrastructure (including IT equipment, mobile facilities, data/ telecommunications networks and software) and maintain the highest standards of cyber security, while protecting the Group's confidential and sensitive information. The policy aims to facilitate ease of use of IT systems by staff, business partners and other stakeholders while mandating the responsible use of IT systems.

### Governance Audit

The Board recognizes that it is responsible for formulating policies, procedures, standards and guidelines, which ensure that the Group is governed in line with the best corporate governance standards and that all decisions by the Board and management are made in accordance with the Code and the applicable laws.

The Board is committed to the highest standards of corporate governance and strives to ensure adherence to legal and regulatory requirements while adopting global best practices. Recognizing the role of management, the Board also ensures that Group's management is fully aware of Code requirements and that the same are implemented in all spheres of the business.

On this premise and in compliance with the Code, the Board commissioned a Governance Audit for the year ended 31 December 2019 to evaluate the Group's governance structures and processes and in order to satisfy itself that the governance framework adopted by the Group is appropriate and will support the achievement of the strategy as approved by the Board.

### Governance Auditor's opinion

In our opinion, the control framework for Corporate Governance as currently laid down and operated at the time of our review, provides significant assurance that governance structures material to the achievement of Group's objectives are adequately managed and controlled. The Board has taken measures to strengthen and safeguard their Governance and control environment framework in compliance with the Code of Corporate Governance for Issuers of Securities to the public, 2015.

### CS. Victoria Cherotich, ICPSK GA/00123

For Image Registrars Limited

*For more information about this GAR, please contact:*

*Victoria Cherotich - cherotich.vickie@image.co.ke*

### Legal Audit

The Group in compliance with the CMA code conducted an internal Legal Audit for the year ended 31 December 2019. The Audit confirmed that during the year under review, the Group was generally in compliance with applicable laws and regulations.

“

***Looking ahead,  
we see great  
opportunities for  
sustained growth.  
One of our goals is  
to transform The  
Standard Group PLC  
into a truly agile  
organisation.***

”

Orlando Lyomu  
Group CEO





## Our Platforms

The **Standard** Kenya's Bold Newspaper

THE **NAIROBIAN**

**MT. KENYA STAR**  
PUBLISHERS

**STANDARD**  
**Digital**  
Your Gateway...

**Pambazuko**

**ktn**

Welcome Home

**ktn NEWS**

Get The Whole Story

**ktn FARMERS tv**

**btv**

**think Outdoor**

**vybez**  
**RADIO**  
nobody can stop reggae

**Spice fm**  
sugar spice & everything nice

**Radio Maisha**  
Tuko mbele pamoja!



# Corporate Social Investment Report

The Standard Group's Corporate Social Investment (CSI) agenda focuses on addressing social, cultural, and environmental issues that are fundamental to the business and our stakeholders in four key areas: education, environment, health and disability.

In the year under review, the Group engaged in the following CSI activities that are not only sustainability issues but are also fundamental business and social obligations that the Company has been focusing on and are ultimately key elements of the economy. They ensure we have an ongoing focus on matters that have the most relevance to our stakeholders and consequently to the future of the business.



## EDUCATION

**Transform Kenya Forum on Basic and Higher Education:** The Group held a forum on education under Transform Kenya Forum (TKF) initiative. This forum provides an opportunity for industry stakeholders, businesses, National & County Governments, and the citizenry to engage on national issues affecting the education sector and offer possible solutions. The forum attracted various stakeholders in the education sector creating an integrated platform that eventually sparked a national conversation and influenced policies on education.



**Kabarak Marathon:** The Group partnered with Kabarak University for the annual Kabarak Half Marathon. The Marathon aims at raising funds to educate students from needy backgrounds. It also aims at providing support to the talented and skilled young people with a goal of positively influencing the social and economic status in their communities.



**KCDF Foundation Charity Golf:** In the year under review, the Group sponsored KCDF Charity golf tournament whose aim was to raise funds towards educating children from the less privileged backgrounds.



## HEALTH



The Group played an active role on the health agenda in the year under review, not only because it is one of the CSR pillars but also because it is now one of Kenya's Big Four Agenda. This was executed through the following sustainable health projects;



**Coast Hospice:** Located in Mombasa, Coast Hospice is a facility that provides palliative care to patients with life limiting illnesses. The Group sponsored an Annual Charity Walk for the Hospice that aimed at raising funds to support the facility's health services.



### Cancer Awareness:

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



**Beyond Zero Campaign:** The Group sponsored the Beyond Zero Half Marathon whose aim is to raise funds to support maternal health and reduce child mortality. This also involved creating awareness around these causes through the Group's media platforms.

**AMREF Africa Charity Golf:** In the year under review, the Group sponsored a charity golf tournament themed "Fistula Challenge", an initiative by AMREF Africa. The tournament aimed at raising funds for reconstructive surgery for women and girls living with Obstetric Fistula. The Group also raised awareness on Fistula through its media platforms.



66

A pen costs Sh20 for mainstream students while braille goes for Sh85,000 and has to be imported. This is very expensive and that is why we always need partners,”

KSB Director Juliana Kivasu



## DISABILITY

### My Eyes Your Eyes Campaign:

The Group partnered with the Kenya Society for the Blind (KSB), for the 8th year running to reach out to Kenyans by creating awareness on visual impairment. The Group therefore held various activities to push for this campaign including; Charity Golf, Blind Walk and Mt. Longonot Climb. The Group through its various platforms contributed to the success of this campaign.



**Step In Campaign:** The Group sponsored Cure International's Step In Campaign to raise funds for corrective surgery for children with clubfoot and other corrective surgeries that include cleft lips. This campaign was also done across the country through mobile clinics. Standard Group is the long-term media partner, providing advertising, media coverage and PR support.





## ENVIRONMENT

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



**Rotary Club Charity Golf:** The Rotary Club of Nairobi East held a Charity Golf tournament at the Karen Golf Club. The Standard Group supported this initiative that aimed at fundraising for a water and sanitation project that will scale up the Rotary Club's Schools' Sanitation and Hygiene Project in Kajiado County that has so far impacted 2,500 pastoralist families.



**Maasai Mara Half Marathon:** The Standard Group sponsored The Maasai Mara Marathon whose main objective is to raise funds to support conservation of the Mara National Reserve as well as community-based projects around the Maasai Mara. The Group, through its various platforms, created awareness on the marathon, which is held within Maasai Mara National Reserve, and highlighted the plight of the communities and wildlife that live within and around the Mara.



**Eldoret City Marathon:** The Group partnered with The County Government of Uasin Gishu in the annual Eldoret City Marathon. This marathon brings together elite and amateur marathoners, corporate teams, and people from all walks of life to compete for a common cause: Environmental conservation. The Group created awareness of the marathon and championed climate action that includes planting and distributing at least one million tree seedlings before every edition of the marathon.

### Going concern

The Board confirms that the financial statements are prepared on a going concern basis and is satisfied that the Group has adequate resources to continue in business for the foreseeable future

### 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 2019

The ten largest shareholders of the Company as at 31 December 2019 were as follows:

No.	Name of shareholder	No. of shares	% Shareholding
1.	S.N.G Holdings Limited	56,422,699	69.03%
2.	Trade World Kenya Limited	8,906,068	10.90%
3.	Miller Trustees Limited	8,608,569	10.53%
4.	Gulamali Ismail	2,160,100	2.64%
5.	The Standard Group Limited ESOP Trust	266,880	0.33%
6.	Denroma Investment Limited	238,640	0.29%
7.	Julius Gecau	220,793	0.27%
8.	Eufrazio Juliao Goes	220,000	0.27%
9.	Savitaben Velji Raichand Shah	208,070	0.25%
10.	Saraj Properties Limited	186,900	0.23%

Shares Distribution Schedule as at 31 December 2019

	Range	Number of shareholders	Number of share held	Percentage
1	1 to 500	2,535	320,450	0.39 %
2	501 to 1000	391	284,248	0.35 %
3	1001 to 5000	561	1,113,508	1.36 %
4	5001 to 10000	105	718,732	0.88 %
5	10001 to 50000	75	1,448,505	1.77 %
6	50001 to 100000	2	145,000	0.18 %
7	100001 to 500000	8	1,603,929	1.96 %
8	500001 to 1000000	-	-	- %
9	1000001 to 20000000000	4	76,097,436	93.11 %
<b>Total</b>		<b>3,681</b>	<b>81,731,808</b>	<b>100.00%</b>





**vybez**  
RADIO  
nobody can stop reggae HD

**#VybezAdrenaline**  
**The Best Rave on Radio**

**3PM - 7PM**

**ADRENALINE**

**CHIKI KURUKA & ZJ HENO**

Nairobi **104.5** Mombasa **98.7** Nyeri **98.8** Meru **107.1** Eldoret **107.5**

## Board of Directors



**Mr. Robin Sewell**

**Non-Executive - Chairman**

**Nationality:** British

**Position:** Chairman since 1 November 2000

**Skills and experience:** Mr. Sewell was formerly managing partner in MGI Midgley Snelling, an English firm of Chartered Accountants.

He was also a Fellow of the Institute of Chartered Accountants in England and Wales until his recent retirement.

**Other Directorships:** Robin has been a Non-Executive Director of The Standard Group PLC since 1995. He is currently the Chairman of the Group, a position he has held since 1 November 2000. He also serves as a member of the Board of The Standard Group PLC subsidiaries.



**Dr. Julius Kipngetchi**

**Independent/Non-Executive Director and Deputy Chairman**

**Nationality:** Kenyan

**Position:** Independent Non-Executive Director & Deputy Chairman since 7 October 2017.

He is also the Chairman of the Editorial Committee and member of the Finance & Audit Committee.

**Skills and experience:** Julius is the Regional Chief Executive Officer of Jubilee Holdings. Previously, he served as the 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. Julius holds a Masters degree in Business Administration and a Bachelor of Commerce degree from The University of Nairobi.

**Other Directorships:** Julius is also a member of the Board of Jubilee Holdings. He also serves as a member of the Board of The Standard Group PLC subsidiaries.



**Mr. Orlando Lyomu**

**Executive Director, Group Chief Executive Officer & Managing Director**

**Nationality:** Kenyan

**Position:** Group Chief Executive Officer & Managing Director since 25 May 2018. Executive director since 13th March 2013

**Skills and experience:** Orlando Lyomu is a passionate leader and change agent. Mr. Lyomu is the Group CEO & MD at The Standard Group PLC.

He is a seasoned professional with many years of experience in board and senior leadership levels. His diverse skills-set covers Strategy Formulation and Execution, Financial Risk and Operations Management. He loves nurturing talent and embraces innovative ideas to transform businesses.

Mr. Lyomu has previously worked in the petroleum sector with Total Kenya PLC and Gulf Energy Limited in downstream operations across Kenya, Uganda, Rwanda and Tanzania before making the transition to media in 2013. He has formerly served as the Group Chief Operating Officer and Finance Director among other senior positions. He holds a Bachelor of Commerce (Accounting) from The University of Nairobi and is a CPA (K) and a member of ICPAK. He is currently finalizing his MBA for Executives at the Strathmore Business School

**Other Directorships:** Orlando is also the Secretary of the Media Owners Association (MOA) and a member of the Board of The Standard Group PLC subsidiaries.



**Mr. Shaun Zambuni**

**Non-Executive Director**

**Nationality:** British

**Position:** Non-Executive Director since 28 February 2014. Member of the following Board Committees - Finance & Audit Committee, Human Resource & Remuneration Committee and Editorial Committees.

**Skills and experience:** Shaun 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. Shaun is currently the CEO of a private investment group.

**Other Directorships:** Shaun is also a Director at Signon Group Limited, SPC Properties Limited, Star Rental Limited, Mahathi Infra Uganda Limited, Sosian Energy Limited and Sosian Menengai Geothermal Power Limited. He is also a member of the Board of The Standard Group PLC subsidiaries.



**Ms. Zehrabanu Janmohamed**

**Non-Executive Director**

**Nationality:** Kenyan

**Position:** Non-Executive Director since July 2007, Chair of the Human Resource and Remuneration Committee and member of the Editorial Committee.

**Skills and experience:** Janmohamed 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.

**Other Directorships:** Janmohamed is also a member of the Board of Lukiza Limited and the Chairperson of Cricket Kenya. She is also a member of the Board of The Standard Group PLC subsidiaries.





**Dr. James Boyd Mcfie**

**Non -Executive Director**

**Nationality:** Kenyan

**Position:** Non-Executive Director since July 2007, Member - Finance & Audit Committee and Human Resource & Remuneration Committee.

**Skills and experience:** James is a holder of a PhD. from the Graduate School of Business, University of Strathclyde, Glasgow, Scotland and is a Certified Public Accountant (CPA-K).

He is currently a Senior Lecturer at Strathmore Business School with over forty (40) years lecturing experience.

James also previously served as a Director of the Capital Markets Authority and a member of the Value Added Tax Tribunal of Kenya.

**Other Directorships:** James also serves as Chairman of Sasini PLC and Director of SBM Bank (Kenya) Limited. He is also a member of the Board of The Standard Group PLC subsidiaries.



**Dr. Githinji Gitahi**

**Independent/Non-Executive Director**

**Nationality:** Kenyan

**Position:** Independent Non-Executive Director since 16 March 2018, Chairman of the Finance and Audit Committee and Member of the Editorial Committee.

**Skills and experience:** Dr. Githinji is the current Group Chief Executive Officer of AMREF Health Africa. Until his appointment to Amref Health Africa, he was the Vice President and Regional Director for Africa, Smile Train International. Prior to that, he was the Managing Director for Monitor Publications (an NMG subsidiary in Uganda) as well as General Manager for Marketing and Circulation in East Africa for Nation Media Group. He has also held progressive senior positions at GlaxoSmithKline and worked at the Avenue Group and in the Insurance industry.

Dr. Githinji is also the International Co-Chair of the UHC2030 Steering Committee, a global World Bank and WHO initiative for Universal Health Coverage (UHC).

Dr. Githinji holds a Bachelor's Degree in Medicine from the University of Nairobi; a Master's degree in Business Administration, majoring in Marketing, from USIU and has a Certificate for Strategic Perspectives for Non-profit Management from Harvard University.

**Other Directorships:** Dr. Githinji also holds directorships in AMREF Flying Doctors, Amref Health Africa in Kenya, Amref Enterprises Limited, and Amref International University Board of Trustees. He is also a Member of the Board of Trustees of Safaricom Foundation, member of the Governing Board of the Africa Centre's for Disease Control and Prevention (Africa CDC) and the Board of The Standard Group PLC subsidiaries.



**Ms. Juliana Rotich**

**Independent Non-Executive Director**

**Nationality:** Kenyan

**Position:** Independent Non-Executive Director since 16 March 2018, Member - Finance & Audit Committee and Editorial Committee.

**Skills and experience:** Juliana Rotich is a technologist, strategic advisor, and entrepreneur based in Nairobi, Kenya.

She is a co-founder and head of Partnerships at Boya Ltd, a Fin Tech company in Nairobi.

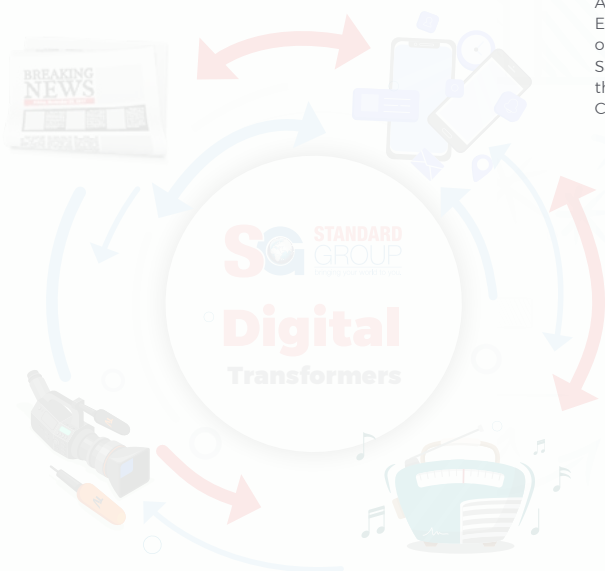
Juliana was the Managing Director and Country Cluster Head for BASF East Africa Ltd. She Co-founded BRCK Inc, a hardware and services technology company formed to realize a vision for enabling communication in low infrastructure environments by developing useful, innovative, and exciting hardware-centered technologies in Kenya.

Juliana co-founded Ushahidi Inc., a non-profit tech company, which specializes in developing free and open-source software for changing how information flows in the world.

She is a World Economic Forum Young Global Leader, TED Senior Fellow.

Juliana 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.

**Other Directorships:** Juliana is also a Board member of the Kenya Vision 2030 Delivery Board, Safaricom Money Transfer Service Ltd, Mookh Africa, Blue Consulting and a member of the Board of The Standard Group PLC subsidiaries.



**Digital print**  
**Convergence**  
**Transformation**  
**Broadcast**



## Executive Management Team



**Orlando Lyomu**  
Group CEO



**Joseph Kiruri**  
Chief Finance Officer



**Joe Munene**  
MD Broadcast



**Ochieng Rapuro**  
Editor-in-Chief



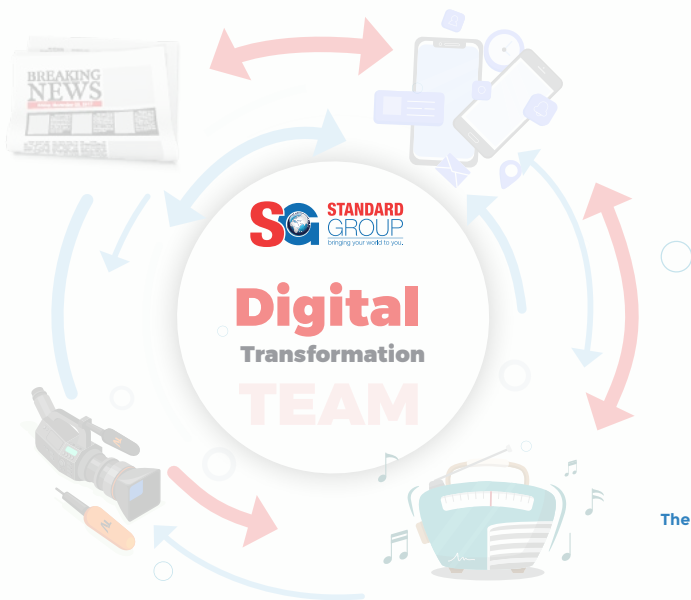
**Irene Kimani**  
Commercial Director



**Millicent Ng'etich**  
Head of Legal & Company Secretary



**Benedict Omollo**  
Chief Officer Operations  
and Strategy





**Nicholas Siwatom**  
Chief Talent Officer



**Robert Toroitich**  
Chief Technical Officer



**Charles Kimathi**  
Head of Corporate Affairs



**Ken Muoki**  
Head of Internal Audit



**Nancy Kihenia**  
Head of Events



**Sam Koskei**  
Head of Security

“

***You can't connect the dots looking forward; you can only connect them looking backwards. So you have to trust that the dots will somehow connect in your future. You have to trust in something. ”***

**Steve Jobs**  
Former Apple Inc. CEO

# Directors' Report for the Year Ended 31 December 2019

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of the Company and the Group.

## 1. Principal activities

The principal activity of the group is gathering and disseminating information through print, Television, Radio and Digital Medium. The print products are The Standard, The Nairobi Star, Pambazuko, Mount Kenya Star, Pulser and Travelog. Radio products include Radio Maisha, Spyce FM and Vybze radio. Television products include KTN Home, KTN News, Burudani TV and Farmers TV. Digital offerings include the E-paper, Standardmedia.co.ke website, digger classified. Outdoor advertising is through the OMS billboards assets spread across the country.

## 2. Group results

	2019 KShs'000	2018 KShs'000
(Loss)/ Profit before taxation	(716,266)	397,225
Taxation credit/(expense)	<u>232,199</u>	<u>(135,940)</u>
(Loss)/profit for the year transferred to retained earnings	<b><u>(484,067)</u></b>	<b><u>261,285</u></b>
Attributable to:		
Non-controlling interests	(54,589)	64,400
Owners of the Company	<u>(429,478)</u>	<u>196,885</u>
	<b><u>(484,067)</u></b>	<b><u>261,285</u></b>

## 3. Dividend

The directors do not recommend a dividend payment for the year ended 31 December 2019 (2018 – KShs 0.60/share).

## 4. Directors

The directors who served since 1 January 2019 and up to 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. Auditor

The external auditor, KPMG Kenya, is eligible and hereby offer themselves for re-appointment in accordance with the requirements of the Kenyan Companies Act, 2015 section 721 (2).



## 7. Business overview

### Summary of results

The Group unveiled an array of new media products which are aligned to its strategy towards improved customer engagements and designed to keep our promise of being market-responsive in a rapidly changing media landscape. The products include 2 TV channels (Burudani TV & KTN Farmers TV), 2 radio stations (Spice FM & Vybez radio), 2 monthly magazines (Travelog & Pulser), 2 regional publications (Mount Kenya Star & Pambazuko) and a revamped Digger Classifieds section in The Standard Newspaper with a strong digital presence.

The Group incurred a loss before tax of Kshs. 716 million compared to a profit before tax of KShs 397 million in 2018. The loss was as a result of regulation changes affecting consumer advertising activities for the alcohol and gaming companies, decline in liquidity in the market as a result of pending bills and shifting customer consumption patterns.

The Group Revenue decreased by 14% to KShs 4.1 billion from KShs 4.8 billion in the prior year largely driven by the factors mentioned above.

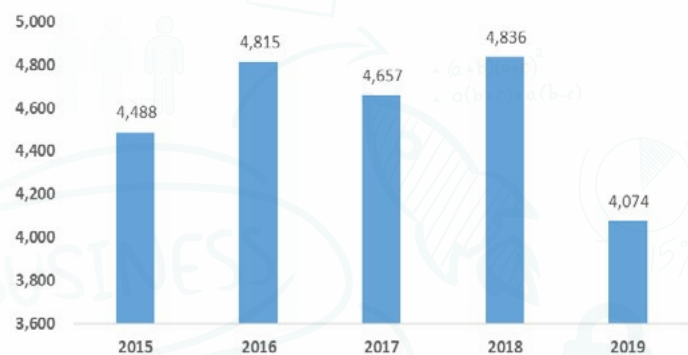
Annual direct costs have increased by 19% compared to 2018 attributable to costs related to new products while management has ensured to maintain overhead costs relatively stable with cost management initiatives implemented throughout the Group. The costs relating to new products will be recouped once the products reach break-even.

### Analysis of the Group by business segment

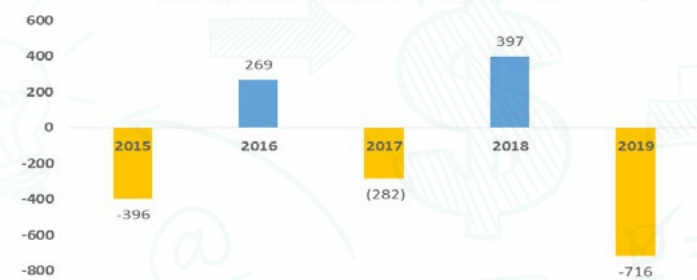
The Group's business segments are:

- Print includes newspaper copy sales and print advertising. Print has 4 publications, The Standard newspaper, The Nairobiian, Mount Kenya Star and Pambazuko.
- Broadcast TV, includes 4 television stations KTN-Home, KTN-News, Burudani TV (BTV) and KTN Farmers TV. KTN-News is the first 24 hour news channel in East Africa. While KTN Burudani is a Swahili station catering for the entertainment needs of the youth and Swahili speaking population. KTN Farmers TV was rolled out as part of the Groups Farm Kenya Initiative and aims to connect all stakeholders in the agribusiness sector.
- Broadcast Radio includes 3 radio stations Radio Maisha and 2 new English stations; Spice FM and Vybez radio.
- Out of Home advertising provides billboard advertising across the country.
- Standard Digital is our online platform which provides an array of digital advertising solutions.

Turnover KShs Million



(Loss)/profit Before Tax KShs Million



### Financial position

The Group's total assets have declined to Kshs 4.2 billion as a result of reduced Trade receivables and inventories held. The trade and other receivables reduced due to better collection strategy and decline in revenue while inventories have reduced due to better working capital management.

## 8. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the directors held on

BY ORDER OF THE BOARD

Secretary

Date: 3 April 2020

# Directors' Remuneration Report

The Standard Group PLC is pleased to present the Director's Remuneration report for the year ended 31 December 2019. 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)
Dr. Julius Kipngetich	Deputy Chairman (Independent/Non-Executive Director)
Orlando Lyomu	Group Chief Executive Officer
Zehrabanu Janmohamed	Non-Executive Director
Samuel L. Tiampati	Non-Executive Director (resigned effective 3 April 2020)
Dr. James Boyd Mcfie	Non-Executive Director
Shaun Zambuni	Non-Executive Director
Juliana Rotich	Independent/Non-Executive Director
Dr. Githinji Gitahi	Independent/Non-Executive Director

## Remuneration Policy

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

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

The Nominations Committee of the Board is responsible for setting and administering the directors Remuneration Policy. The Nominations Committee continuously reviews the entitlements under the policy to ensure these are aligned to the market.

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

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

Other benefits provided include: medical cover, gratuity and club membership which are payable as per The Standard Group PLC Reward Policies in force from time to time.

Travel and other reasonable expenses incurred in the course of performing duty are paid as per the Group's Travel and Subsistence Policies. These ensure the package is competitive.

Name	Date of contract	Unexpired term	Notice period	Amount payable on termination KShs'000
Orlando Lyomu	24/5/2018	29 months	6	15,300

Name	2019 KShs'000				2018 KShs'000			
	Basic pay and bonus	Insurance	Gratuity	Total	Basic pay and bonus	Insurance	Gratuity	Total
Orlando Lyomu	33,762	1,104	3,600	38,466	26,174	1,104	3,270	30,548

### Remuneration structure for Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board upon recommendation by the Nomination Committee in line with the Remuneration Policy. 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 terms of the Company Articles of Association.



## Non-Executive Directors

### Fees and sitting allowance

	2019 KShs'000	2018 KShs'000
Robin Sewell	1,440	1,080
Samuel L. Tiampati ***	1,850	1,965
Dr. James Mcfie*	1,820	2,020
Zehrabanu Janmohamed	1,445	1,545
Shaun Zambuni	2,040	2,340
Dr. Julius Kipngetich	2,145	1,845
Juliana Rotich	1,710	945
Dr. Githinji Gitahi	1,430	1,135
<b>Total</b>	<b>13,880</b>	<b>12,875</b>

\*Funds are donated to charity

\*\*\* Resigned effective 3 April 2020

## Changes to Directors' remuneration

There were no substantial changes relating to the Directors' remuneration policy made during the year (2018: None).

## Directors' Shareholding

Directors can purchase or sell shares of the Company in the open market. During the year under review, none of the Directors held shares in the Company.

## 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 Companies Act 2015

By order of the board



Dr. Githinji Gitahi

Date: 3 April 2020

## Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the consolidated and separate financial statements of The Standard Group PLC set out on pages 54 to 112 which comprise the consolidated and company statements of financial positions of the Group and company as at 31 December 2019, and the consolidated and company statement of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and consolidated and company statement of cash flows for the year then ended, and notes to the financial statements including 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 financial position of the Group and of the company as at the end of the financial year and of the profit or loss of the Group and company for the year then ended. It also requires the Directors to ensure the Group and company keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and the company and its profit or loss.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and the company and its profit or loss.

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

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

### Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 3 April 2020.



**Dr. Githinji Gitahi**



**Orlando Lyomu**

Date: 3 April 2020

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of The Standard Group PLC (the 'Group' and 'Company') set out on pages 54 to 112, which comprise the consolidated and company statements of financial position as at 31 December 2019, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of The Standard Group PLC as at 31 December 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya and, we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate 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 in the consolidated and separate financial statements	
See Notes 5(b) and 24 to the financial statements.	
The key audit matter	How the matter was addressed
<p>Trade receivables constitute more than 22% and 18% of the Group and Company total assets respectively. The profile of the customers who constitute the trade receivables balance varies in nature 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. Impairment loss on trade receivables represent directors' estimation of loss that would occur from the Group's and Company's trade receivable portfolios as at the end of the year using the expected credit loss model.</p> <p>Valuation of trade receivables is considered a key audit matter because the directors make subjective significant judgments over both timing of recognition of impairment and the estimation of the size of any such impairment.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"><li>— Testing the adequacy and appropriateness of controls over the existence and recoverability of trade receivables balances.</li><li>— Evaluating directors' judgments and assumptions with regards to the calculation of impairment loss, such as the timing of cash flows and identification of the triggering event.</li><li>— Performing substantive procedures to evaluate the completeness of the customer accounts included in the impairment calculation; and inspecting on a sample basis, the aging of the invoices, subsequent receipts and making inquiry about potential disputes on the invoiced amounts.</li><li>— Evaluating the adequacy of disclosures in the financial statements, including disclosures of key judgements and assumptions.</li></ul>



*Report on the audit of the consolidated and separate financial statements (Continued)*

Provisions and contingent liabilities in respect of litigations in the consolidated and separate financial statements	
See Notes 6, 31 and 35 to the financial statements	
The key audit matter	How the matter was addressed
<p>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.</p> <p>The Directors apply judgement when considering whether, and how much, to provide for the potential exposure of each litigation.</p> <p>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.</p>	<p>Our audit procedures in this area included, amongst others:</p> <ul style="list-style-type: none"> <li>— Assessing the processes and controls over litigations operated by the Group and Company.</li> <li>— Discussing with the Group and Company in-house legal counsel to understand the nature of ongoing claims, and to assess the latest status, accounting and disclosure implications.</li> <li>— Inspecting formal confirmations from the Group and Company external legal counsel for significant litigation matters to assess completeness of provisioning and disclosure.</li> <li>— 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.</li> <li>— Considering the adequacy and completeness of the Group and Company disclosures made in relation to contingent liabilities where provisions were not required.</li> </ul>

**Other information**

The directors are responsible for the other information. The other information comprises the Director's Report, the Directors' Remuneration Report and the Directors' Responsibilities Statement which we obtained prior to the date of this auditor's report, and the other information to be included in the Annual Report and Financial statements, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 that we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

## *Report on the audit of the consolidated and separate financial statements (Continued)*

### **Directors' responsibilities for the consolidated and separate financial statements**

As stated on page 49, the directors are responsible for the preparation of consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate 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 Group's and Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated and separate financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate 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 consolidated and separate 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 auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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.

**Report on the audit of the consolidated and separate financial statements (Continued)**

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

**Report on other legal and regulatory requirements**

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

- (i) In our opinion, the information given in the Directors' report on pages 44 to 45 is consistent with the financial statements;
- (ii) In our opinion, the auditable part of the Directors' Remuneration Report on pages 46 to 48 has been properly prepared in accordance with the Kenya Companies Act, 2015; and
- (iii) Our audit report on the annual consolidated and separate financial statements is unqualified.

*The signing partner responsible for the audit resulting in this independent auditor's report is CPA Jacob Gathecha - P/1610.*



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

**Date: 3 April 2020**



## Consolidated statement of Profit or Loss and other Comprehensive income for the year ended 31 December 2019

	Note	2019 KShs'000	2018 KShs'000
Revenue	8	4,074,042	4,836,030
Direct costs	9	(1,457,236)	(1,225,452)
Other gains	10	140,650	120,077
Selling and distribution costs	11	( 434,382)	( 409,960)
Administrative expenses	12	(2,850,188)	(2,755,638)
Finance costs	13	( 189,152)	( 167,832)
(Loss)/profit before taxation	14	( 716,266)	397,225
Taxation credit/(expense)	16	232,199	( 135,940)
(Loss)/profit for the year		( 484,067)	261,285
Total comprehensive income for the year		( 484,067)	261,285
Attributable to:			
Non-controlling interests	27	( 54,589)	64,400
Owners of the parent		( 429,478)	196,885
		( 484,067)	261,285
Earnings per share – Basic and diluted (KShs)	17	( 5.25)	2.41

The notes set out on pages 62 to 112 form an integral part of these financial statements.

## Company statement of Profit or Loss and other Comprehensive Income for the year ended 31 December 2019

	Note	2019 KShs'000	2018 KShs'000
Revenue	8	2,979,291	3,549,757
Direct costs	9	( 959,082)	( 808,269)
Other gains	10	126,439	101,790
Selling and distribution costs	11	( 412,237)	( 391,634)
Administrative expenses	12	( 2,157,501)	(2,114,290)
Finance costs	13	( 137,928)	(130,488)
(Loss)/profit before taxation	14	( 561,018)	206,866
Taxation credit/(expense)	16	188,357	( 77,099)
(Loss)/profit for the year		( 372,661)	129,857
Total comprehensive income for the year		( 372,661)	129,857

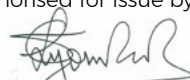
The notes set out on pages 62 to 112 form an integral part of these financial statements.

## Consolidated statement of Financial Position as at 31 December 2019

		2019	2018
ASSETS	Note	KShs'000	KShs'000
<b>Non-current assets</b>			
Property, plant and equipment	18(a)	1,632,745	1,818,879
Prepaid operating lease	19	-	112,391
Right of use assets	20	210,058	-
Intangible assets	21(a)	578,810	596,411
Equity accounted investee	22	42,250	42,250
Deferred tax asset	29(a)	<u>346,804</u>	<u>114,605</u>
		<u>2,810,667</u>	<u>2,684,536</u>
<b>Current assets</b>			
Inventories	23(a)	217,457	361,842
Trade and other receivables	24(a)	1,060,710	1,608,119
Taxation recoverable	16(c)	14,310	-
Cash and bank balances	33(b)	<u>92,802</u>	<u>21,636</u>
		<u>1,385,279</u>	<u>1,991,597</u>
<b>TOTAL ASSETS</b>		<u>4,195,946</u>	<u>4,676,133</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	25(a)	408,654	408,654
Share premium	25(b)	39,380	39,380
Capital redemption reserve	26(a)	102	102
Retained earnings	26(b)	<u>733,965</u>	<u>1,212,482</u>
Attributable to owners of the company		1,182,101	1,660,618
Non-controlling interests	27	<u>239,109</u>	<u>293,698</u>
Total equity		<u>1,421,210</u>	<u>1,954,316</u>
<b>Non-current liabilities</b>			
Borrowings	30(a)	405,637	538,136
Lease liabilities	20(b)	<u>48,439</u>	<u>-</u>
		<u>454,076</u>	<u>538,136</u>
<b>Current liabilities</b>			
Borrowings	30(a)	579,731	711,170
Employee benefits	32(b)	3,457	33,038
Trade and other payables	31(a)	1,600,872	1,240,939
Taxation payable	16(c)	-	126,143
Lease liabilities	20	59,795	-
Due to related parties	28(b)	<u>76,805</u>	<u>72,391</u>
		<u>2,320,660</u>	<u>2,183,681</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,195,946</u>	<u>4,676,133</u>

The financial statements on pages 54 to 112 were approved and authorised for issue by the Board of Directors on 3 April 2020.

  
Dr. Githinji Gitahi

  
Orlando Lyomu


The notes set out on pages 62 to 112 form an integral part of these financial statements.



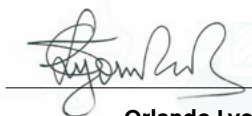
# Company Statement of Financial Position as at 31 December 2019

ASSETS	Note	2019 KShs'000	2018 KShs'000
<b>Non-current assets</b>			
Property, plant and equipment	18(b)	1,410,681	1,571,406
Prepaid operating lease	19	-	112,391
Right of use assets	20	210,058	-
Intangible assets	21(b)	470,671	505,704
Deferred tax asset	29(b)	254,845	66,488
Investments	22	<u>112,617</u>	<u>112,617</u>
		<u>2,458,872</u>	<u>2,368,606</u>
<b>Current assets</b>			
Inventories	23(b)	213,083	357,758
Trade and other receivables	24(b)	789,816	1,324,314
Tax recoverable	16(c)	8,805	-
Cash and bank balances	33	<u>92,514</u>	<u>21,397</u>
		<u>1,104,218</u>	<u>1,703,469</u>
<b>TOTAL ASSETS</b>		<u>3,563,090</u>	<u>4,072,075</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	25(a)	408,654	408,654
Share premium	25(b)	39,380	39,380
Capital redemption reserve	26(a)	102	102
Retained earnings	26(b)	<u>477,995</u>	<u>899,695</u>
Shareholders' equity		<u>926,131</u>	<u>1,347,831</u>
<b>Non-current liabilities</b>			
Borrowings	30(b)	405,637	538,136
Lease liabilities	20(b)	<u>48,439</u>	<u>-</u>
		<u>454,076</u>	<u>538,136</u>
<b>Current liabilities</b>			
Borrowings	30(b)	564,583	684,273
Employee benefits	32(b)	1,331	27,291
Trade and other payables	31(b)	1,327,372	1,051,784
Tax payable	16(c)	-	97,533
Lease liabilities	20(b)	59,795	-
Due to related parties	28(b)	<u>229,802</u>	<u>325,227</u>
		<u>2,182,883</u>	<u>2,186,108</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,563,090</u>	<u>4,072,075</u>

The financial statements on pages 54 to 112 were approved and authorised for issue by the Board of Directors on 3 April 2020.



**Dr. Githinji Gitahi**



**Orlando Lyomu**

The notes set out on pages 62 to 112 form an integral part of these financial statements.

## Consolidated Statement of changes in Equity for the year ended 31 december 2018

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Attributable to equity holders of parent	Non- controlling interest	Total Shareholders' equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
<b>Year ended December 2018:</b>							
At start of year	408,654	39,380	102	1,156,922	1,605,058	260,198	1,865,256
Accounting policy change – Adoption of IFRS 9	-	-	-	( 201,875)	( 201,875)	( 44,144)	( 246,019)
Tax impact on adoption of IFRS 9	-	-	-	60,550	60,550	13,244	73,794
<b>Total comprehensive income</b>							
Profit for the year	-	-	-	196,885	196,885	64,400	261,285
At year end	408,654	39,380	102	1,212,482	1,660,618	293,698	1,954,316
<b>Year ended December 2019:</b>							
At start of year	408,654	39,380	102	1,212,482	1,660,618	293,698	1,954,316
<b>Total comprehensive income</b>							
Loss for the year	-	-	-	( 429,478)	( 429,478)	( 54,589)	( 484,067)
<b>Transaction with owners in their capacity as shareholders:</b>							
Dividends declared	-	-	-	( 49,039)	(49,039)	-	( 49,039)
At year end	408,654	39,380	102	733,965	1,182,101	239,109	1,421,210

The notes set out on pages 62 to 112 form an integral part of these financial statements.

## Company Statement of changes in Equity for the year ended 31 December 2019

	Share capital KShs'000	Share premium KShs'000	Capital redemption reserve KShs'000	Retained earnings KShs'000	Total KShs'000
<b>Year ended December 2018:</b>					
At start of year	408,654	39,380	102	879,001	1,327,137
Accounting policy change – Adoption of IFRS 9	-	-	-	(155,930)	( 155,930)
Tax impact on adoption of IFRS 9	-	-	-	46,767	46,767
<b>Total comprehensive income</b>					
Profit for the year	-	-	-	129,857	129,857
At year end	<u>408,654</u>	<u>39,380</u>	<u>102</u>	<u>899,695</u>	<u>1,347,831</u>
<b>Year ended December 2019:</b>					
At start of year	408,654	39,380	102	899,695	1,347,831
<b>Total comprehensive income</b>					
Loss for the year	-	-	-	(372,661)	( 372,661)
<b>Transaction with owners in their capacity as shareholders:</b>					
Dividends declared	-	-	-	( 49,039)	( 49,039)
At year end	<u>408,654</u>	<u>39,380</u>	<u>102</u>	<u>477,995</u>	<u>926,131</u>

The notes set out on pages 62 to 112 form an integral part of these financial statements.



## Consolidated Statement of Cash Flows for the year ended 31 December 2019

	Note	2019 KShs'000	2018 KShs'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	33(i) (a)	837,328	520,013
Interest paid		( 169,242)	( 167,832)
Tax paid	16(c)	( 140,453)	( 63,774)
Net cash generated from operating activities		<u>527,633</u>	<u>288,407</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	21(a)	( 45,302)	( 22,577)
Payment of lease liabilities	20(e)	( 64,840)	-
Dividends paid		( 3,073)	-
Purchase of investments	22	-	( 42,250)
Purchase of property, plant and equipment	18(a)	( 91,169)	( 277,646)
Proceeds from disposal of property, plant and equipment		<u>11,855</u>	<u>7,215</u>
Net cash used in investing activities		( 192,529)	( 335,258)
<b>Cash flows from financing activities</b>			
Bank loans received	30(a)	918,318	1,632,357
Bank loans repaid	30(a)	( 1,173,682)	( 1,367,332)
Net cash (used in)/generated from financing activities		( 255,364)	<u>265,025</u>
Net increase in cash and cash equivalents		79,740	218,174
Cash and cash equivalents at 1 January		( 151,677)	( 369,851)
Cash and cash equivalents at 31 December	33(b)	( 71,937)	( 151,677)

The notes set out on pages 62 to 112 form an integral part of these financial statements.

# Company Statement of Cash Flows for the year ended 31 December 2019

	Note	2019 KShs'000	2018 KShs'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	33(ii) (a)	684,102	402,339
Interest paid		( 118,017)	( 130,488)
Tax paid	16(c)	( 106,338)	( 2,014)
Net cash generated from operating activities		<u>459,747</u>	<u>269,837</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	21(a)	( 45,299)	( 22,577)
Payment of lease liabilities	20(e)	( 64,840)	-
Dividend paid	-	( 3,073)	-
Purchase of investments	22	-	( 42,250)
Purchase of property, plant and equipment	18(a)	( 34,780)	( 256,389)
Proceeds from disposal of property, plant and equipment		<u>11,552</u>	<u>7,215</u>
Net cash used in investing activities		<u>( 136,440)</u>	<u>( 314,001)</u>
<b>Cash flows from financing activities</b>			
Bank loans received	30(a)	918,318	1,632,357
Bank loans repaid	30(a)	( 1,173,682)	(1,367,332)
		<u>( 255,364)</u>	<u>265,025</u>
Net cash (used in)/generated from financing activities		<u>( 255,364)</u>	<u>265,025</u>
Net increase in cash and cash equivalents		67,942	220,861
Cash and cash equivalents at 1 January		( 125,019)	( 345,880)
Cash and cash equivalents at 31 December	33(b)	<u>( 57,077)</u>	<u>( 125,019)</u>

The notes set out on pages 62 to 112 form an integral part of these financial statements.

# Notes to the Financial Statements for the year ended 31 December 2019

## 1. Reporting Entity

The Standard Group PLC ("the Company") is a limited liability Company incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the gathering and disseminating information through print, Television, Radio and Digital medium. The Groups' products include; The standard, The Nairobiian, Pambazuko, Mount Kenya Star, Pulser and Travelog; Radio maisha, Spyce FM and Vybze radio; KTN Home, KTN News, Burudani TV and Farmers TV. Digital offering include the E-paper, Standardmedia.co.ke website, digger classified. Outdoor advertising is through the OMS billboards assets spread across the country.

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

**Standard Group Centre**  
**Mombasa Road**  
**PO Box 30080 – 00100**  
**Nairobi**

## 2. Basis Of Preparation

### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015. Details of the Group and Company significant accounting policies are included in.

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

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except where stated otherwise.

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

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

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

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



### 3. Significant Accounting Policies

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

#### (a) Basis of consolidation

##### Subsidiaries

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

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

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

#### (b) Revenue and other income recognition

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

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

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

Other income is recognised on an accrual basis.

#### (c) Taxation

Tax expense in profit or loss for the year comprises current tax and the change in deferred tax. Current tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

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

Deferred tax is recognised for unused tax losses and deductible temporary differences to the extent that it 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.

3. Significant Accounting Policies (Continued)

(d) Provisions

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

(e) Segmental reporting

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

(f) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

	2019	2018
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.

### 3. Significant Accounting Policies (Continued)

#### (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:

<b>Computer software</b>	<b>33⅓%</b>
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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) 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.

#### (i) Leases

Policy applicable from 1<sup>st</sup> January 2019

##### As a lessee

At commencement or on modification of a contract that contains a lease component, the Group and Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group and Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group and Company by the end of the lease term or the cost of the right-of-use asset reflects that the Group and Company will exercise a purchase option.

### 3. Significant Accounting Policies (Continued)

#### (i) Leases (continued)

##### As a Lessee (continued)

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group and Company's incremental borrowing rate. Generally, the Group and Company uses its incremental borrowing rate as the discount rate.

The Group and Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group and Company is reasonably certain to exercise, lease payments in an optional renewal period if the Group and Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group and Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group and Company's estimate of the amount expected to be payable under a residual value guarantee, if the Group and Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position. The Group and Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group and Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### As a lessor

At inception or on modification of a contract that contains a lease component, the Group and Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group and Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group and Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group and Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

To classify each lease, the Group and Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group and Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

The impact of adopting this standard on the Group's and Company's reported profit and net assets for 2019 is as shown in Note 4.



### 3. Significant Accounting Policies (Continued)

#### (i) Leases (continued)

##### Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group and Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

##### As a lessee

In the comparative period, as a lessee the Group and Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group and Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

##### As a lessor

When the Group and Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group and Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group and Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

##### (j) 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.

##### (k) 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

### 3. Significant Accounting Policies (Continued)

#### (k) Foreign currency translations (continued)

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.

#### (l) Financial instruments

##### (i) Recognition and initial measurement

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

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

##### (ii) Classification and subsequent measurement

###### *Financial assets*

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

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

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

- (a) the asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that consist solely of principal and interest on the outstanding principal.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### *Financial assets – Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

### 3. Significant Accounting Policies (Continued)

#### (i) Financial instruments (continued)

#### (ii) Classification and subsequent measurement (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### *Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

#### *Financial assets – Subsequent measurement and gains and losses*

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### 3. Significant Accounting Policies (Continued)

(i) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

#### *Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### **(m) Impairment**

##### **(i) Offsetting financial instruments**

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

##### **(ii) Impairment of financial assets**

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

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

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

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

##### **(iii) De-recognition**

###### *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

###### *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.



### 3. Significant Accounting Policies (Continued)

#### (n) 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.

#### (o) 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.

### 3. Significant Accounting Policies (Continued)

#### (p) 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.

#### (q) 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.

#### (r) 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.

#### (s) 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

#### (t) 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 2019, including consequential amendments to other standards with the date of initial application by the Group being 1 January 2019.

New standard or amendments	Effective for annual periods beginning on or after
▶ IFRS 16 Leases	1 January 2019
▶ IFRIC 23 Income tax exposures	1 January 2019
▶ Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
▶ Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
▶ Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019
▶ Annual Improvements to IFRS Standards 2015-2017 Cycle - various standards	1 January 2019

On 13 January 2016 the IASB issued IFRS 16 Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

### 3. Significant Accounting Policies (Continued)

#### (t) New standards, amendments and interpretations (continued)

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

- (i) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments;
- (ii) Depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
- (iii) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

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

- (i) short-term leases (i.e. leases of 12 months or less), and;
- (ii) Leases of low-value assets.

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue standard, IFRS 15 Revenue from Contracts with Customers is also applied. Details of this new requirement as well as the impact on the Group's and Company's financial statements is indicated in Note 19.

The other new standards effective from 1 January 2019 do not have a material effect on the Group's and Company's financial statements.

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

A number of new standards, amendments to standards and interpretations effective for the year ended 31 December 2019 have not been adopted. After assessment it has been determined that below standards will not have an impact on the financial statements of the Group

New standard or amendments	Effective for annual periods beginning on or after
➤ Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
➤ Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
➤ Definition of a Business (Amendments to IFRS 3)	1 January 2020
➤ Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
➤ IFRS 17 Insurance Contracts	1 January 2021

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

#### 4. Changes In Accounting Policy

##### IFRS 16 - Leases

Due to the transition method chosen by the Group and Company in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard, except for separately presenting the Right of use asset and lease liabilities as separate line items in the Statement of Financial Position.

For a lessee, a lease that is accounted for under IFRS 16 results in the recognition of:

- A right-of-use asset and lease liability
- Interest expense (on the lease liability)
- Depreciation expense (on the right-of-use asset)

The right-of-use asset and lease liability must be presented or disclosed separately from other, non-lease assets and liabilities (except for investment property right-of-use assets which are presented as investment property). Where a lessee chooses not to present its right-of-use assets separately on the face of the balance sheet, they must be presented in the same line item that would be used if the underlying asset were owned. In many, but not all, cases this will be property, plant and equipment.

In the statement of cash flows, lease payments are classified:

- As a financing activity for amounts relating to the repayment of the principal portion of the lease liability;
- In the same classification as interest paid on other forms of financing (ie, as either a financing or operating activity) for amounts relating to interest charged on the lease liability; and
- As operating activities for amounts relating to short-term and low-value asset leases that are accounted for off-balance sheet and for variable payments not included in the lease liability.

The Group has assessed all existing and new contracts on or after 1 January 2019 to consider whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

To apply this definition the Group and Company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group and Company;
- The Group and Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Group and Company has the right to direct the use of the identified asset throughout the period of use. The Group and company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

##### Measurement and recognition of leases

At lease commencement date, the Group and company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group and company also assesses the right-of-use asset for impairment when such indicators exist.

	Property KShs' 000	Vehicles KShs' 000	Land KShs' 000	Total KShs'000
Balance at 1 January 2019	113,599	39,565	112,391	285,054
Depreciation charge for the year	(32,484)	(21,380)	(1,633)	(55,496)
Balance at 31st December 2019	81,115	18,185	110,758	210,058



#### 4. Changes In Accounting Policy (Continued)

*IFRS 16 - Leases (continued)*

*Measurement and recognition of leases (continued)*

At the commencement date, the Group and Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's and Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Maturity analysis	Property KShs' 000	Vehicles KShs' 000	Total KShs' 000
Less than one year	35,723	24,072	59,795
One to five Years	48,439	-	48,439
More than five years		-	-
Total liabilities as at 31st December 2019	84,162	24,072	108,234

Amounts recognized in Profit and loss	Property KShs' 000	Vehicles KShs' 000	Total KShs' 000
Interest on lease liabilities	14,311	5,777	20,088

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The table below shows the number of leases exempted from IFRS 16 as a measure of low value and leases with a duration of less than 12-months.

Exemption Justification	Motor Vehicle	Office Premises
Low Value	-	27
Less Than 1 year lease term	6	1

On the statement of financial position, right-of-use assets and lease liabilities have been maintained as independent lines.

#### 4. Changes In Accounting Policy (Continued)

##### IFRS 16 - Leases (continued)

###### Impact on transition

Under IFRS 16, the lease liability is initially recognized at the commencement day and measured at an amount equal to the present value of the lease payments during the lease term that are not yet paid; the right-of-use asset is initially recognized at the commencement day and measured at cost, consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee.

The initial date of application of IFRS 16 is 1 January 2019. The following procedures were performed by management for transitioning purposes:

- ▶ Calculating the present value of the remaining lease payments for each lease contract as at 1 January 2019 assuming a 13% incremental cost of borrowing;
- ▶ Booking a Right of use Asset equal to the present value of remaining lease payments and an estimate of the restoration costs;
- ▶ Booking a lease liability equal to the present value computed above;
- ▶ Booking a provision on the restoration costs computed above; and;
- ▶ Applying the practical expedients where possible.

On transition to IFRS 16, the Group and Company recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below :

	1 January 2019	
	Group KShs '000	Company KShs '000
Right of use assets	157,055	157,055
Lease liabilities	(157,055)	(157,055)
Impact on opening retained earnings	<u>-</u>	<u>-</u>

###### Lease liabilities reconciliation

When measuring lease liabilities for leases that were classified as operating leases, the Group and Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 13%.

	1 January 2019	
	Group KShs'000	Company KShs'000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Company's financial statements	177,472	177,472
Discounted using the incremental borrowing rate at 1 January 2019	157,055	157,055
▶ Recognition exemption for leases of low-value assets	-	-
▶ Recognition exemption for leases with less than 12 months of lease term at transition	-	-
▶ Extension options reasonably certain to be exercised	-	-
<b>Lease liabilities recognised at 1 January 2019</b>	<b><u>157,055</u></b>	<b><u>157,055</u></b>

## 5. Financial Risk Management Objectives And Policies

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

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

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

### (a) Market risk

#### (i) Foreign exchange risk

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

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

#### Group and Company

	USD KShs'000	EURO KShs'000	GBP KShs'000	TOTAL KShs'000
<b>2019:</b>				
<b>Financial assets</b>				
Cash at bank	(107)	4,810	475	5,178
<b>Financial liabilities</b>				
Trade payables	(78,821)	(63,193)	(10,653)	(152,667)
Net foreign currency liability	(78,928)	(58,383)	(10,178)	(147,489)
<b>2018:</b>				
<b>Financial assets</b>				
Cash at bank	3,768	3,704	29	7,501
<b>Financial liabilities</b>				
Trade payables	(77,887)	(12,836)	(3,424)	(94,147)
<b>Net foreign currency liability</b>	(74,119)	(9,132)	(3,395)	(86,646)

At 31 December 2019, 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 1,474,890 (2018 - KShs 866,460).

## 5. Financial Risk Management Objectives And Policies (Continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

	Average		Closing	
	2019	2018	2019	2018
USD	101.3	101.3	101.3	102.3
EURO	113.4	119.7	113.6	116.4
GBP	133.9	135.2	132.9	129.7

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

The Group has borrowings in the form of overdraft facilities and 5 year term loans with two banks namely NCBA Bank PLC and Stanbic Bank Kenya Limited with a combined overdraft limit of KShs 185 million (2018 - KShs 185 million) at rates determined by prevailing market conditions.

As at 31 December 2019, 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 1,690,640 (2018 - KShs 1,733,313).

### (b) Credit risk

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

*Expected credit loss (ECL) assessment as at 1 January and 31 December 2019*

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

The Group calculated the ECL based on a factor of the following: probability of default, exposure at default and the loss given default. The probability of default is based on the average loss rate for the past 3 years with an adjustment for forward looking information.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019 and 2018.



## 5. Financial Risk Management Objectives And Policies (Continued)

(b) Credit risk (continued)

### (i) Trade receivables

#### Year ended 31 December 2019

##### Group

Aging bucket	Loss rate	Carrying amount	Loss allowance	Credit impaired
		KShs' 000	KShs' 000	
4-30 days past due	27%	683,257	187,210	No
31-60 days past due	80%	57,214	45,933	No
61-90 days past due	89%	54,831	48,761	No
More than 90 days past due	67%	1,197,632	804,773	Yes
		<b>1,992,934</b>	<b>1,086,677</b>	

##### Company

Aging bucket	Loss rate	Carrying amount	Loss allowance	Credit impaired
		KShs' 000	KShs' 000	
4-30 days past due	28%	400,610	113,661	No
31-60 days past due	75%	37,889	28,466	No
61-90 days past due	88%	44,499	39,353	No
More than 90 days past due	65%	1,005,051	655,687	Yes
		<b>1,488,049</b>	<b>838,617</b>	

#### Year ended 31 December 2018

##### Group

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

##### Company

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

Loss rates are based on actual credit loss experience over the past 3 years, current conditions plus the Group's view of economic conditions such as commercial bank lending interest rates as guided by IFRS 9.

## 5. Financial Risk Management Objectives And Policies (Continued)

### (b) Credit risk (continued)

#### (ii) Cash and cash equivalents

The Group and company held cash and cash equivalents of KShs 92,820,000 and KShs 92,514,000 respectively (2018: Group and Company –KShs 21,636,000 and 21,397,000 respectively). The cash and cash equivalents are held with banks and financial institution counterparties, which are rated between A1 to Ba1, based on Moody's ratings.

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

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2019 KShs '000	2018 KShs '000
<b>Group:</b>		
Balance brought forward	1,043,617	601,035
Accounting policy change (IFRS 9)	—	<u>246,019</u>
Balance at 1 January as restated	1,043,617	847,054
Charge for the year	43,487	264,841
Bad debt write offs and credit notes	( 427 )	( 7,152 )
Bad debts recoveries	—	<u>( 61,126 )</u>
Balance carried forward	<u>1,086,677</u>	<u>1,043,617</u>
<b>Company:</b>		
Balance brought forward	844,678	474,905
Accounting policy change (IFRS 9)	—	<u>155,930</u>
Balance at 1 January as restated	844,678	630,835
(Credit)/Charge for the year	(6,083)	221,041
Bad debt write offs and credit notes	<u>( 428 )</u>	<u>( 7,198 )</u>
Balance carried forward	<u>838,167</u>	<u>844,678</u>

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. 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.

## 5. Financial Risk Management Objectives And Policies (Continued)

(b) Credit risk (continued)

(ii) Cash and cash equivalents (Continued)

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

Group:	2019 KShs '000	2018 KShs '000
Bank and cash balances (Note 33 (i) (b))	92,802	21,636
Other receivables (Note 24(a))	<u>72,938</u>	<u>57,123</u>
	<u>165,740</u>	<u>78,759</u>
<b>Company:</b>		
Bank and cash balances (Note 33 (ii)(b))	92,514	21,397
Other receivables (Note 24(b))	<u>65,851</u>	<u>47,645</u>
	<u>158,365</u>	<u>69,042</u>

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 Kenya Limited with a combined limit of KShs 185 million (2018 – KShs 185 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	Within 1 Year KShs'000	Over 1 year KShs'000	Total KShs'000
<b>At 31 December 2019</b>			
Related party loans	76,805	-	76,805
Bank borrowings	390,788	387,021	777,809
Asset financing loans	24,203	18,616	42,819
Overdraft facility	164,740	-	164,740
Lease liabilities	191,045	-	191,045
Trade and other payables	<u>1,381,738</u>	<u>-</u>	<u>1,381,738</u>

## Notes

### 5. Financial Risk Management Objectives And Policies (Continued)

#### (c) Liquidity risk (Continued)

##### Group

##### At 31 December 2018

	Within 1 year KShs'000	Over 1 year KShs'000	Total KShs'000
Related party loans	72,391	-	72,391
Bank borrowings	516,590	495,317	1,011,907
Asset financing loans	21,267	42,819	64,086
Overdraft facility	173,113	-	173,113
Trade and other payables	<u>1,136,758</u>	<u>-</u>	<u>1,136,758</u>

##### Company

##### At 31 December 2019

Related party loans	229,802	-	229,802
Bank borrowings	390,788	387,021	777,809
Asset financing loans	24,203	18,817	43,020
Overdraft facility	149,591	-	149,591
Trade and other payables	<u>1,129,836</u>	<u>-</u>	<u>1,129,836</u>

##### At 31 December 2018

Related party loans	325,227	-	325,227
Bank borrowings	516,590	495,317	1,011,907
Asset financing loans	21,267	42,819	64,086
Overdraft facility	146,416	-	146,416
Trade and other payables	<u>984,231</u>	<u>-</u>	<u>984,231</u>



## 5. Financial Risk Management Objectives And Policies (Continued)

### (d) Fair values

#### (i) Valuation hierarchy

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

	Level 1	Level 2	Level 3
Fair Value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Types of financial assets:	Actively traded government and other agency securities Listed derivative instruments Listed equities	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives	Corporate bonds in illiquid markets Highly structured OTC derivatives with unobservable parameters
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 2018 and 2019.

#### (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

2019	Other liabilities	Loans and receivables	Total carrying value	Fair Value
	KShs'000	KShs'000	KShs'000	KShs'000
<b>Financial assets</b>				
Trade receivables	-	906,257	906,257	906,257
Cash and bank balances	-	92,802	92,802	92,802
	-	999,059	999,059	999,059

### 5. Financial Risk Management Objectives And Policies (Continued)

(d) Fair values (Continued)

(ii) Fair values for financial assets and financial liabilities (Continued)

2019	Other liabilities KShs'000	Loans and receivables KShs'000	Total carrying value KShs'000	Fair Value KShs'000
<b>Financial liabilities</b>				
Amount due to related parties	76,805	-	76,805	76,805
Borrowings	985,368	-	985,368	755,243
Lease liabilities	108,234	-	108,234	108,234
Trade and other payables	1,381,738	-	1,381,738	1,381,738
	<b>2,552,145</b>	<b>-</b>	<b>2,552,145</b>	<b>2,322,020</b>

#### 2018

##### Financial assets

Trade receivables	-	1,471,029	1,471,029	1,471,029
Cash and bank balances	-	21,636	21,636	21,636
	<b>-</b>	<b>1,492,665</b>	<b>1,492,665</b>	<b>1,492,665</b>

##### Financial liabilities

Amounts due to related parties	72,391	-	72,391	72,391
Borrowings	1,249,306	-	1,249,306	1,025,077
Trade and other payables	1,136,758	-	1,136,758	1,136,758
	<b>2,458,455</b>	<b>-</b>	<b>2,458,455</b>	<b>2,234,226</b>

#### Company

#### 2019

##### Financial assets

	Other liabilities KShs'000	Loans and receivables KShs'000	Total carrying value KShs'000	Fair Value KShs'000
Trade receivables	-	649,882	649,882	649,882
Cash and bank balances	-	92,514	92,514	92,514
	<b>-</b>	<b>742,396</b>	<b>742,396</b>	<b>742,396</b>

##### Financial liabilities

Borrowings	970,220	-	970,220	740,095
Lease liabilities	108,234	-	108,234	108,234
Amount due to related parties	229,802	-	229,802	229,802
Trade and other payables	1,129,836	-	1,129,836	1,129,836
	<b>2,438,092</b>	<b>-</b>	<b>2,438,092</b>	<b>2,207,967</b>

## 5. Financial Risk Management Objectives And Policies (Continued)

(d) Fair values (Continued)

(ii) Fair values for financial assets and financial liabilities (Continued)

Company				
2018	Other liabilities KShs'000	Loans and receivables KShs'000	Total carrying value KShs'000	Fair Value KShs'000
<b>Financial assets</b>				
Trade and other receivables	-	1,204,131	1,204,131	1,204,131
Cash and bank balances	-	21,397	21,397	21,397
	-	1,225,528	1,225,528	1,225,528
<b>Financial liabilities</b>				
Borrowings	1,222,409		1,222,409	984,180
Trade and other payables	948,231		948,231	948,231
	2,170,640	-	2,170,640	1,932,411

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.

### (e) Capital Risk

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

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

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

	2019 KShs'000	2018 KShs'000
Share capital	408,654	408,654
Share premium	39,380	39,380
Capital redemption reserve	102	102
Retained earnings	733,965	1,212,482
Non - controlling interests	<u>239,109</u>	<u>293,698</u>
Equity	<u>1,421,210</u>	<u>1,954,316</u>
Total borrowings	985,368	1,249,306
Less: cash balances	( 92,802)	( 21,636)
Net debt	<u>892,566</u>	<u>1,227,670</u>
Gearing	<u>63%</u>	<u>63%</u>

## 6. Critical accounting judgements and key sources of estimation uncertainty

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

### ***Property, plant and equipment and Impairment Risk***

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

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

### ***Taxation***

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

## 7. Segment reporting

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

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



## 7. Segment reporting (Continued)

## (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:

	2019				2018			
	Newspaper & Billboards KShs'000	Broadcasting KShs'000	Elimination KShs'000	Total KShs'000	Newspaper & Billboards KShs'000	Broadcasting KShs'000	Elimination KShs'000	Total KShs'000
External sales	2,518,978	1,555,064	-	4,074,042	3,089,444	1,746,586	-	4,836,030
Other gains and losses	119,504	21,146	-	140,650	94,854	25,223	-	120,077
Expenses	(3,249,822)	(1,491,984)	-	(4,741,806)	(3,035,196)	(1,355,854)	-	(4,391,050)
Finance costs	(111,402)	(77,750)	-	(189,152)	(103,962)	(63,870)	-	(167,832)
Segment (loss)/loss before taxation	(722,742)	6,476	-	(716,266)	45,140	352,085	-	397,225
Income tax credit/(expense)	238,675	(6,476)	-	232,199	(77,009)	(58,931)	-	(135,940)
Profit/(loss) after taxation	(484,067)	-	-	(484,067)	(31,869)	293,154	-	261,285

## (c) Segment assets and liabilities

	2019				2018			
	Newspaper & Billboards KShs'000	Broadcasting KShs'000	Elimination KShs'000	Total KShs'000	Newspaper & Billboards KShs'000	Broadcasting KShs'000	Elimination KShs'000	Total KShs'000
Segment assets	3,329,906	519,236	-	3,849,142	3,164,814	1,396,714	-	4,561,528
Segment liabilities	2,476,326	298,410	-	2,774,736	2,310,013	285,661	-	2,595,674
Capital expenditure	34,780	56,389	-	91,169	321,316	21,257	-	342,473
Depreciation and amortisation expense	316,446	64,066	-	380,512	380,512	90,750	-	341,643

## 8. Revenue

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs'000	KShs' 000	KShs'000	KShs' 000
Advertising	3,292,410	3,966,299	2,197,659	2,680,026
Circulation	<u>781,632</u>	<u>869,731</u>	<u>781,632</u>	<u>869,731</u>
	<u>4,074,042</u>	<u>4,836,030</u>	<u>2,979,291</u>	<u>3,549,757</u>

## 9. Direct costs

Material cost	596,629	464,952	596,629	464,952
Programmes	291,284	228,420	-	-
Depreciation	80,258	91,273	80,258	91,273
News contribution costs	117,398	101,055	110,018	91,919
Advertising commission	105,423	109,734	-	-
News service	27,340	33,833	41,050	29,010
Operating lease	38,578	70,610	38,578	70,610
TV licenses	106,154	63,256	-	-
Maintenance	43,127	38,580	43,127	38,580
Production salaries	19,143	9,134	19,143	9,134
Billboard costs	1,600	( 1,871)	1,600	( 1,871)
Events	<u>30,302</u>	<u>16,476</u>	<u>28,679</u>	<u>14,662</u>
	<u>1,457,236</u>	<u>1,225,452</u>	<u>959,082</u>	<u>808,269</u>

## 10. Other gains/(losses)

Miscellaneous income	91,729	46,867	77,110	28,301
Sale of returns, production waste and other income	49,886	65,525	49,886	65,525
Printing services	2,877	8,288	2,877	8,289
Gain on disposal of property and equipment	5,957	7,009	5,957	7,009
Net foreign exchange loss	<u>( 9,799)</u>	<u>( 7,612)</u>	<u>( 9,391)</u>	<u>( 7,334)</u>
	<u>140,650</u>	<u>120,077</u>	<u>126,439</u>	<u>101,790</u>

## 11. Selling and distribution

Commission	245,338	260,305	245,338	260,305
Marketing and promotion	89,860	57,716	67,715	39,390
Transport and Distribution costs	<u>99,184</u>	<u>91,939</u>	<u>99,184</u>	<u>91,939</u>
	<u>434,382</u>	<u>409,960</u>	<u>412,237</u>	<u>391,634</u>

## 12. Administrative expenses

	GROUP		COMPANY	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Staff costs	1,553,074	1,557,998	1,167,790	1,165,542
Rent and office expenses	192,718	192,183	128,510	133,246
Depreciation charge	211,889	163,569	105,518	48,215
Amortisation	92,235	86,997	85,043	80,500
Professional fees	188,326	56,693	186,252	55,761
Impairment losses	43,487	196,563	(6,083)	223,043
Repairs and maintenance	101,749	98,379	81,170	63,216
Vehicle running and hire	47,515	45,657	36,469	35,044
Telephone and postages	72,699	63,294	56,276	49,695
Travel and accommodation	29,712	17,180	25,348	13,000
General insurance	49,355	41,884	40,350	28,738
Licences	72,863	53,336	72,863	53,336
Bank charges	46,798	43,413	45,615	42,151
Electricity and water	52,952	49,125	48,540	45,158
Training	27,772	30,676	27,772	30,676
Subscription and donation	7,770	9,632	7,256	8,136
Printing and stationery	10,963	11,359	6,707	7,688
Directors' fees	13,880	12,875	12,672	11,854
Annual general meeting and board meeting	10,085	8,906	9,400	7,533
Entertainment	3,779	6,136	3,524	5,571
Others	<u>20,567</u>	<u>9,783</u>	<u>16,509</u>	<u>6,187</u>
	<u>2,850,188</u>	<u>2,755,638</u>	<u>2,157,501</u>	<u>2,114,290</u>
Staff costs include:				
Salaries and wages	1,280,143	1,277,716	965,512	980,151
Staff welfare	210,014	219,864	154,897	141,668
Pension contributions	58,770	57,318	45,050	41,278
Others	<u>4,147</u>	<u>3,100</u>	<u>2,331</u>	<u>2,445</u>
	<u>1,553,074</u>	<u>1,557,998</u>	<u>1,167,790</u>	<u>1,165,542</u>
<b>Average number of employees</b>				
Management	43	41	39	38
Others	<u>880</u>	<u>851</u>	<u>641</u>	<u>618</u>
Total	<u>923</u>	<u>892</u>	<u>680</u>	<u>656</u>

### 13. Finance costs

	GROUP		COMPANY	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Interest on term loans	133,512	109,799	86,224	76,442
Interest on overdrafts	23,357	45,787	20,331	42,422
Interest on shareholder loans	5,190	5,190	5,190	5,190
Interest on asset financing	7,182	7,056	6,272	6,434
Interest on lease liabilities	<u>19,911</u>	<u>-</u>	<u>19,911</u>	<u>-</u>
	<u>189,152</u>	<u>167,832</u>	<u>137,928</u>	<u>130,488</u>

### 14. Profit before taxation

#### GROUP

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

Depreciation - Property, Plant and Equipment

Right of use asset depreciation

Amortisation - Intangible assets

- Prepaid operating lease rentals

Directors' emoluments:

- Fees - non-executive

- Executive

Auditors' remuneration - current year

Gain on disposal of plant and equipment

2019  
KShs '000

234,409

55,496

90,607

-

13,880

38,466

5,875

(5,957)

2018  
KShs '000

254,646

-

85,364

1,633

12,875

30,548

5,649

(6,815)

#### COMPANY

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

Depreciation - Property, Plant and Equipment

Right of use asset depreciation

Amortisation - Intangible assets

- Prepaid operating lease rentals

Directors' emoluments:

- Fees - non-executive

- Executive

Auditors' remuneration - current year

Gain on disposal of plant and equipment

177,540

55,496

83,410

59,388

11,256

38,466

5,875

(5,957)

188,614

-

78,867

1,633

11,073

30,548

4,858

(6,815)



## 15. Dividend per share

### Group and Company

Dividends – Ordinary shares

2019	2018
<u>—</u>	<u>0.60</u>

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

## 16. Taxation

### GROUP

#### (a) Taxation (credit)/expense Current taxation expense

	2019 KShs '000	2018 KShs '000
Current taxation expense		
Current year	-	181,060
Changes in estimates related to prior year	<u>—</u>	<u>1,829</u>
	<u>—</u>	<u>182,889</u>
<b>Deferred tax credit (Note 29(a))</b>		
Origination and reversal of temporary differences	(197,503)	( 47,008)
Prior year adjustment	<u>( 34,696)</u>	<u>59</u>
	<u>(232,199)</u>	<u>( 46,949)</u>
Total income tax (credit)/expense	<u>(232,199)</u>	<u>135,940</u>

### COMPANY

#### (a) Taxation (credit)/expense Current taxation expense

Current taxation expense		
Current year	-	116,347
Changes in estimates related to prior year	<u>—</u>	<u>1,829</u>
	<u>—</u>	<u>118,176</u>
<b>Deferred tax (credit)/expense (Note 29(a))</b>		
Origination and reversal of temporary differences	(153,661)	(41,226)
Prior year adjustment	<u>( 34,696)</u>	<u>59</u>
	<u>(188,357)</u>	<u>( 41,167)</u>
Total income tax (credit)/expense	<u>(188,357)</u>	<u>77,099</u>

## Notes

### 16. Taxation (continued)

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

Group	2019 KShs '000	2018 KShs '000
(Loss)/profit before taxation	<u>(716,266)</u>	<u>397,225</u>
Tax at the applicable rate of 30%	(214,880)	119,168
Tax effect of non-deductible costs	17,377	14,884
Prior year deferred tax adjustment	( 34,696)	59
Under/(over) provision of current tax in prior year	<u>          -</u>	<u>1,829</u>
	<u>(232,199)</u>	<u>135,940</u>
<b>Company</b>		
(Loss)/profit before taxation	<u>(561,018)</u>	<u>206,866</u>
Tax at the applicable rate of 30%	(168,305)	62,060
Tax effect of non-deductible costs	14,644	13,061
Prior year deferred tax adjustment	( 34,696)	59
Under/(over) provision of current tax in prior year	<u>          -</u>	<u>1,829</u>
	<u>(188,357)</u>	<u>77,009</u>

#### (c) Taxation (recoverable)/payable

<b>Group</b>		
At beginning of the year	126,143	7,028
Current tax charge	-	182,889
Tax paid in the year	<u>(140,453)</u>	<u>( 63,774)</u>
At 31 December	<u>( 14,310)</u>	<u>126,143</u>
Comprising:		
Tax payable	-	126,143
Tax recoverable	<u>( 14,310)</u>	<u>          -</u>
	<u>( 14,310)</u>	<u>126,143</u>
<b>Company</b>		
At beginning of the year	97,533	( 18,629)
Current tax - charge for the year	-	118,176
- tax paid in the year	<u>(106,338)</u>	<u>( 2,014)</u>
At 31 December	<u>( 8,805)</u>	<u>97,533</u>

## 17. Basic and diluted earnings per share

(Loss)/profit attributable to owners  
of the Company – KShs'000

Number of shares during the year

Basic (Loss) / earnings per share – KShs

	2019	2018
(Loss)/profit attributable to owners of the Company – KShs'000	<u>( 429,478)</u>	<u>196,885</u>
Number of shares during the year	<u>81,730,808</u>	<u>81,730,808</u>
Basic (Loss) / earnings per share – KShs	<u>(5.25)</u>	<u>2.41</u>

## 18. Property, plant and equipment

### (a) Group

2018	Buildings KShs'000	Plant & machinery KShs'000	Motor vehicles KShs'000	Furniture fittings & equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
<b>Cost</b>						
At start	679,660	2,473,604	187,936	644,314	53,824	4,039,338
Additions	-	16,208	18,702	19,513	223,223	277,646
Disposals	-	( 2,942)	( 22,970)	( 2,492)	( 360)	( 28,764)
Write off	-	-	-	-	( 366)	( 366)
Transfer to from CWIP*	-	59,674	-	-	( 59,674)	-
At year end	<u>679,660</u>	<u>2,546,544</u>	<u>183,668</u>	<u>661,335</u>	<u>216,647</u>	<u>4,287,854</u>
<b>Depreciation</b>						
At start of year	93,120	1,431,584	118,837	599,152	-	2,242,693
Charge for the year	22,194	157,338	24,470	50,644	-	254,646
Eliminated on disposal	-	( 4,728)	( 23,473)	( 163)	-	( 28,364)
At year end	<u>115,314</u>	<u>1,584,194</u>	<u>119,834</u>	<u>649,633</u>	<u>-</u>	<u>2,468,975</u>
Carrying amount						
At year end	<u>564,346</u>	<u>962,350</u>	<u>63,834</u>	<u>11,702</u>	<u>216,647</u>	<u>1,818,879</u>
<b>2019</b>						
<b>Cost</b>						
At start of year	679,660	2,546,544	183,668	661,335	216,647	4,287,854
Additions	-	40,853	5,944	13,609	30,763	91,169
Disposals	-	( 21,655)	( 1,303)	( 13,506)	( 2,801)	( 39,265)
Transfer to intangible assets	-	20,933	-	204	( 48,841)	( 27,704)
Transfer from CWIP*	81,131	87,366	-	9,582	(178,079)	-
Write-off	-	-	-	-	( 9,292)	( 9,292)
At end of year	<u>760,791</u>	<u>2,674,041</u>	<u>188,309</u>	<u>671,224</u>	<u>8,397</u>	<u>4,302,762</u>
<b>Depreciation</b>						
At start of year	115,314	1,584,194	119,834	649,633	-	2,468,975
Charge for the year	15,137	186,157	27,161	5,954	-	234,409
Disposals	-	( 18,725)	( 1,258)	( 13,384)	-	( 33,367)
At end of year	<u>130,451</u>	<u>1,751,626</u>	<u>145,737</u>	<u>642,203</u>	<u>-</u>	<u>2,670,017</u>
Net book value	<u>630,340</u>	<u>922,415</u>	<u>42,572</u>	<u>29,021</u>	<u>8,397</u>	<u>1,632,745</u>

At 31 December 2019, property, plant and equipment with cost of KShs 1,531,730,082 (2018 – KShs 1,129,558,000) were fully depreciated. The notional depreciation charge on these assets would have been KShs 327,592,385 (2018 – KShs 271,973,000).

CWIP\* - Capital Work in Progress

## Notes

### 18. Property, plant and equipment (continued)

#### (b) Company 2018:

Cost	Buildings KShs'000	Plant & machinery KShs'000	Motor vehicles KShs'000	Furniture fittings & equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
At start of year	599,055	1,742,751	186,965	543,517	53,464	3,125,752
Additions	-	10,983	18,702	18,481	208,223	256,389
Disposals	-	( 4,728)	( 23,511)	( 163)	-	( 28,402)
Transfers from CWIP*	-	59,674	-	-	( 59,674)	-
Write offs	-	-	-	-	( 366)	( 366)
At year end	599,055	1,808,680	182,156	561,835	201,647	3,353,373
<b>Depreciation</b>						
At start of year	88,911	963,669	117,675	451,100	-	1,621,355
Charge for the year	12,172	111,351	24,092	40,999	-	188,614
Eliminated on disposals	-	( 4,728)	( 23,111)	( 163)	-	( 28,002)
At year end	101,083	1,070,292	118,656	491,936	-	1,781,967
Carrying amount						
At year end	497,972	738,388	63,500	69,899	201,647	1,571,406
<b>2019</b>						
<b>Cost</b>						
At start of year	599,055	1,808,680	182,156	561,835	201,647	3,353,373
Additions	-	15,904	5,944	12,932	-	34,780
Disposals	-	( 8,332)	( 1,303)	( 8,804)	(2,801)	( 21,240)
Transfer to intangible assets	-	-	-	-	( 3,078)	( 3,078)
Transfer from CWIP*	81,131	87,366	-	9,582	(178,079)	-
Write-off	-	-	-	-	( 9,292)	( 9,292)
At end of year	680,186	1,903,618	186,797	575,545	8,397	3,354,543
<b>Depreciation</b>						
At start of year	101,083	1,070,292	118,656	491,936	-	1,781,967
Charge for the year	13,525	106,067	26,783	31,165	-	177,540
Elimination on disposal	-	( 5,687)	( 1,258)	( 8,700)	-	( 15,645)
At end of year	114,608	1,170,672	144,181	514,401	-	1,943,862
Net book value	565,578	732,946	42,616	61,144	8,397	1,410,681

At 31 December 2019, property, plant and equipment with cost of KShs 540,108,635 (2018 – KShs 726,559,000) were fully depreciated. The notional depreciation charge on these assets would have been KShs 158,636,685 (2018 – KShs 209,235,000).

CWIP\* - Capital Work in Progress



## 19. Prepaid Operating Lease Rentals

Group and Company Cost	2019 KShs '000	2018 KShs '000
At 1 January	128,000	128,000
Transfer to Right of use asset	(128,000)	-
At 31 December	-	128,000
<b>Amortisation</b>		
At 1 January	15,609	13,976
Charge for the year	1,633	1,633
Transfer to Right of use asset	(17,242)	-
At 31 December	-	15,609
<b>Carrying amount at 31 December</b>	<b>-</b>	<b>112,391</b>

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

## 20. Right of use assets and lease liabilities

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 4.

On adoption of IFRS 16, the group recognized Right of use assets & liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These assets and liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 13%.

The Group leases offices and motor vehicles. The leases typically run for a period ranging between 5 – 9 years. Information about leases for which the Group is a lessee is presented below.

In order to identify whether the Group's contracts gave rise to a lease the, the Group looked out for the following:

- The lease is a contract.
- The parties to the contract are lessor and lessee.
- The lease contract specifies the period of contract.
- The lessee uses the assets.
- The lessee, in consideration, pays the lease rentals to the lessor.
- The lessor is the owner of the asset and is entitled to the benefit of depreciation and other allied benefits e.g., Tax payable under the Income Tax Act.
- The lessee claims the rentals as expenses chargeable to his income.

## Notes

### 20. Right of use assets and lease liabilities (continued)

#### (a) Right-of-use assets

Right-of-use assets relate to lease contracts that do not meet the definition of investment property and are presented as Property, Plant and Equipment.

#### Group & Company

	Land* KShs' 000	Rental leases KShs' 000	Vehicles KShs' 000	Total KShs' 000
2019				
At 1 January	-	113,599	39,565	153,164
Transfer from prepaid operating lease rentals	112,391	-	-	122,391
Charge for the year	(1,633)	(32,484)	(21,380)	(55,497)
At end of year	110,758	81,115	18,185	210,058

#### (b) Lease liabilities

Lease liabilities relates to payables under a residual value

#### Group & Company

	Land* KShs' 000	Rental leases KShs' 000	Vehicles KShs' 000	Total KShs' 000
2019				
Less Than one year	-	35,723	24,072	59,795
Greater than one year	-	48,439	-	48,439
Balance as at 31st December	-	84,162	24,072	108,234

\* The land lease relates to leasehold land where The Standard Group Centre is located.

#### (c). Amounts recognised in profit or loss

#### Group & Company

	2019 KShs' 000	2018 KShs' 000
Lease liabilities under IFRS 16		
Interest on lease liabilities	19,911	-
Low value leases	4,138	-
Short term leases	13,719	-
Operating leases under IAS 17		
Depreciation	-	79,087

## 20. Right of use assets and lease liabilities (continued)

## (d). Amounts recognised in cash flow - Group &amp; Company

	2019 Shs' 000	2018 Shs' 000
Lease under IFRS 16		
Total cash outflows for leases	64,840	-
Operating Lease under IAS 17		
Total cash outflows for leases	-	34,697

## (e). The movement in lease liabilities is as follows - Group &amp; Company

	Rental leases KShs' 000	Vehicles KShs' 000	Total KShs' 000
2019			
At start of year	110,087	43,076	153,163
Payment of lease liabilities	(40,237)	(24,603)	(64,840)
Interest expense	14,311	5,600	19,911
At end of year	84,161	24,073	108,234

## 21. Intangible assets

## (a) Group

	Trademark KShs'000	Software KShs'000	Broadcasting Licenses KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
<b>Cost</b>					
At 1 January	6,000	627,505	436,238	1,069,743	1,047,166
Additions	17,250	13,052	15,000	45,302	22,577
Transfer from CWIP*	-	3,078	-	3,078	-
Reallocation from PPE**	-	24,626	-	24,626	-
At 31 December	23,250	668,261	451,238	1,142,749	1,069,743
<b>Amortisation</b>					
At 1 January	-	473,332	-	473,332	387,968
Charge for the year	-	90,607	-	90,607	85,364
At 31 December	-	563,939	-	563,939	473,332
Carrying amount					
At 31 December	23,250	104,322	451,238	578,810	596,411

## 21. Intangible assets (continued)

(a) Company Cost	Trademark KShs'000	Software KShs'000	Broadcasting Licenses KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
At 1 January	6,000	595,018	369,363	970,381	947,804
Additions	17,250	13,049	15,000	45,299	22,577
Transfer PPE**	-	3,078	-	3,078	-
At 31 December	23,250	611,145	384,363	1,018,758	970,381
<b>Amortisation</b>					
At 1 January	-	464,677	-	464,677	385,810
Charge for the year	-	83,410	-	83,410	78,867
At 31 December	-	548,087	-	548,087	464,677
Carrying amount					
At 31 December	23,250	63,058	384,363	470,671	505,704

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.

## 22. Investments

## (a) Investment in subsidiaries (unquoted)

	Principal activity	Shareholding %	2019 KShs'000	2018 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
			<u>70,367</u>	<u>70,367</u>

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

## (b) Equity accounted investee

	Principal Activity	Shareholding %	2019 KShs'000	2018 KShs'000
Lancia Digital Broadcast Limited	Broadcasting	49%	42,250	42,250
			<u>42,250</u>	<u>42,250</u>

Lancia Digital Broadcast Limited holds a digital broadcasting license.



## 23. Inventories

### (a) Group

	2019 KShs '000	2018 KShs '000
Raw materials	130,321	266,598
Consumables	83,745	92,375
Broadcast programmes	<u>3,391</u>	<u>2,869</u>
	<u>217,457</u>	<u>361,842</u>

Inventories expensed during the year amounted to KShs 857,437,750 (2018 - KShs 661,021,000).

### (a) Company

	2019 KShs '000	2018 KShs '000
Raw materials	130,321	266,598
Consumables	<u>82,762</u>	<u>91,160</u>
	<u>213,083</u>	<u>357,758</u>

Inventories expensed during the year amounted to KShs 605,384,004 (2018 - KShs 464,952,000).

## 24. Trade and other receivables

### (a) Group

	2019 KShs '000	2018 KShs '000
Trade receivables	1,992,934	2,514,646
Impairment losses	<u>(1,086,677)</u>	<u>(1,043,617)</u>
	906,257	1,471,029
Other receivables	72,938	57,123
Prepayments	<u>81,515</u>	<u>79,967</u>
	<u>1,060,710</u>	<u>1,608,119</u>

### (b) Company

Trade receivables	1,488,049	2,048,809
Impairment losses	<u>( 838,167)</u>	<u>( 844,678)</u>
	649,882	1,204,131
Other receivables	65,851	47,645
Prepayments	<u>74,083</u>	<u>72,538</u>
	<u>789,816</u>	<u>1,324,314</u>

## 25. Share capital

### (a) Ordinary shares

#### Authorised:

	2019 KShs '000	2018 KShs '000
103,979,600 ordinary shares of KShs 5 each	<u>519,898</u>	<u>519,898</u>

#### Issued and fully paid:

81,730,854 Ordinary shares of KShs 5 each	<u>408,654</u>	<u>408,654</u>
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The holders of ordinary shares are entitled to receive dividends when declared from time to time and are entitled to one vote per share at general meetings of the company. All ordinary shares rank equally with regard to the Company's residual assets.

#### Share premium

	2019 KShs '000	2018 KShs '000
Share premium comprises: Ordinary shares at 31 December	<u>39,380</u>	<u>39,380</u>

Share premium arose when the shares of the company were issued at a price higher than the par value.

### (b) Movement in fully paid ordinary shares

	No. of shares	Share capital KShs'000	Share premium KShs'000	Total KShs'000
At 31 December 2019	<u>81,730,808</u>	<u>408,654</u>	<u>39,380</u>	<u>448,034</u>
At 31 December 2018	<u>81,730,808</u>	<u>408,654</u>	<u>39,380</u>	<u>448,034</u>

There was no increase in share capital during the year.

## 26. Reserves

### (a) Capital redemption reserve

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

### (b) Retained earnings

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

## 27. Non-Controlling Interests

	2019 KShs '000	2018 KShs '000
At 1 January	293,698	260,198
Accounting policy change (IFRS 9) net of tax	-	( 30,900)
Share of results for the year	<u>(54,589)</u>	<u>64,400</u>
At 31 December	<u>239,109</u>	<u>293,698</u>

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

### Summarised financial information on subsidiary with material non- controlling interest

The summarised financial information below represents amounts before intragroup eliminations.

#### Baraza Limited As at 31 December

	2019 KShs '000	2018 KShs'000
<b>Non-controlling interest</b>	<b>49%</b>	<b>49%</b>
Assets	778,753	849,792
Liabilities	<u>( 290,777)</u>	<u>( 250,410)</u>
Net assets	<u>487,976</u>	<u>599,382</u>
Net assets attributable to NCI	<u>239,109</u>	<u>293,698</u>
Revenue	1,094,751	1,286,273
Expenses	<u>(1,249,999)</u>	<u>(1,095,913)</u>
(Loss) / profit before tax for the year	( 155,248)	190,360
(Loss) / profit after tax for the year	<u>( 111,406)</u>	<u>131,428</u>
Total comprehensive income attributable to non-controlling interest	<u>( 54,589)</u>	<u>64,400</u>
Net cash inflow from operating activities	67,884	18,569
Net cash outflow from investing activities	<u>( 56,086)</u>	<u>( 21,257)</u>
Net cash inflow / (outflow)	<u>11,798</u>	<u>( 2,688)</u>

## 28. Related party balances

### (a) Due to related parties

Balances due to related parties are repayable as follows:

	2019 KShs '000	2018 KShs'000
<b>Group</b>		
Within 1 year	<u>76,805</u>	<u>72,391</u>
<b>Company</b>		
Within 1 year	<u>229,802</u>	<u>325,227</u>

The balances due to related parties are based on the following terms.

Group	Effective Interest rate %	2019 KShs '000	2018 KShs'000
<b>(i) Loans</b>			
The Standard Media Group Holdings Limited (common shareholding)	-	14,887	14,887
Trade World (K) Limited (shareholders)	8.0	7,392	5,876
Miller Trustees (shareholders)	8.0	<u>54,526</u>	<u>51,628</u>
		<u>76,805</u>	<u>72,391</u>
<b>Company</b>			
Standard Media Group Holdings Limited	-	14,887	14,887
Trade World (K) Limited	8.0	7,392	5,876
Miller Trustees Limited	8.0	54,526	51,632
Baraza Limited		142,407	242,242
The Standard Limited	-	<u>10,590</u>	<u>10,590</u>
		<u>229,802</u>	<u>325,227</u>

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.



## 28. Related party balances (continued)

## (b) Key management compensation

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

	2019 KShs '000	2018 KShs'000
<i>Fees for services as a director</i>		
Non-executive directors	<u>13,880</u>	<u>12,875</u>
<i>Other emoluments</i>		
Salaries and other short-term employment benefits:		
Executive directors and key management	<u>104,770</u>	<u>84,503</u>
<b>Total</b>	<u>118,650</u>	<u>97,378</u>
 (c) Interest expense		
Interest on shareholder loan	<u>5,190</u>	<u>5,190</u>

## 29. Deferred tax (asset)/liability

## (a) Group

Movement on the deferred tax liability to a deferred tax asset:

At 1 January	(114,605)	6,138
Deferred tax credit in respect of the current year	-	( 47,008)
Accounting policy change (IFRS 9)	197,503	( 73,794)
Prior year adjustments	( 34,696)	59
At 31 December	<u>(346,804)</u>	<u>(114,605)</u>

The makeup of deferred tax asset relating to the company is disclosed in Note 29(b).

**29. Deferred tax (asset)/liability (continued)**

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

	2019 KShs '000	2018 KShs'000
Accelerated capital allowances	170,139	219,285
Leave pay provision	( 7,504)	( 10,300)
Gratuity provision	( 1,036)	( 9,912)
Unrealised exchange gain	( 279)	( 271)
Doubtful debts provision	( 326,004)	( 239,292)
Accounting policy change (IFRS 9)	-	( 73,794)
Other provisions	-	( 321)
Lease Liability	( 32,470)	-
Right of Use asset	29,790	-
Trading losses	( 179,440)	-
At 31 December	( 346,804)	( 114,605)

**(b) Company**

	2019 KShs '000	2018 KShs'000
At 1 January	( 66,488)	21,446
Deferred tax credit in respect of the current year	(153,661)	( 41,226)
Accounting policy change (IFRS 9)	-	( 46,767)
Prior year adjustments	( 34,696)	59
At 31 December	(254,845)	( 66,488)
<b>Deferred tax (asset)/liability</b>		
Accelerated capital allowances	160,063	204,277
Gratuity provision	( 399)	( 8,187)
Leave provision	( 6,204)	( 8,906)
Foreign exchange loss	( 195)	( 268)
General provisions for doubtful receivables	(251,450)	(206,637)
Other provisions	-	-
Accounting policy change (IFRS 9)	-	( 46,767)
Lease liabilities	( 32,470)	-
Right of use assets	29,790	-
Trading losses	(153,980)	-
Net deferred tax (asset)/liability	(254,845)	( 66,488)

### 30. Borrowings

#### (a) Group

	Asset financing KShs'000	Term loans KShs'000	Overdrafts KShs'000	2019 Total KShs'000	2018 Total KShs'000
On demand and within one year	24,203	390,788	164,739	579,730	711,170
Amount due after one year	18,617	387,021	-	405,638	538,136
	<u>42,820</u>	<u>777,809</u>	<u>164,739</u>	<u>985,368</u>	<u>1,249,306</u>

	Asset financing KShs'000	Term loans KShs'000	Overdrafts KShs'000	2019 Total KShs'000	2018 Total KShs'000
<b>Movement in the year:</b>					
Beginning of the year	64,086	1,011,907	173,313	1,249,306	1,215,502
Additions	-	918,318	-	918,318	1,632,357
Repayments	(21,266)	(1,152,416)	-	(1,173,682)	(1,612,332)
Movement in overdraft	-	-	( 8,574)	( 8,574)	13,779
<b>At 31 December</b>	<u>42,820</u>	<u>777,809</u>	<u>164,739</u>	<u>985,368</u>	<u>1,249,306</u>

	Asset finance KShs'000	Term loans KShs'000	Overdrafts KShs'000	Total KShs'000
<b>At 31 December 2019:</b>				
Stanbic Bank Kenya Limited	6,023	251,619	83,292	340,934
Stanbic Bank Kenya Limited (Short term raw materials)	-	81,444	-	81,844
NCBA Bank PLC *	-	77,300	-	77,300
(Short term raw materials)	-	-	-	-
NCBA Bank PLC *	<u>36,797</u>	<u>367,446</u>	<u>81,447</u>	<u>485,690</u>
	<u>42,820</u>	<u>777,809</u>	<u>164,739</u>	<u>985,368</u>

	Asset finance KShs'000	Term loans KShs'000	Overdrafts KShs'000	Total KShs'000
<b>At 31 December 2018:</b>				
Stanbic Bank Kenya Limited	9,658	290,619	-	300,277
Stanbic Bank Kenya Limited (Short term raw materials)	-	85,000	84,522	169,522
NCBA Bank PLC *	-	62,119	-	62,119
(Short term raw materials)	-	-	-	-
NCBA Bank PLC *	<u>54,428</u>	<u>574,169</u>	<u>88,791</u>	<u>717,388</u>
	<u>64,086</u>	<u>1,011,907</u>	<u>173,313</u>	<u>1,249,306</u>

\* Formerly Commercial Bank of Africa Limited and NIC Bank Kenya PLC

## 30. Borrowings (continued)

## (b) Company

	Asset financing KShs'000	Term loans KShs'000	Overdrafts KShs'000	2019 Total KShs'000	2018 Total KShs'000
On demand and within one year	24,203	390,788	149,591	564,582	684,273
Amount due after 1 year	18,617	387,021	-	405,638	538,136
	<u>42,820</u>	<u>777,809</u>	<u>149,591</u>	<u>970,220</u>	<u>1,222,409</u>

	Asset financing KShs'000	Term loans KShs'000	Overdrafts KShs'000	2019 Total KShs'000	2018 Total KShs'000
<b>Movement in the year</b>					
Beginning of the year	64,086	1,011,907	146,416	1,222,409	1,189,588
Additions	-	918,318	-	918,319	1,632,357
Repayments	(21,266)	(1,152,416)	-	(1,173,682)	(1,367,332)
Movement in overdrafts	-	-	3,175	3,175	232,204
At 31 December	<u>42,820</u>	<u>777,809</u>	<u>149,591</u>	<u>970,220</u>	<u>1,222,409</u>

	Asset finance KShs'000	Term loans KShs'000	Overdrafts KShs'000	Total KShs'000
<b>At 31 December 2019:</b>				
Stanbic Bank Kenya Limited	6,023	251,619	68,821	326,463
Stanbic Bank Kenya Limited (Short term raw materials)	-	81,444	-	81,444
NCBA Bank PLC * (Short term raw materials)	-	77,300	-	77,300
NCBA Bank PLC *	<u>36,797</u>	<u>367,446</u>	<u>80,770</u>	<u>485,013</u>
	<u>42,820</u>	<u>777,809</u>	<u>149,591</u>	<u>970,220</u>

	Asset finance KShs'000	Term loans KShs'000	Overdrafts KShs'000	Total KShs'000
<b>At 31 December 2018:</b>				
Stanbic Bank Kenya Limited	9,658	290,619	65,585	365,862
Stanbic Bank Kenya Limited (Short term raw materials)	-	85,000	-	85,000
NCBA Bank PLC * (Short term raw materials)	-	62,119	-	62,119
NCBA Bank PLC *	<u>54,428</u>	<u>574,169</u>	<u>80,831</u>	<u>709,428</u>
	<u>64,086</u>	<u>1,011,907</u>	<u>146,416</u>	<u>1,222,409</u>

\* Formerly Commercial Bank of Africa Limited and NIC Bank Kenya PLC



## 30. Borrowings (continued)

## (c) Facilities and securities

The bank facilities are denominated in Kenya shillings with variable interest rates. The term loans and over drafts from the Group's bankers are utilized as follows;

## Year ended December 2019

	NCBA Bank Plc * KShs'000	STANBIC Bank Ltd KShs'000	TOTAL KShs'000
Total facility	692,287	585,277	1,277,564
Utilization	(562,990)	(421,630)	(984,620)
Available room	<u>129,297</u>	<u>163,647</u>	<u>292,944</u>

## Year ended December 2018

	NCBA Bank Plc * KShs'000	STANBIC Bank Ltd KShs'000	TOTAL KShs'000
Total facility	792,287	585,277	1,377,564
Utilization	(779,507)	(469,799)	(1,249,306)
Available room	<u>12,780</u>	<u>115,478</u>	<u>128,258</u>

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

	2019 NCBA Bank Plc * KShs'000	2018 NCBA Bank Plc * KShs'000
Joint & Several Debenture	890,000	890,000
Joint & Several Debenture	110,000	110,000
Legal Charge on Property (LR. 209/18213)	890,000	890,000

Further to the above securities;

- (i) The banks have executed an inter-lenders agreement between the two banks and the borrower, ranking each bank parri passu.
- (ii) Asset finance loans are guaranteed on deed of agreement on assignment of all the right of the assets to the financier

\* Formerly Commercial Bank of Africa Limited and NIC Bank Kenya PLC

	2019 STANBIC Bank Ltd KShs'000	2018 STANBIC Bank Ltd KShs'000
Joint & Several Debenture	490,000	490,000
Joint & Several Debenture	-	-
Legal Charge on Property (LR. 209/18213)	490,000	490,000

Corporate Guarantees	2019 NCBA Bank Plc * KShs'000	2018 NCBA Bank Plc * KShs'000
The Standard Group Plc	-	-
Baraza Limited	890,000	890,000
The Standard Limited	-	-
Toads Limited	110,000	110,000

Corporate Guarantees	2019 STANBIC Bank Plc KShs'000	2018 STANBIC Bank Plc KShs'000
The Standard Group Plc	25,000	25,000
Baraza Limited	877,000	877,000
The Standard Limited	25,000	25,000

### 30. Borrowings (continued)

#### (d) Effective Interest rates

The effective interest rates on the borrowings were as follows:

	Asset financing %	Term loans %	Overdraft %
<b>Year ended 31 December 2019</b>			
Stanbic Bank Kenya Limited	13.00	13.00	13.00
NCBA Bank Plc *	13.00	13.00	13.00
<b>Year ended 31 December 2018</b>			
Stanbic Bank Kenya Limited	13.00	13.00	13.00
NCBA Bank Plc *	13.00	13.00	13.00

### 31. Trade And Other Payables

	2019 KShs '000	2018 KShs'000
<b>(a) Group</b>		
Trade	595,801	513,977
Accruals and other payables	785,937	622,781
Provisions	186,309	70,192
Value Added Tax payable	<u>32,825</u>	<u>33,989</u>
	<u>1,600,872</u>	<u>1,240,939</u>
<b>(b) Company</b>		
Trade	573,213	486,220
Accruals and other payables	556,623	498,011
Provisions	158,446	46,661
Value Added Tax payable	<u>39,090</u>	<u>20,892</u>
	<u>1,327,372</u>	<u>1,051,784</u>

\* Formerly Commercial Bank of Africa Limited and NIC Bank Kenya PLC

## 32. Employee benefit

### (a) Pension

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 56,684,809.82 (2018 - KShs 54,137,330.28) in contributions payable

### (b) Gratuity

#### (i) Group

	2019 KShs '000	2018 KShs'000
Gratuity provision	<u>3,457</u>	<u>33,038</u>
Movement in gratuity provision is as shown below:		
At 1 January	33,038	30,548
Amounts paid in the year	(45,815)	( 17,073)
Additional provision	<u>16,234</u>	<u>19,563</u>
At 31 December	<u>3,457</u>	<u>33,038</u>

#### (ii) Company

Gratuity provision	<u>1,331</u>	<u>27,291</u>
Movement in gratuity provision is as shown below:		
At 1 January	27,921	27,395
Amounts paid in the year	(40,842)	( 17,073)
Additional provision	<u>14,252</u>	<u>16,969</u>
At 31 December	<u>1,331</u>	<u>27,291</u>

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.

## 33. Notes to the statement of cash flows

(i) Group	2019 KShs '000	2018 KShs'000
<b>(a) Reconciliation of (loss)/profit before tax to cash generated from operations</b>		
(Loss)/profit before tax	(716,266)	397,225
Adjustments for:		
Depreciation – property, plant and equipment	234,409	254,646
Right of use asset depreciation	55,496	-
Amortisation - intangible assets	90,607	85,364
- prepaid operating lease rentals	-	1,633
Gain on sale of plant and equipment	( 5,957)	( 6,815)
Loss on write off of plant and equipment	9,292	366
Interest expense	<u>189,152</u>	<u>167,832</u>
Operating profit before tax before working capital changes	(143,267)	900,251
Changes in working capital		
Inventories	144,385	( 50,481)
Trade and other receivables (Note 32 (i)(c))	547,409	(344,349)
Trade and other payables (Note 32 (i)(d))	313,968	17,711
Employee benefits	( 29,581)	2,490
Related party balances	<u>4,414</u>	<u>( 5,609)</u>
Cash generated from operations	<u>837,328</u>	<u>520,013</u>
<b>(b) Cash and cash equivalents</b>		
Bank and cash balances	92,803	21,636
Bank overdraft	(164,740)	(173,313)
	<u>( 71,937)</u>	<u>(151,677)</u>
<b>(c) Reconciliation of movement in trade and other receivables</b>		
Net decrease in trade and other receivables	547,409	( 98,330)
Adjustment on initial application of IFRS 9	<u>-</u>	<u>(246,019)</u>
	<u>547,409</u>	<u>(344,349)</u>
<b>(d) Reconciliation of movement in trade and other payables</b>		
Net increase in trade and other payables	359,933	17,711
Dividends payable	( 45,965)	-
	<u>313,968</u>	<u>17,711</u>



## 33. Notes to the statement of cash flows (continued)

(ii) Company	2019 KShs '000	2018 KShs'000
<b>(a) Reconciliation of (loss)/profit before tax to cash generated from operations</b>		
(Loss)/profit before tax	(561,018)	206,866
Adjustments for:		
Depreciation – property, plant and equipment	177,540	188,614
Right of use asset depreciation	55,496	-
Amortisation - intangible assets	83,410	78,867
- prepaid operating lease rentals	-	1,633
Gain on sale of plant and equipment	( 5,957)	( 6,815)
Loss on write off of plant and equipment	9,292	366
Interest expense	<u>137,298</u>	<u>130,488</u>
Operating profit before tax before working capital changes	(103,309)	600,019
<b>Changes in working capital</b>		
Inventories	144,675	( 52,628)
Trade and other receivables (Note 32 (ii)(c))	534,498	(442,999)
Trade and other payables (Note 32 (ii)(d))	229,623	78,228
Employee benefits	( 25,960)	( 27,395)
Related party balances	( 95,425)	247,114
Cash generated from operations	<u>684,102</u>	<u>402,339</u>
<b>(b) Cash and cash equivalents</b>		
Bank and cash balances	92,514	21,397
Bank overdraft	(149,591)	(146,416)
	<u>( 57,077)</u>	<u>(125,019)</u>
<b>(c) Reconciliation of movement in trade and other receivables</b>		
Net decrease in trade and other receivables	534,498	287,069
Adjustment on initial application of IFRS 9	—	155,930
	<u>534,498</u>	<u>442,999</u>
<b>(d) Reconciliation of movement in trade and other payables</b>		
Net increase in trade and other payable	275,588	78,228
Dividends payable	( 45,965)	—
	<u>229,623</u>	<u>78,228</u>

### 34. Capital commitments

	2019 KShs '000	2018 KShs'000
Authorised and contracted for	341,322	195,777
Authorised but not contracted for	<u>47,736</u>	<u>402,774</u>
	<u>389,058</u>	<u>598,551</u>

Capital commitments mainly relate to acquisition of new equipment and construction of new studios.

### 35. Contingent liabilities

As at 31 December 2019, the Group had outstanding contingent liabilities amounting to KShs 565,850,000 (2018 – KShs 494,358,000) in respect of on-going litigation mainly relating to libel charges arising in the normal course of business. A total of KShs 335,442,409 (2018 – KShs 340,412,142) of the contingent liabilities have been insured while a total of KShs 157,637,858 (2018 – KShs 141,446,000) have been provided for by the Group to cover both the balance and the cost of professional legal services.

Legal opinions obtained from the Group's advocates show that no additional liability will arise from contingent liabilities that have not been provided for.

### 36. Subsequent events

A novel strain of coronavirus (COVID-19) was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. The potential impact from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. The extent of these impacts on the Group are unclear, although they may likely adversely affect its businesses, results of operations and financial condition. This is a non-adjusting event and an estimate of the financial effect cannot be made at the point in time as the situation remains a rapidly evolving one.



## NOTICE OF THE 102 ANNUAL GENERAL MEETING

**NOTICE** is hereby given that, in accordance with the provisions of Section 280 of the Companies Act, 2015, and pursuant to the Court Order issued by the High Court of Kenya in Miscellaneous Application No. E680 of 2020, the One Hundredth and Second (102) Annual General Meeting of the shareholders of The Standard Group PLC (“the Company”) shall be held via electronic means on **Friday, 3 July 2020 at 11.00 a.m.** to transact the business set out below:

Due to the on-going Government restrictions on public gatherings, Shareholders will not be able to attend the AGM in person but will be able to register for, access information pertaining to the proposed resolutions, follow the proceedings of the meeting and vote electronically or by proxy, in the manner detailed below.

### 1. CONSTITUTION OF THE MEETING

To read the notice convening the meeting and determine if a quorum is present.

### 2. ORDINARY BUSINESS:

- (a) To receive, consider and if thought fit, adopt the audited Consolidated Financial Statements for the year ended 31 December 2019 together with the reports of the Chairman, the Group Chief Executive Officer and the Auditors’ thereon.
- (b) To note that the Directors do not recommend payment of a Dividend for the year ended 31 December 2019.

### (c) Election of Directors:

- (i) In accordance with Article 101 of the Company’s Article of Association, the following Directors retire by rotation, and being eligible, offer themselves for re-election as Directors of the Company: **Dr. Julius Kipnetich** and **Mr. Shaun Zambuni**.
- (ii) **Dr. James Boyd Mcfie** having attained the age of seventy years, retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 and being eligible, offers himself for re-election.
- (iii) Pursuant to the provisions of Section 769 of the Companies Act 2015, the following Directors being members of the Finance & Audit Committee, be elected to continue to serve as members of the said Committee: **Dr. Githinji Gitahi, Mr. Shaun Zambuni, Ms. Juliana Rotich, Dr. Julius Kipnetich and Dr. James Boyd Mcfie**.

- (d) To approve the remuneration of the Directors and Directors Remuneration Report for the year ended 31 December 2019.
- (e) To re-appoint KPMG Kenya to continue in office as the Company’s External Auditors for the ensuing financial year by virtue of Section 721(2) of the Companies Act 2015 and to authorize the Directors to fix their remuneration.

### 3. SPECIAL BUSINESS

That by way of Special Resolution, the relevant provisions of the Company’s Articles of Association, be and are hereby amended to allow for attendance, participation and voting by electronic means in general meetings, in the manner summarized in Annexure I attached hereto.

### 4. ANY OTHER BUSINESS

To transact any other business of the Company for which due notice has been received

**BY ORDER OF THE BOARD**



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

Date: 11 June 2020

## NOTES:

1. In view of the on-going Coronavirus 2019 (COVID-19) pandemic and the related Public Health Regulations and directives passed by the Government of Kenya precluding inter alia public gatherings, it is impossible for the Company to hold a physical AGM in the manner envisaged in the Company's Articles of Association and Section 280 of the Companies Act, 2015.
1. On 29 April 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, issued an order permitting any company listed on the Nairobi Securities Exchange to convene and conduct a virtual general meeting subject to receipt of a 'No Objection' from the Capital Markets Authority ('CMA').
2. The Standard Group PLC has convened and is conducting this virtual annual general meeting following receipt of a No Objection from the Capital Markets Authority.
3. Any Shareholders wishing to participate in the meeting should register for the AGM by dialing \*483\*820# on all mobile networks and follow the various prompts on the registration process. Shareholders will not incur any cost for such registration.
4. To complete the registration process, shareholders will be required to have their ID/Passport Number used to purchase share(s) and/or their CDSC Account Number. For assistance shareholders should dial the following helpline number: (+254) 709 170 000 from 9:00 a.m. to 3:00 p.m. from Monday to Friday. Any shareholder domiciled outside Kenya can dial the helpline number or send an email to Image Registrars via [info@image.co.ke](mailto:info@image.co.ke) providing their details i.e. Name, Passport/ID No, CDS No and Mobile telephone number requesting to be registered. Image Registrars shall register the shareholder and send them an email link once registered.
5. Registration for the AGM opens on Wednesday, 10 June 2020 at 9:00 am and will close on Tuesday, 30 June 2020 at 5.00 pm. Shareholders will not be able to register after this time.
6. The following documents may be viewed on the Company's website <http://www.standardmedia.co.ke/corporate/investors> (i) a copy of this Notice and the Proxy Form; (ii) the Company's Annual Report and Audited Financial Statements for the year ended 31 December 2019; (iii) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; (iv) a copy of the No Objection issued by the CMA and (v) summary of proposed amended sections of the Articles of Association of Company.
7. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so on or before Monday, 29 June 2020 at 5.00 p.m. by:
  - (a) sending their written questions by email to [agm@standardmedia.co.ke](mailto:agm@standardmedia.co.ke); or
  - (b) to the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at The Standard Group Centre, along Mombasa Road, or to Image Registrars offices at 5<sup>th</sup> floor, Absa Towers (formerly Barclays Plaza), Loita Street; or
  - (c) sending their written questions with a return physical address or email

address by registered post to the Company's registered address at P. O. Box 30080-00100, Nairobi or Image Registrars at P. O Box 9287-00100, Nairobi.

Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

The Directors of the Company shall provide written responses to the questions received to the return physical or email address provided by the Shareholder no later than 12 hours before the start of the AGM. A full list of all questions received and the answers thereto will also be published on the Company's website not later than 12 hours before the start of the general meeting.

8. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. Such proxy need not be a member of the Company.
9. A proxy form is attached to this Notice and is available on the Company's website via the link: <http://www.standardmedia.co.ke/corporate/investors>. The proxy form can also be obtained from Image Registrars Limited offices, 5<sup>th</sup> Floor Absa Towers (formerly Barclays Plaza), Loita Street. A proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to [info@image.co.ke](mailto:info@image.co.ke) or delivered to Image Registrars Limited, 5<sup>th</sup> Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 - 00100 GPO, Nairobi, so as to be received not later than Wednesday, 1 July 2020 at 11:00 a.m. Any person appointed as a proxy should submit their mobile telephone number to the Company no later than Wednesday, 1 July 2020 at 11:00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Thursday, 2 July 2020, to allow time to address any issues.
10. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/ USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, as a reminder that the AGM will begin in an hour and provide a link to the live stream. By registering to attend the AGM, a Shareholder opts in to receive these messages.
11. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform, access the agenda and vote (when prompted by the chairman) via the USSD prompts or the web link.
12. Results of the AGM shall be published on the company website <http://www.standardmedia.co.ke/corporate/investors> within 24 hours following conclusion of the AGM.



## 2020 PROXY FORM

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

I/WE \_\_\_\_\_

of mobile number \_\_\_\_\_ and of P. O Box \_\_\_\_\_

Emailaddress \_\_\_\_\_

CDS Account Number \_\_\_\_\_ Number of Shares held \_\_\_\_\_  
being a shareholder(s) of **THE STANDARD GROUP PLC** hereby appoint:

Name: \_\_\_\_\_

of mobile number \_\_\_\_\_ and of P. O. Box \_\_\_\_\_

National ID/Passport No \_\_\_\_\_ or failing him/her, the Chairman of the meeting  
as my/our proxy, to vote for my/our behalf at the Virtual Annual General Meeting (AGM) to be held  
electronically on **Friday, 3 July 2020 at 11.00 a.m.** or any adjournment thereof.

I/We direct my/our proxy to vote on the following resolutions as I/We have indicated by marking the appropriate  
box with an "X". If no indication is given, my/our proxy will vote or withhold his/her vote at his/her discretion  
and I/We authorize my/our proxy to vote (or withhold his/her vote) as he/she thinks fit in relation to any other  
matter which is properly put before the Meeting.

As witness my/our hand/s this \_\_\_\_\_ day of \_\_\_\_\_ 2020

\_\_\_\_\_  
Signature(s)



**Please clearly mark the box below to instruct your proxy how to vote**

NO.	RESOLUTION:	FOR	AGAINST	WITHHELD
1.	To receive, consider and if thought fit, adopt the audited Consolidated Financial Statements for the year ended 31 December 2019 together with the reports of the Chairman, the Group Chief Executive Officer and the Auditors' thereon.			
	<b>Election of Directors:</b>			
2.	In accordance with Article 101 of the Company's Article of Association, the following Directors retire by rotation, and being eligible, offer themselves for re-election as Directors of the Company: <b>Dr. Julius Kipngetich and Mr. Shaun Zambuni.</b>			
3.	<b>Dr. James Boyd Mcfie</b> having attained the age of seventy years, retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 and being eligible, offers himself for re-election.			
4.	Pursuant to the provisions of Section 769 of the Companies Act 2015, the following Directors being members of the Finance & Audit Committee, be elected to continue to serve as members of the said Committee: <b>Dr. Githinji Gitahi, Mr. Shaun Zambuni, Ms. Juliana Rotich, Dr. Julius Kipngetich and Dr. James Boyd Mcfie.</b>			
5.	To approve the remuneration of the Directors and Directors Remuneration Report for the year ended 31 December 2019.			
6.	To re-appoint KPMG Kenya to continue in office as the Company's External Auditors for the ensuing financial year by virtue of Section 721(2) of the Companies Act 2015 and to authorize the Directors to fix their remuneration.			
	<b>Special Business:</b>			
7.	That by way of Special Resolution, the relevant provisions of the Company's Articles of Association, be and are hereby amended to allow for attendance, participation and voting by electronic means in general meetings, in the manner summarized in Annexure I attached hereto.			

## ELECTRONIC COMMUNICATIONS PREFERENCE FORM

### Please complete in BLOCK CAPITALS

Full Name of Proxy (s): \_\_\_\_\_

Address: \_\_\_\_\_

Mobile Number : \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Please tick **ONE** of the boxes below and return to Image Registrars at P.O. Box 9287-00100 Nairobi or 5<sup>th</sup> floor, Absa Towers (formerly Barclays Plaza), Loita Street:

#### Approval of Registration:

I/WE approve to register to participate in the virtual Annual General Meeting to be held on Friday 3 July 2020.

☐

#### Consent for use of the Mobile Number provided:

I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM

☐

#### Notes:

1. As a member of the Company you are entitled to appoint a proxy or proxies to exercise all or any of your rights to participate and vote at the Virtual AGM of the Company. You can only appoint a proxy using the procedures set out hereunder and/or in the notes to the AGM Notice.
2. Appointment of a proxy does not preclude you from participating in the meeting and voting in person. If you have appointed a proxy and participate in the meeting in person and vote, your proxy appointment will automatically be terminated.
3. To be valid, the proxy form should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to **Image Registrars, 5<sup>th</sup> Floor Absa Towers (formerly Barclays Plaza), Loita Street and address P.O. Box 9287-00100, Nairobi**, or emailed to [info@image.co.ke](mailto:info@image.co.ke) not later than 11.00 am on Wednesday, 1 July 2020 or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
4. A proxy form must be in writing and in case of an individual shall be signed by the Shareholder and in the case of a body corporate, the proxy form must be either under its common seal or the hand of an officer or duly authorized attorney of such corporate body.
5. A "vote withheld" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.







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