STANDARD GROUP 2012 ANNUAL REPORT

AND FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

STANDARD GROUP
bringing your world to you.

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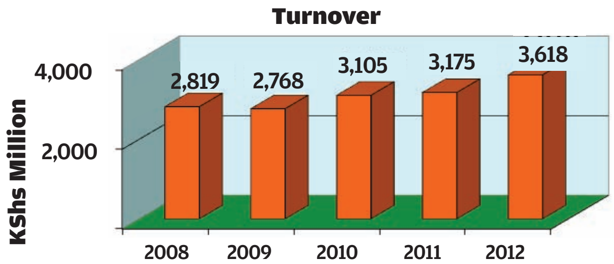
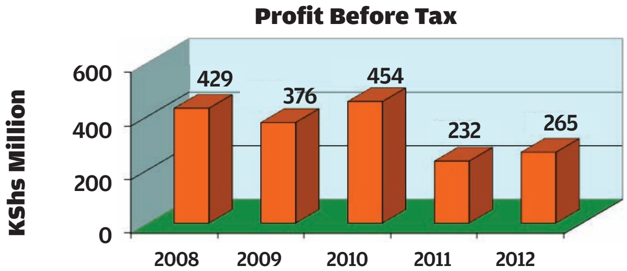
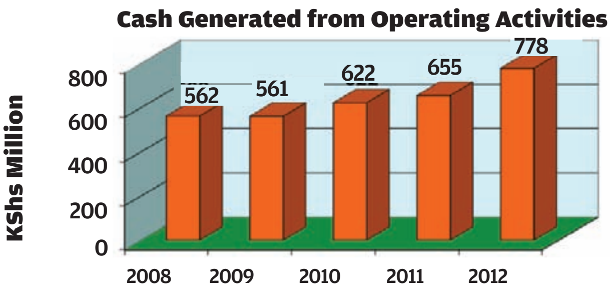
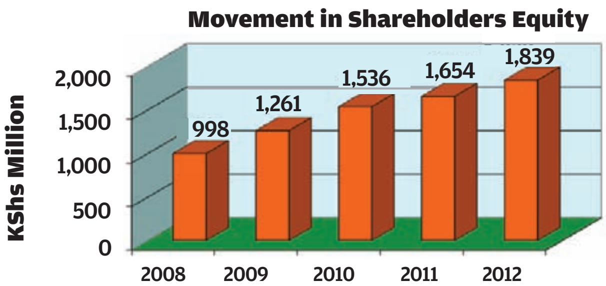
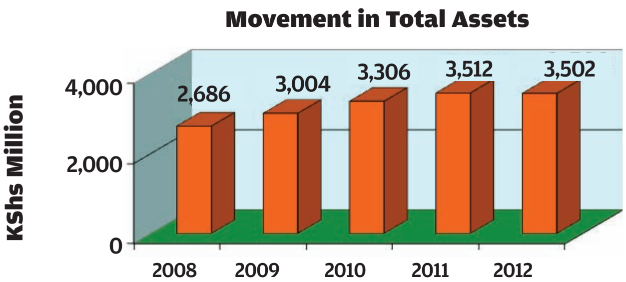










DIRECTORS AND STATUTORY INFORMATION

DIRECTORS

Robin Sewell* - Chairman

Paul Melly - Deputy Chairman and Chief Executive (Resigned 30 September 2012)

Sam Shollei - Group Chief Executive Officer (Appointed 1 September 2012)

Orlando Lyomu - Group Finance Director (Appointed 1 March 2013)

Sarvjeet Channa - Group Chief Operating Officer (Resigned 20 August 2012)
Francis Munywoki - Director Business Development and Innovation
Zehrabanu Janmohamed

Lerionka S. Tiampati

James Boyd Mcfie
* British

COMPANY SECRETARY

Kipng'etich Bett
Certified Public Secretary (Kenya)
Standard Group Centre
Mombasa Road
PO Box 30080 - 00100
Nairobi

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Standard Group Centre
Mombasa Road
PO Box 30080 - 00100
Nairobi

AUDITORS

KPMG Kenya
Certified Public Accountants of Kenya
16th Floor, Lonrho House
PO Box 40612 - 00100
Nairobi

LEGAL ADVISERS

Oraro & Company Advocates
ACK Garden House
PO Box 51236 - 00200
Nairobi

Ochieng', Onyango, Kibet and Ohaga
ACK Garden House
PO Box 43170 - 00100
Nairobi

BANKERS

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

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

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

COMPANY REGISTRARS

Image Registrars
Transnational Plaza
Mama Ngina Street
PO Box 9287 – 00100
Nairobi

*BRITISH

MR. ROBIN SEWELL*

Chairman

Mr. Sewell, is a partner in MGI Midgley Snelling, an English firm of Chartered Accountants. He is a fellow of the Institute of Chartered Accountants in England and Wales.

He is the Chairman of the Group, a position he has held since 1st November, 2000.

MR SAM SHOLLEI

Chief Executive Officer

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

MR. FRANCIS MUNYWOKI

Director, Business Development and Innovation

Mr. Francis Munywoki, currently holds the position of Director, Business Development and Innovation, a role he took on when he joined the group on 18th August 2011. He holds a BSc - Electrical and Communication and MBA from the London Business School. He brings an invaluable senior management experience spanning more than ten (10) years with multinational organisations leading in information management, strategy and projects that leveraged revenue growth and improved customer services. Munywoki has previously worked with The Coca-Cola Company and Pepsico Europe.

MS. ZEHRABANU JANMOHAMED

Independent Director

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

MR. SAMUEL LERIONKA TIAMPATI

Independent Director

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

DR. JAMES BOYD MCFIE

Independent Director

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

ORLANDO LYOMU

Financial Director

Orlando has over thirteen (13) years' experience in Finance gained from dynamic and multi - cultural organisations. Before joining The Standard Group, he worked at Total Kenya Limited, where he started his career and rapidly rose through the ranks to hold various positions including Treasury Manager and Chief Accountant and at Gulf Energy Limited, where he served as a CFO in charge of the group companies. He was instrumental in the transformation and rapid growth of the business from a startup, into one of the leading oil importers and traders in the region, with a presence in various East and Central African countries. He holds a Bachelor of Commerce degree from University of Nairobi and is finalizing on his MBA for Executives at the Strathmore Business School. He is a CPA (K) and a member of ICPAK.

JOE MUNENE

Managing Director Broadcasting

Joe Munene has over ten (10) years' experience in the media industry having started his career at The East African Standard as a Marketing Promotions Co-ordinator. More recently Joe has been the General Manager of NTV Uganda where he steered the national TV station to high ratings and the market leadership position. He has vast experience in both the commercial side of the business as well as editorial having been the Nairobi Bureau Chief of CNBC Africa in 2009. Joe holds an MBA (Executive) and BA in Building Economics.

NEEMA WAMAI

Managing Director Print Operations

Neema is a senior management executive with seventeen (17) years' experience in the corporate and marketing communications sectors. She has a proven track record in commercial and operations management. She is an MBA graduate of Warwick Business School UK. Her portfolio of skills has included managing cross-functional teams in different disciplines across East Africa. In her previous role as MD – Media Investments at Ogilvy EA, Neema managed annual media budgets with a cumulative value of Shs 1 billion. She has a breadth of experience in media having also served as GM – Nation Marketing & Publishing, Circulation Manager – Nation Newspapers Division, Advertising Manager – Nation Newspapers Division and MD – Y&R Nairobi.

PAULINE KIRAITHE

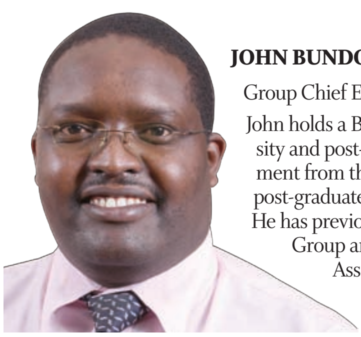
Human Resource Director

Pauline holds an MBA in Human Resources & International Business Administration from the University of Nairobi. She has over fourteen (14) years of experience and is a seasoned HR professional responsible for successful project management and launch of NMG's corporate culture and Media Lab training programs. Prior to joining NMG, Pauline was at Uchumi Ltd where she spearheaded the company's cost-cutting measures that resulted in a change in management practices and the company's turnaround. She has also had HR business start-up experience in the telecom industry (Kencell). She brings to Standard Group excellent human resource, talent management, organizational and management skills as well as career counseling and coaching skills.

IRENE KIMANI

Commercial Director

Irene Kimani has over ten (10) years' experience in sales having started her career in KTN in 2001 as a marketing executive. In her previous role she was in charge of Nation broadcasting division revenues (2 TV stations and 2 radio stations). In her stint, she turned around the commercial/revenue performance of the division into a profit-making centre. Irene Kimani is an alumnus of Daystar University and holds a Bachelor of Commerce degree. She is currently studying for an MBA in Strategic Management. Irene is passionate about steering the commercial team towards surpassing set revenue targets consistently.



JOHN BUNDOTICH

Group Chief Editor

John holds a Bachelor of Arts degree from Kenyatta University and post-graduate diploma in human resource management from the University of Nairobi, besides extensive post-graduate training in journalism both locally and abroad. He has previously served in various senior positions in the Group and elsewhere, including as Chief Sub Editor, Associate Editor, Managing Editor and Group Managing Editor. He has over twelve (12) years experience in the media industry.

BERNARD NDERITU

Executive Editor

Bernard holds an MA in Journalism Studies from the University of Wales. He has over thirty (30) years' experience in the newspaper business having been Managing Editor of the Nations (Daily & Sunday) for 17 of those years. In 2008 he was awarded the presidential MBS award in recognition of outstanding and distinguished services rendered to the nation.

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2012, which disclose the state of affairs of the Company and the group.

1. Principal activities

The principal activities of the group are the publishing of The Standard Newspaper, the distribution of selected local and international newspapers, magazines and periodicals, television broadcasting under the name of Kenya Television Network (KTN), radio broadcasting under the name of Radio Maisha and outdoor media advertising under the trade name of Think Outdoor.

2. Group results

	Shs'000
Profit before taxation	265,364
Taxation expense	(82,057)
Profit for the year transferred to retained earnings	**183,307**
Attributable to:	
Non - controlling interests	(25,529)
Owners of the Company	208,836
	183,307

3. Dividend

The directors do not recommend a final dividend for the year 2012. A share bonus issue of KShs 37,107,000 was made in the year resulting in issuance of 7,421,000 shares. In 2011, a total dividend of KShs 37,112,000 was paid relating to 2010 final dividends.

4. Directors

The directors who served since 1 January 2012 are set out on page 3.

5. Auditors

The auditors, KPMG Kenya, who were appointed during the year in place of Deloitte & Touche, continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

6. Approval of financial statements

The financial statements were approved at a meeting of the directors held on 22 April 2013.

BY ORDER OF THE BOARD

Secretary

Date: 22 April 2013

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the group and Company financial statements of The Standard Group Limited and its subsidiaries set out on pages 13 to 59 which comprise the statements of financial positions of the Group and of the Company as at 31 December 2012, and the group's statement of comprehensive income, the Group and Company statement of changes in equity and group statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 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, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the Company as at the end of the financial year and of the operating results of the Group for that year. It also requires the Directors to ensure the Company and its subsidiaries keep proper accounting records which disclose with reasonable accuracy the financial position of the group and the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the Company and of the group operating results.

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

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

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 22 April 2013 and were signed on its behalf by:

Director

Director

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

Report on the financial statements

We have audited the financial statements of The Standard Group Limited and its subsidiaries set out on pages 13 to 59 which comprise the statements of financial position of the group and the Company as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated and Company statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 8, the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the Company at 31 December 2012, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

(i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

(ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and

(iii) the statement of financial position of the Company is in agreement with the books of account.

KPMG

KPMG Kenya
Certified Public Accountants of Kenya
16th Floor, Lonrho House
PO Box 40612 - 00100
Nairobi

Date: 22 April 2013

Dear Shareholders,

It gives me great pleasure to present, on behalf of the Directors, my report on the performance of your company and submit this Annual Report and the Audited Financial Statements of the Standard Group for the year ended 31 December 2012.
In the year under review, the Group continued to take the key initiatives necessary to consolidate the company as a true multi-media house. The transformation process is creating a firm foundation for the business and further strategic initiatives have been put in place to continue to grow the business.
The Group's revenue shows a continued growth from Ksh 3.18 Billion in 2011 to Ksh 3.6 Billion in 2012, representing a 14% increase. Circulation business grew by 12% while Print advertising increased by 9% over the previous year. TV advertising business also grew significantly showing a 35% increase in the year under review.
The Group achieved a growth in profitability of 14% in the year to Ksh 265Million compared to the Ksh 232 Million realized in 2011. Inflationary pressure during the period impacted negatively on the bottom line but management has put in place measures to mitigate these factors and realize better results going forward.
Shareholders' equity increased by 11% to stand at Ksh 1.84 Billion up from Ksh 1.65 Billion in the previous year.

Economic Outlook for 2013

The smooth transition of power after peaceful elections on 4th March 2013 is expected to contribute significantly towards economic growth and the positive projection of key macroeconomic factors in the domestic market support these expectations. The Economy is projected to expand by 5% in 2013 and this growth will contribute to increased business opportunities. Furthermore, county government structures are expected to provide more business opportunities and these will be exploited to grow the business.
Barring unforeseen factors, the Board is optimistic that the momentum in growth that is now building will be sustained in the current year and that the projected group results will be realized. We are confident that operational and financial performance will improve further during 2013, enabling us to achieve our targets for the year.

Dividend

The Board has considered it prudent not to declare a dividend for 2012 in the light of current investment plans and commitments.

Business Growth

Following the departure of our former Chief Executive Paul Melly, our new Management initiated a number of key strategic initiatives that should help us realize accelerated growth for the business and the programme of rolling out these initiatives will continue in 2013. The management has also put in measures to improve performance by focusing on efficiency in our production throughput. The changes so far have already yielded very positive results.
As the Group continues to grow, we have made significant changes in the senior management team, reflecting the changes in the business, geared towards achieving even greater success. Revised management structures have been put in place aimed at steering the company towards expanding its market share and enabling it to achieve its true potential. The development and training of our employees is vital to the success of our business and I am delighted that there have been significant efforts towards the creation and retention of an exceptional team.
On behalf of the Board of Directors, I wish to express my sincere gratitude to the dedicated efforts of all the members of our staff, their diligence and commitment to the growth of the business has been remarkable. I also thank our stakeholders as well as shareholders for their continued support.

ROBIN SEWELL
CHAIRMAN
Date: 19 March, 2013

CORPORATE GOVERNANCE STATEMENT

The Standard Group continues to comply with Corporate Governance regulations and guidelines issued by the Capital Markets Authority. In addition to these, the group fully complies with the Companies Act, International Financial Reporting Standards and regulations set out by the media industry in Kenya. The Board recognizes that good Corporate Governance is essential in its quest to create and sustain growth in shareholder value and is therefore committed to ensure that adequate structures and processes have been put in place to achieve the highest standards. The responsibility for formulation of the overall strategic direction, policies, objectives and effective controls to safeguard the asset of the Group lies with the Board of Directors.

Composition of the Board

The names of the Directors who held office in the year and to the date of this report are set out on page 3.

The Board currently consists of 6 Directors, 3 of whom are independent Directors. The Directors possess broad a range of expertise, diverse professional backgrounds from various sectors and experience required to effectively run the business.

The Group has an in-house Legal Counsel.

The Board sets out the timetable of calendar dates for Board Meetings in advance as agreed by the Board.

Board Committees.
The Board has the following Committees and their roles are spelt out as under:

1. **Audit Committee:**
   This Committee consists of the 3 Directors, comprising the Chairman who is an Independent Director and 2 other Directors. 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 outsourced this function currently to Deloitte. Internal audit reports, findings and recommendations are presented to the Committee to ensure implementation. The Committee further ensures that financial reporting is accurate and timely.

2. **Remuneration Committee:**
   This Committee consists of the 3 Directors, comprising the Chairman who is an Independent Director and 2 other Directors. This Committee assists the Board in addressing issues relating to remuneration of Directors and in general employee development and motivation. It also ensures that the remuneration set is within the principles of equity and appropriateness. This Committee oversees a transparent process for recruitment of new Directors to the Board.

3. **Finance and Strategy Committee:**
   This Committee is chaired by the Group Chief Executive Officer and consists of all the Executive Directors. The Committee assists the Board in reviewing of budgets, financial plans, strategic direction and objectives of the Group. It identifies risks facing the Group and mitigating strategies to cushion the Group against adverse effects.

   Matters deliberated by these Committees are placed before the full Board in the form of Reports from the Committee.

CORPORATE GOVERNANCE STATEMENT

Board and Committee meetings attendance:

Director	Board (Out of 3)	Audit (Out of 1)	Remuneration (Out of 0)	Finance and Strategy (Out of 15)
Robin Sewell	3	-	-	-
Paul Melly	2	1	-	14
James Mcfie	3	1	-	-
Zehrabanu Janmohamed	3	1	-	-
Samuel Lerionka	2	1	-	-
Sarvjeet Channa	2	1	-	15
Francis Munywoki	3	1	-	15
Sam Shollei	1	-	-	-

List of Top Ten Shareholders and shareholding:

Shareholders	Shares	Percentage
1. S.N.G HOLDINGS LIMITED	56,422,699	69.03%
2. TRADE WORLD KENYA LIMITED	8,906,068	10.90%
3. MILLER TRUSTEES LIMITED	8,608,569	10.53%
4. KIRTESH PREMCHAND SHAH	429,716	0.53%
5. BALOOBHAI CHHOTABHAI PATEL	401,692	0.49%
6. THE STANDARD GROUP LIMITED ESOP TRUST	266,880	0.33%
7. DENROMA INVESTMENT LIMITED	238,640	0.29%
8. JULIUS GECAU	220,793	0.27%
9. SAVITABEN VELJI RAICHAND SHAH	208,070	0.25%
10. EUFRAZIO JULIAO GOES	200,000	0.24%

Compliance
The Group is compliant with the Companies Act, the International Financial Reporting Standards and adheres to the regulations guiding the Media Industry in Kenya.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 Shs'000	2011 Shs'000
Revenue	7	3,617,816	3,174,907
Direct costs	8	(1,374,136)	(1,275,702)
Other gains and losses	9	112,271	85,575
Selling and distribution costs	10	(283,968)	(248,587)
Administrative expenses	11	(1,648,693)	(1,386,642)
Finance costs	12	(157,926)	(117,454)
Profit before taxation	13	**265,364**	**232,097**
Taxation expense	15(a)	(82,057)	(84,752)
Profit for the year		**183,307**	**147,345**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**183,307**	**147,345**
Attributable to:			
Non-controlling interests	25	(25,529)	(71,953)
Owners of the Company		208,836	219,298
		183,307	**147,345**
		Shs	**Shs**
Earnings per share – Basic	16(a)	**2.56**	**2.69**
Earnings per share – Diluted	16(b)	**2.56**	**2.69**

The notes set out on pages 21 to 59 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 Shs'000	2011 Shs'000
ASSETS			
Non current assets			
Property, plant and equipment	17(a)	2,053,869	2,055,178
Prepaid operating lease rentals	18	122,186	83,552
Intangible assets	19(a)	77,221	85,844
		2,253,276	2,224,574
Current assets			
Inventories	21(a)	278,478	310,190
Trade and other receivables	22(a)	924,840	935,858
Due from a group Company	26(b)	-	14,828
Taxation recoverable	15(c)	5,318	5,318
Bank and cash balances		39,636	21,489
		1,248,272	1,287,683
TOTAL ASSETS		**3,501,548**	**3,512,257**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23(a)	408,654	371,123
Share premium	23(b)	39,380	36,522
Capital redemption reserve	24(a)	102	102
Share based payments reserve	24(b)	-	1,753
Retained earnings	24(c)	1,168,075	996,346
Attributable to owners of the Company		1,616,211	1,405,846
Non-controlling interests	25	222,691	248,220
Total equity		1,838,902	1,654,066
Non current liabilities			
Due to related parties	26(a)	111,674	109,735
Deferred tax liability	27(a)	234,008	308,959
Borrowings	28(a)	198,261	244,978
		543,943	663,672
Current liabilities			
Taxation payable	15(c)	42,797	74,539
Borrowings	28(a)	463,294	562,839
Trade and other payables	29(a)	578,493	532,798
Provisions	30	34,119	24,343
		1,118,703	1,194,519
TOTAL EQUITY AND LIABILITIES		**3,501,548**	**3,512,257**

The financial statements on pages 13 to 59 were approved by the Board of Directors on 22 April 2013 and were signed on its behalf by:

Director

Director

The notes set out on pages 21 to 59 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 Shs'000	2011 Shs'000
ASSETS			
Non current assets			
Property, plant and equipment	17(b)	1,613,532	1,642,804
Prepaid operating lease	18	122,186	83,552
Intangible assets	19(b)	10,346	18,969
Investments	20	70,367	70,367
		1,816,431	1,815,692
Current assets			
Inventories	21(b)	255,667	284,371
Trade and other receivables	22(b)	702,717	791,427
Due from a group company	26(b)	181,582	14,828
Bank and cash balances		35,932	21,299
		1,175,898	1,111,925
TOTAL ASSETS		**2,992,329**	**2,927,617**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23(a)	408,654	371,123
Share premium	23(b)	39,380	36,522
Capital redemption reserve	24(a)	102	102
Share based payments reserve	24(b)	-	1,753
Retained earnings	24(c)	929,194	730,894
Shareholders' equity		1,377,330	1,140,394
Non current liabilities			
Due to related parties	26(a)	122,264	120,325
Deferred tax liability	27(b)	253,718	306,687
Borrowings	28(b)	198,261	244,978
		574,243	671,990
Current liabilities			
Tax payable	15(c)	42,797	74,539
Borrowings	28(b)	452,191	538,178
Due to related parties	26(a)	-	41,291
Trade and other payables	29(b)	515,943	442,504
Provisions	30	29,825	18,721
		1,040,756	1,115,233
TOTAL EQUITY AND LIABILITIES		**2,992,329**	**2,927,617**

The financial statements on pages 13 to 59 were approved by the Board of Directors on 22 April 2013 and were signed on its behalf by:

Director

Director

The notes set out on pages 21 to 59 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2012:	Share capital Shs'000	Share premium Shs'000	Capital redemption reserve Shs'000	Share based payments reserve Shs'000	Retained earnings Shs'000	Attributable to equity holders of parent Shs'000	Non-controlling interests Shs'000	Shareholders' equity Total Shs'000
At 1 January 2012	371,123	36,522	102	1,753	996,346	1,405,846	248,220	1,654,066
Total comprehensive income for the year								
Profit/(loss) for the year	-	-	-	-	208,836	208,836	(25,529)	183,307
Total comprehensive income/(loss) for the year	**371,123**	**36,522**	**102**	**1,753**	**1,205,182**	**1,614,682**	**222,691**	**1,837,373**
Transactions with owners of the company recognised directly in equity								
Recognition of share based payments (Note 24(b))	-	-	-	1,529	-	1,529	-	1,529
Issue of bonus shares (Note 14)	37,107	-	-	-	(37,107)	-	-	-
Issue of ordinary shares under ESOP (Note 23(c))	424	2,858	-	-	-	3,282	-	3,282
Release of share based payments reserve (Note 24(b))	-	-	-	(3,282)	-	(3,282)	-	(3,282)
Total transactions with owners of the company	**37,531**	**2,858**	**-**	**(1,753)**	**(37,107)**	**1,529**	**-**	**1,529**
At 31 December 2012	**408,654**	**39,380**	**102**	**-**	**1,168,075**	**1,616,211**	**222,691**	**1,838,902**

The notes set out on pages 21 to 59 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2011:	Share capital Shs'000	Share premium Shs'000	Capital redemption reserve Shs'000	Cash-settled employee benefit reserve Shs'000	Retained earnings Shs'000	Attributable to equity holders of parent Shs'000	Non-controlling interests Shs'000	Shareholders' equity Total Shs'000
At 1 January 2011	370,295	31,048	-	-	814,262	1,215,605	320,173	1,535,778
Total comprehensive income/(loss) for the year								
Profit/(loss) for the year	-	-	-	-	219,298	219,298	(71,953)	147,345
Total comprehensive income/(loss) for the year	**370,295**	**31,048**	**-**	**-**	**1,033,560**	**1,434,903**	**248,220**	**1,683,123**
Transactions with owners of the company recognised directly in equity								
Redemption of preference shares* (Note 24(a))	-	(102)	102	-	(102)	(102)	-	(102)
Issue of ordinary shares under employee share ownership plan (Note 23(c))	828	5,576	-	-	-	6,404	-	6,404
Funds received (Note 24(b))	-	-	-	1,126	-	1,126	-	1,126
Recognition of share based payments (Note 24(b))	-	-	-	627	-	627	-	627
Final dividends for 2010 declared and paid	-	-	-	-	(37,112)	(37,112)	-	(37,112)
Total transactions with owners of the company	**828**	**5,474**	**102**	**1,753**	**(37,214)**	**(29,057)**	**-**	**(29,057)**
At 31 December 2011	**371,123**	**36,522**	**102**	**1,753**	**996,346**	**1,405,846**	**248,220**	**1,654,066**

* In accordance with Section 60 (1) of the Kenyan Companies Act, the redemption of the preference share capital was made through a transfer to a capital redemption reserve fund.

The notes set out on pages 21 to 59 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

2012:	Share capital Shs'000	Share premium Shs'000	Capital redemption reserve Shs'000	Share based payments reserve Shs'000	Retained earnings Shs'000	Total Shs'000
At 1 January 2012	371,123	36,522	102	1,753	730,894	1,140,394
Total comprehensive income for the year						
Profit for the year	-	-	-	-	235,407	235,407
Total comprehensive income/(loss) for the year	**371,123**	**36,522**	**102**	**1,753**	**966,301**	**1,375,801**
Transactions with owners of the company recognised directly in equity						
Recognition of share based payments (Note 24(b))	-	-	-	1,529	-	1,529
Issue of bonus issue (Note 14)	37,107	-	-	-	(37,107)	-
Issue of ordinary shares under ESOP (Note 23(c))	424	2,858	-		-	3,282
Release of share based payments reserve	-	-	-	(3,282)	-	(3,282)
Total transactions with owners of the Company	**37,531**	**2,858**	-	**(1,753)**	**(37,107)**	**1,529**
At 31 December 2012	**408,654**	**39,380**	**102**	-	**929,194**	**1,377,330**

The notes set out on pages 21 to 59 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

2011:	Share capital Shs'000	Share premium Shs'000	Capital redemption reserve Shs'000	Share based payments reserve Shs'000	Retained earnings Shs'000	Total Shs'000
At 1 January 2011	370,295	31,048	-	-	473,921	875,264
Total comprehensive income for the year						
Total comprehensive income for the year	-	-	-	-	294,187	294,187
Total comprehensive income/(loss) for the year	**370,295**	**31,048**	**-**	**-**	**768,108**	**1,169,451**
Transactions with owners of the company recognised directly in equity						
Redemption of preference shares* (Note 24(a))	-	(102)	102	-	(102)	(102)
Issue of ordinary shares under employee share ownership plan (Note 23(c))	828	5,576	-	-	-	6,404
Funds received (Note 24(b))	-	-	-	1,126	-	1,126
Recognition of share based payments (Note 24(b))	-	-	-	627	-	627
Final dividends for 2010 declared and paid	-	-	-	-	(37,112)	(37,112)
Total transactions with owners of the Company	828	5,474	102	1,753	(37,214)	(29,057)
At 31 December 2011	**371,123**	**36,522**	**102**	**1,753**	**730,894**	**1,140,394**

* In accordance with Section 60 (1) of the Kenyan Companies Act, the redemption of the preference share capital has was made through a transfer to a capital redemption reserve fund.

The notes set out on pages 21 to 59 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2012 Shs'000	2011 Shs'000
Cash flows from operating activities			
Cash generated from operations	31(a)	777,989	654,713
Interest paid	12	(157,926)	(117,454)
Tax paid	15(c)	(188,750)	(214,777)
Net cash generated from operating activities		**431,313**	**322,482**
Cash flows from investing activities			
Purchase of intangible assets	19(a)	(1,154)	(3,823)
Purchase of property, plant and equipment	31(c)	(211,293)	(472,553)
Payments for prepaid operating lease	18	(40,000)	-
Proceeds from disposal of property, plant and equipment		5,611	6,917
Net cash used in investing activities		**(246,836)**	**(469,459)**
Cash flows from financing activities			
Bank loans received	31(d)	418,111	459,500
Bank loans repaid	28(a)	(602,457)	(387,630)
Dividends paid		-	(37,112)
Proceeds from issue of equity instruments of the Company	24(b)	1,529	1,126
Redemption of preference shares		-	(204)
Net cash (used)/generated from financing activities		**(182,817)**	**35,680**
Net increase/(decrease) in cash and cash equivalents		1,660	(111,297)
Cash and cash equivalents at 1 January		(278,147)	(166,850)
Cash and cash equivalents at 31 December	31(b)	**(276,487)**	**(278,147)**

The notes set out on pages 21 to 59 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

The Standard Group Limited ("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 2012 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the publishing of The Standard Newspaper, the distribution of selected local and international newspapers, magazines and periodicals, television broadcasting under the name of Kenya Television Network (KTN), radio broadcasting under the name of Radio Maisha and outdoor media advertising under the trade name of Think Outdoor.

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

Standard Group Centre
Mombasa Road
PO Box 30080 - 00100
Nairobi

2. BASIS OF PREPARATION

(a) Statement of compliance

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

For the Kenyan Companies Act 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 comprehensive income.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (Continued)

(d) Use of estimates and judgements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 5.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

(a) Basis of consolidation

Subsidiaries are consolidated from the date on which effective control is transferred to the group and are no longer consolidated as from the date of disposal or loss of control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. All intercompany balances and unrealised surpluses and deficits on transactions within the group have been eliminated.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries: The Standard Limited, Baraza Limited, Agency Sales and Promotion Limited and Toads Media Group Limited, all made up to 31 December.

Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the group's entity therein. Non controlling interests consist of the amount of these interests at the date of the original business combination and the non controlling interest's share of the changes in equity since the date of the combination.

(b) Revenue recognition

Revenue from the sale of newspapers and magazines is recognised upon the delivery of goods to customers or when title has passed to customers. Advertising revenue is recognised when advertisements are published in the newspaper or aired on television or radio. All revenue is stated net of VAT and discounts.

Interest income is recognised as it accrues, unless its collectability is in doubt.

Other income is recognised on an accrual basis.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Taxation

Tax on the 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.

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

(d) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

(e) 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.

(f) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the operating segment decision makers. The management then allocates resources to and assesses the performance of the operating segments of the group.

Segment result is segment revenue less segment expenses.

Segment revenue is the revenue that is directly attributable to a segment plus the relevant portion of the group's revenue that can be allocated to the segment on a reasonable basis.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Segmental reporting (continued)

Segment expenses are expenses resulting from the operating activities of a segment plus the relevant portion of an expense that can be allocated to the segment on a reasonable basis.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire segment assets (property, plant and equipment) that are expected to be used during more than one year.

(g) 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, borrowing costs are capitalised in accordance with the Group's accounting policy. 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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in statement of comprehensive income 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:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (continued)

(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 recognized in profit or loss.

(h) Intangible assets

(i) Software

Computer software and other intangible assets are stated at cost less amortisation and impairment losses. The costs are amortised over the expected useful lives of the software on the straight line basis.

(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.

(i) Leasehold land

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

(j) Investment in subsidiaries

Investment in subsidiaries is stated at cost less any impairment losses. The holding Company accounts for dividends from subsidiary companies only when the right to receive the dividends is established.

(k) 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 largely are 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.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the group as the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are amortised on the straight line basis over the term of the relevant lease.

(m) Inventories

Inventories are stated 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.

(n) Currency translations

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

(o) Financial instruments

A financial asset or liability is recognised when the group becomes party to the contractual provisions of the instrument.

(p) Financial assets

(i) Classification

The group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans, advances and receivables, held-to-maturity investments and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial assets (Continued)

(i) Classification (Continued)

Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the period-end. Bad debts are written off when all reasonable steps to recover them have failed.

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Held to maturity investments are amortised using the effective interest method less any impairment. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category is classified as available for sale.

Available-for-sale financial assets

These are financial assets that are not financial assets at fair value through profit or loss, loans and receivables, or financial assets held to maturity. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses.

(ii) Recognition and derecognition

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in fair value reserve, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in fair value reserve is recognised in the profit or loss.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial assets (Continued)

(ii) Recognition and derecognition (Continued)

Impairment and uncollectability of financial assets

At each reporting date, all financial assets are subject to review for impairment.

If it is probable that the group will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment loss has occurred. The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate (recoverable amount). The carrying amount of the asset is reduced to its estimated recoverable amount. The amount of the loss incurred is included in the profit or loss for the period.

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised directly in other comprehensive income and accumulated in fair value reserve and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised in fair value reserve is removed from fair value reserve and recognised in the profit or loss for the period even though the financial asset has not been derecognised.

(q) Financial liabilities

After initial recognition, the group measures all financial liabilities other than liabilities held for trading at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

(r) 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 charged to the profit or loss in the period to which they relate. The group has no further obligation once the contributions have been paid.

(ii) Staff gratuity (Defined Benefit Plan)

The group has also 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.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits (Continued)

(ii) Staff gratuity (Defined Benefit Plan) – continued

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

The calculation is performed annually by a qualified actuary using the projected unit credit method. The Group recognises all actuarial gains and losses and all expenses related to defined benefit plans in personnel expenses in profit or loss.

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.

(iii) Leave accrual

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

(s) Share-based payment arrangements

The grant date fair value of share-based payment awards (i.e. stock options) granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of share awards that do meet the related service and non-market performance conditions at the vesting date.

The fair value of the amount payable to employees in respect of share appreciation rights that are settled in cash is recognized as an expense with a corresponding increase in liabilities over the period in which the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

(t) 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.

(u) Group overheads

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

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Comparatives

Where necessary, comparative figures have been amended to conform to changes in presentation in the current year.

(w) New standards and interpretations not yet adopted

(i) Standards, amendments and interpretations to existing standards effective in 2012 but not relevant

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

- Amendments to IAS 1'*Presentation of Items of Other Comprehensive Income' (effective 1 July 2012)*. The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. It however does not change the existing option to present profit or loss and other comprehensive income in two statements but changes the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

- IAS 27 *Separate Financial Statements (effective 1 January 2013)* contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amendment carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- IAS 19 *'Employee Benefits'* – effective 1 January 2013. The amended IAS 19 requires that actuarial gains and losses are recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. It also requires that expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- IAS 28 *Investments in Associates and Joint Ventures* (effective 1 January 2013). IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. It carries forward the existing accounting and disclosure requirements with limited amendments.

- IFRS 10 *'Consolidated Financial Statements'* (effective 1 January 2013). This standard replaces the requirements and guidance in IAS 27 relating to consolidated financial statements. The objective of this standard is to improve the usefulness of consolidated financial statements by developing a single basis for consolidation and robust guidance for applying that basis to situations where it has proved difficult to assess control in practice and divergence has evolved. The basis for consolidation is control and it is applied irrespective of the nature of the investee.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New standards and interpretations not yet adopted (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group - continued

- IFRS 11 – '*Joint arrangements*' (effective 1 January 2013). IFRS 11 supersedes IAS 31 and SIC-13 relating to Jointly Controlled Entities. The objective of this IFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. It focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It further distinguishes joint arrangements between joint operations and joint ventures; and requires the equity method for jointly controlled entities that are now called joint ventures.

- IFRS 12 – '*Disclosure of interests in other entities*' (effective 1 January 2013). The objective of this IFRS is to require an entity to disclose information that enables users of its financial statements to evaluate: the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows.

- IFRS 13 – '*Fair value measurement*' (effective 1 January 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- IFRS 9 '*Financial Instruments*' (effective 1 January 2015) is a new standard on financial instruments that will eventually replace IAS 39. The published standard introduces changes to the current IAS 39 rules for classification and measurement of financial assets. Under IFRS 9 there will be two measurement bases for financial assets: amortised cost and fair value. Financial assets at fair value will be recorded at fair value through profit or loss with a limited opportunity to record changes in fair value of certain equity instruments through other comprehensive income. Financial liabilities are excluded from the scope of the standard.

  The standard also differs from existing requirements for accounting for financial assets in various other areas, such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income.

  The standard will be applied retrospectively (subject to the standard's transitional provisions).

The Group is currently in the process of evaluating the potential effect of these standards.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(a) Market risk

(i) Foreign exchange risk

The group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro, South Africa Rand (SAR) 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:

2012:	**USD Shs'000**	**EUROS Shs'000**	**SAR Shs'000**	**GBP Shs'000**	**TOTAL Shs'000**
Financial assets	-	-	-	-	-
Financial liabilities					
Trade payables	(13,491)	(3,734)	(106)	(7,730)	(25,061)
Net foreign currency liability	**(13,491)**	**(3,734)**	**(106)**	**(7,730)**	**(25,061)**
2011:					
Financial assets	-	-	-	-	-
Financial liabilities					
Trade payables	(63,581)	(18,045)	(2,397)	(15,045)	(99,068)
Net foreign currency liability	**(63,581)**	**(18,045)**	**(2,397)**	**(15,045)**	**(99,068)**

At 31 December 2012, 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 Shs 685,000 (2011 - Shs 1,175,000) higher/lower.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (continued)

(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 three banks namely Commercial Bank of Africa Limited and CfC Stanbic Bank Limited and Diamond Trust Bank Limited with a combined overdraft limit of Shs. 320 million (2011 - Shs 300 million) at rates determined by prevailing market conditions.

As at 31 December 2012, an increase/decrease of 1% on average borrowing rates would have resulted in an increase/decrease in profit before taxation Shs 1,579,000 (2011 - Shs 1,175,000).

(b) Credit risk

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

The amount that best represents the group's maximum exposure to credit risk as at 31 December 2012 is made up as follows:

Group Receivables	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total
Advertising	387,610	160,762	139,064	687,436
Circulation	6,936	9,764	4,025	20,725
Trade debtors – PDS	80,424	20,450	28,597	129,471
Trade debtors – Baraza	147,330	24,925	17,300	189,555
	622,300	**215,901**	**188,986**	**1,027,187**

The amount that best represented the group's maximum exposure to credit risk as at 31 December 2011 was made up as follows:

Group	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total Shs'000
Receivables				
Advertising	318,328	153,962	41,734	514,024
Circulation	28,311	11,049	22,720	62,080
Trade debtors – PDS	66,337	13,756	27,022	107,115
Trade debtors – Baraza	110,298	21,576	12,857	144,731
	523,274	**200,343**	**104,333**	**827,950**

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (continued)

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The debt that is overdue is not impaired and continues to be paid. The credit control department is actively following this debt. In addition, the group has bank guarantees of Shs. 28.87 million as at December 2012 (2011 – Shs 25.26 million), which can be enforced in the event of customer default. Further, for Circulation, the debt is partially covered by cumulative cash deposits by Vendors and Agents.

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

(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 CfC Stanbic Bank Limited with a combined limit of Shs 320 million (2011 – Shs 300 million).

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

Group	Less than 1 month Shs'000	Between 1 – 3 months Shs'000	Between 3 – 12 months Shs'000	Over 1year Shs'000	Total Shs'000
At 31 December 2012					
Borrowings – Shareholder loans	-	-	-	111,671	111,671
Borrowings – Bank borrowings	28,685	41,303	56,968	148,641	275,598
Hire purchase loans	1,932	3,353	14,929	49,620	69,834
Overdraft facility	316,123	-	-	-	316,123
Trade payables	110,712	10,275	100,673	85,887	307,547
At 31 December 2011					
Borrowings – Shareholder loans	-	-	-	118,687	118,687
Borrowings – Bank borrowings	81,822	40,154	132,887	197,415	452,278
Hire purchase loans	2,244	6,404	16,721	43,296	68,665
Overdraft facility	299,636	-	-	-	299,636
Trade payables	138,576	86,342	33,359	41,977	300,254

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Critical judgement in applying the group's accounting policies

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair values of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, investments held for trading is determined by using valuation technique). The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Plant and equipment

Critical estimates are made by the directors in determining depreciation rates of plant and equipment.

Impairment

At each reporting date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Contingent liabilities

As disclosed in note 38 to these financial statements, the group is exposed to various contingent liabilities in the normal course of business including a number of legal cases.

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

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (continued)

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.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

6 SEGMENT REPORTING

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

Information reported to the operating segment decision makers for the purposes of resource allocation and assessment of segment performance is focussed 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 therefore as follows:

(b) Segment revenues and results

The following is an analysis of the group's revenue and results for continuing operations by reportable segment:

	2012					2011				
	Publishing Shs'000	Television Shs'000	Radio Shs'000	Elimination Shs'000	Total Shs'000	Publishing Shs'000	Television Shs'000	Radio Shs'000	Elimination Shs'000	Total Shs'000
External sales	3,085,895	509,774	22,147	-	3,617,816	2,772,756	377,000	25,151	-	3,174,907
Other gains and losses	56,213	56,058	-	-	112,271	63,118	19,574	2,883	-	85,575
Expenses	(2,604,700)	(636,145)	(65,952)	-	(3,306,797)	(2,232,710)	(608,208)	(70,013)	-	(2,910,931)
Finance costs	(149,576)	(3,769)	(4,581)	-	(157,926)	(110,188)	(2,427)	(4,839)	-	(117,454)
Segment profit/(loss) before taxation	**387,832**	**(74,082)**	**(48,386)**	**-**	**265,364**	**492,976**	**(214,061)**	**(46,818)**	**-**	**232,097**
Income tax (expense)/credit	(104,038)	21,981	-	-	(82,057)	(151,970)	67,218	-	-	(84,752)
Profit/(loss) after taxation	**283,794**	**(52,101)**	**(48,386)**	**-**	**183,307**	**341,006**	**(146,843)**	**(46,818)**	**-**	**147,345**

(c) Segment assets and liabilities

	2012 Publishing Shs'000	2012 Television Shs'000	2012 Radio Shs'000	2012 Elimination Shs'000	2012 Total Shs'000	2011 Publishing Shs'000	2011 Television Shs'000	2011 Radio Shs'000	2011 Elimination Shs'000	2011 Total Shs'000
Segment assets	2,890,836	713,999	159,255	(262,542)	3,501,548	2,844,603	629,423	160,483	(122,251)	3,512,257
Segment liabilities	1,595,293	259,528	-	(192,175)	1,662,646	1,787,224	122,851	-	(51,884)	1,858,191
Capital expenditure	174,369	89,516	10,159	-	274,044	401,634	110,962	-	-	512,596
Depreciation and amortisation expense	167,233	61,522	11,386	-	240,141	146,066	57,740	11,233	-	215,039

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

		2012 Shs'000	2011 Shs'000
7.	**REVENUE**		
	Newspaper circulation	1,212,526	1,079,245
	Newspaper advertising	1,661,989	1,501,321
	Magazines and newspapers	165,020	158,888
	Outdoor advertising	68,507	58,453
	Television advertising	488,399	352,655
	Production and other revenue	21,375	24,345
		3,617,816	**3,174,907**
8.	**DIRECT COSTS**		
	Material cost	706,526	656,145
	Programmes	121,245	118,994
	Magazine purchases	125,883	116,676
	Depreciation	83,480	79,912
	News contribution costs	67,161	63,500
	Advertising commission	51,235	51,225
	Billboard costs	45,209	37,991
	Production salaries	30,125	26,061
	Maintenance	17,538	20,357
	News service	30,237	35,345
	Interactive service cost	22,122	-
	Air freight	10,310	11,037
	Rent	8,520	6,135
	TV licenses	41,457	26,313
	Machine and equipment hire	2,966	20,202
	Others	10,122	5,809
		1,374,136	**1,275,702**
9.	**OTHER GAINS AND LOSSES**		
	Sale of returns, production waste and other income	22,861	32,999
	Printing services	8,118	1,535
	Write back of bad debts provision	18,680	36,404
	Miscellaneous income	53,174	12,083
	Leasing fees	1,683	3,173
	Gain/(loss) on disposal of plant and equipment	409	(2,779)
	Net foreign exchange gain	7,346	2,160
		112,271	**85,575**
10.	**SELLING AND DISTRIBUTION**		
	Commission	135,114	111,652
	Transport and distribution costs	83,260	77,543
	Marketing and promotion	53,766	49,605
	Packing materials	11,828	9,787
		283,968	**248,587**

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

		2012 Shs'000	2011 Shs'000
11.	**ADMINISTRATIVE EXPENSES**		
	Staff costs	890,237	762,612
	Vehicle running and hire	122,339	121,735
	Depreciation charge	145,518	126,088
	Bad debts	114,113	29,307
	Rent and office expenses	83,323	80,721
	Professional fees	55,204	1,586
	Electricity and water	50,145	59,319
	Telephone and postages	42,953	42,681
	General insurance	27,723	33,958
	Licences	22,683	25,317
	Printing and stationery	19,962	15,907
	Repairs and maintenance	19,237	12,865
	Bank charges	13,643	13,151
	Travel and accommodation	13,128	21,305
	Amortisation	11,143	9,042
	Mileage	4,088	4,043
	Directors' fees	2,618	3,521
	Entertainment	2,681	2,784
	Training	1,711	6,823
	Subscription and donation	2,084	6,447
	Others	4,160	7,430
		1,648,693	**1,386,642**
	Staff costs include:		
	Salaries and wages	707,429	629,990
	Staff welfare	143,775	107,715
	Pension contributions	36,277	21,922
	NSSF contributions	2,214	2,358
	Share-based payments	542	627
		890,237	**762,612**
12.	**FINANCE COSTS**		
	Interest on term loans	78,457	68,841
	Interest on overdrafts	63,821	35,703
	Interest on shareholder loans	3,457	4,258
	Interest on hire purchase loans	12,191	8,652
		157,926	**117,454**
13.	**PROFIT BEFORE TAXATION**		
	The profit before taxation is arrived at after charging/(crediting):		
	Depreciation	228,998	205,998
	Amortisation - intangible assets	9,777	7,941
	- prepaid operating lease rentals	1,366	1,100
	Directors' remuneration: fees – executive	222	370
	: fees - non-executive	2,929	3,151
	: other emoluments – executive	60,086	45,381
	Auditors' remuneration - current year	3,500	2,846
	(Gain)/loss on disposal of plant and equipment	(608)	2,779

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

14. DIVIDEND PER SHARE

During the year, a share bonus issue of KShs 37,107,000 was made in the year resulting in issuance of 7,421,000 shares. The directors do not recommend payment of a final dividend. In 2011, a total dividend of KShs 37,112,000 was paid relating to 2010 final dividends.

15. TAXATION

	2012 Shs'000	2011 Shs'000
Group		
(a) Taxation expense		
Current taxation charge based on adjusted profit at 30%	157,008	158,673
Prior year under provision of current tax	-	12,844
	157,008	171,517
Deferred tax (credit)/charge in respect of the current year (Note 27)	(74,951)	(83,722)
Adjustments recognised in the current year in relation to the deferred tax of prior year (Note 27)	-	(3,043)
	(74,951)	(86,765)
Total income tax expense recognised in the current year	**82,057**	**84,752**
(b) Reconciliation of expected tax based on accounting profit to taxation expense		
Profit before taxation	**265,364**	**232,097**
Tax at the applicable rate of 30%	79,609	69,629
Tax effect of non-deductible costs	2,448	5,322
Prior year under provision of current tax	-	12,844
Prior year (over)/under provision of deferred tax	-	(3,043)
	82,057	**84,752**
(c) Taxation payable/(recoverable)		
Group		
At beginning of the year	69,221	112,481
Current tax - charge for the year	157,008	158,673
- prior year under provision	-	12,844
Tax paid in the year	(188,750)	(214,777)
At 31 December	**37,479**	**69,221**
Comprising:		
Tax payable	42,797	74,539
Tax recoverable	(5,318)	(5,318)
	37,479	**69,221**

15. TAXATION (Continued)

(c) Taxation payable/(recoverable) (continued)

	2012 Shs'000	2011 Shs'000
Company		
At beginning of the year	74,539	100,702
Current tax - charge for the year	157,008	158,673
- prior year under provision	-	12,844
Tax paid in the year	(188,750)	(197,680)
At 31 December	**42,797**	**74,539**

16. EARNINGS PER SHARE

(a) Basic earnings per share

	2012	2011
Profit attributable to owners of the Company – Shs'000	208,836	219,298
Weighted average number of shares during the year	81,583,384	81,554,388
Basic earnings per share – Shs	2.56	2.69

(b) Diluted earnings per share

	2012	2011
Earnings used in calculation of diluted earnings per share – Shs'000	208,836	219,198
Weighted average number of shares in issue during the year	81,583,384	81,554,388
Shares deemed to be issued in respect of funds awaiting allotment of shares*	-	9,499
Weighted average number of shares deemed to be in issue in respect of convertible preference shares	-	5,813
	81,583,384	81,569,700
Diluted earnings per share – Shs	2.56	2.69

* The weighted average number of shares deemed to be issued in respect of the funds awaiting allotment of shares has been computed on a time proportion based on the dates of receipt of these funds.

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

	2012	2011
Employee share options (Number of shares)	-	45,320

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

17. PROPERTY, PLANT AND EQUIPMENT

(a) Group

2012:	Buildings Shs'000	Plant & machinery Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Cost						
At 1 January 2012	529,003	1,891,203	133,841	392,272	79,184	3,025,503
Additions	5,890	55,719	28,144	47,402	95,735	232,890
Disposals	-	(1,274)	(7,920)	(3,823)	-	(13,017)
Transfers	-	52,909	-	4,265	(57,174)	-
Write offs	-	(82)	-	(8,146)	-	(8,228)
At 31 December 2012	**534,893**	**1,998,475**	**154,065**	**431,970**	**117,745**	**3,237,148**
Depreciation						
At 1 January 2012	24,829	578,873	87,140	279,483	-	970,325
Charge for the year	10,701	141,457	30,076	46,763	-	228,997
Eliminated on write offs	-	(67)	-	(7,962)	-	(8,029)
Eliminated on disposals	-	(163)	(5,980)	(1,871)	-	(8,014)
At 31 December 2012	35,530	720,100	111,236	316,413	-	1,183,279
Net book value						
At 31 December 2012	**499,363**	**1,278,375**	**42,829**	**115,557**	**117,745**	**2,053,869**
2011:						
Cost						
At 1 January 2011	492,671	1,573,250	117,319	333,605	16,963	2,533,808
Additions	28,492	317,953	33,359	58,908	70,061	508,773
Disposals	-	-	(16,837)	(241)	-	(17,078)
Reclassification	7,840	-	-	-	(7,840)	-
At 31 December 2011	529,003	1,891,203	133,841	392,272	79,184	3,025,503
Depreciation						
At 1 January 2011	14,803	442,136	69,589	245,181	-	771,709
Charge for the year	10,026	136,737	24,811	34,424	-	205,998
Eliminated on disposals	-	-	(7,260)	(122)	-	(7,382)
At 31 December 2011	24,829	578,873	87,140	279,483	-	970,325
Net book value						
At 31 December 2011	**504,174**	**1,312,330**	**46,701**	**112,789**	**79,184**	**2,055,178**

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Group (continued)

At 31 December 2012, property, plant and equipment with cost of Shs 446,617,000 (2011 – Shs 354,490,000) were fully depreciated. The notional depreciation charge on these assets would have been Shs. 106,868,799 (2011 – Shs 92,609,000).

During the year, management carried out a review of the working conditions of the group's property, plant and equipment and no impaired assets were identified.

(b) Company

2012:	Buildings Shs'000	Plant & machinery Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Cost						
At January 2012	448,398	1,287,470	131,222	326,132	58,228	2,251,450
Additions	5,890	10,159	28,144	36,999	62,182	143,374
Disposals	-	(1,274)	(7,773)	(3,823)	-	(12,870)
Transfers	-	52,909	-	4,265	(57,174)	-
Write offs	-	(80)	-	(7,805)	-	(7,885)
At 31 December 2012	454,288	1,349,184	151,593	355,768	63,236	2,374,069
Depreciation						
At January 2012	21,910	272,217	84,520	229,999	-	608,646
Charge for the year	9,081	89,034	30,076	39,285	-	167,476
Write off	-	(65)	-	(7,653)	-	(7,718)
Eliminated on disposals	-	(163)	(5,833)	(1,871)	-	(7,867)
At 31 December 2012	30,991	361,023	108,763	259,760	-	760,537
Net book value						
At 31 December 2012	**423,297**	**988,161**	**42,830**	**96,008**	**63,236**	**1,613,532**
2011:						
Cost						
At January 2011	412,066	1,049,982	114,700	277,005	16,963	1,870,716
Additions	28,492	237,488	33,359	49,367	49,105	397,811
Disposals	-	-	(16,837)	(240)	-	(17,077)
Reclassification	7,840	-	-	-	(7,840)	-
At 31 December 2011	448,398	1,287,470	131,222	326,132	58,228	2,251,450
Depreciation						
At January 2011	13,538	186,278	66,969	200,985	-	467,770
Charge for the year	8,372	85,939	24,811	29,136	-	148,258
Eliminated on disposals	-	-	(7,260)	(122)	-	(7,382)
At 31 December 2011	21,910	272,217	84,520	229,999	-	608,646
Net book value						
At 31 December 2011	**426,488**	**1,015,253**	**46,702**	**96,133**	**58,228**	**1,642,804**

At 31 December 2012, property, plant and equipment with cost of Shs 276,836,000 (2011 – Shs 241,213,000) were fully depreciated. The notional depreciation charge on these assets would have been Shs. 82,441,000 (2011 – Shs 73,385,000).

During the year, management carried out a review of the working conditions of the group's property, plant and equipment and no impaired assets were identified.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

18. PREPAID OPERATING LEASE RENTALS

	2012 Shs'000	2011 Shs'000
Group and Company		
Cost		
At 1 January	88,000	88,000
Additions during the year	40,000	-
	128,000	88,000
Amortisation		
At 1 January	4,448	3,348
Charge for the year	1,366	1,100
At 31 December	5,814	4,448
Net book value		
At 31 December	**122,186**	**83,552**

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

19. INTANGIBLE ASSETS

(a) **Group**

	Trademarks Shs'000	Software Shs'000	Frequency Shs'000	2012 Shs'000	2011 Shs'000
Cost					
At 1 January	6,000	64,317	66,875	137,192	133,369
Additions	-	1,154	-	1,154	3,823
At 31 December	6,000	65,471	66,875	138,346	137,192
Amortisation					
At 1 January	-	51,348	-	51,348	43,407
Charge for the year	-	9,777	-	9,777	7,941
At 31 December	-	61,125	-	61,125	51,348
Net book value					
At 31 December	**6,000**	**4,346**	**66,875**	**77,221**	**85,844**

(b) **Company**

Cost				
At 1 January	6,000	64,317	70,317	66,494
Additions	-	1,154	1,154	3,823
At 31 December	6,000	65,471	71,471	70,317
Amortisation				
At 1 January	-	51,348	51,348	43,407
Charge for the year	-	9,777	9,777	7,941
At 31 December	-	61,125	61,125	51,348
Net book value				
At 31 December	**6,000**	**4,346**	**10,346**	**18,969**

19. INTANGIBLE ASSETS (Continued)

The group acquired the rights to distribute the Eve Brand 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 radio frequencies through its subsidiary, Toads Media Group Limited.

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. No impairment losses have therefore been recognized in these financial statements.

20. INVESTMENTS

Company

Investment in subsidiaries (unquoted)

	Principal activity	Shareholding %	2012 Shs'000	2011 Shs'000
The Standard Limited	Dormant	100%	3,398	3,398
Baraza Limited	Broadcasting	51%	92	92
Agency Sales and Promotion Limited	Dormant	100%	2	2
Toads Media Group Limited	Leasing	100%	66,875	66,875
			70,367	**70,367**

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

21. INVENTORIES

	2012 Shs'000	2011 Shs'000
(a) Group		
Raw materials	109,851	149,622
Consumables	102,456	89,655
Goods in transit	49,438	53,285
Stocks for resale	3,481	2,309
Broadcast programmes	13,252	15,319
	278,478	**310,190**
(b) Company		
Raw materials	109,851	149,622
Consumables	92,897	79,155
Goods in transit	49,438	53,285
Stocks for resale	3,481	2,309
	255,667	**284,371**

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

22. TRADE AND OTHER RECEIVABLES

	2012 Shs'000	2011 Shs'000
(a) Group		
Trade receivables	1,027,147	827,950
Provision for doubtful receivables	(188,987)	(104,333)
	838,160	723,617
Other receivables and prepayments	86,680	69,262
Value Added Tax (VAT) recoverable	-	142,979
	924,840	**935,858**
(b) Company		
Trade receivables	837,712	683,219
Provision for doubtful receivables	(171,686)	(91,476)
	666,026	591,743
Other receivables and prepayments	36,691	56,705
Value Added Tax (VAT) recoverable	-	142,979
	702,717	**791,427**

23. SHARE CAPITAL

	2012 Shs'000	2011 Shs'000
(a) Ordinary shares		
Authorised:		
103,979,600 ordinary shares of Shs 5 each	**519,898**	**519,898**
Issued and fully paid:		
81,730,854 (2011 - 74,224,526) Ordinary shares of Shs 5 each	**408,654**	**371,123**
(b) Share premium		
Share premium comprises:		
Ordinary shares at 31 December	**39,380**	**36,522**

(c) Movement in fully paid ordinary shares

	No. of shares	Share capital Shs'000	Share premium Shs'000	Total Shs'000
At 1 January 2011	74,059,026	370,295	30,946	401,241
Issue of shares	165,500	828	5,576	6,404
At 31 December 2011	**74,224,526**	**371,123**	**36,522**	**407,645**
At 1 January 2012	74,224,526	371,123	36,522	407,645
Issue of shares-share options	-	424	2,858	3,282
Issue of bonus shares	7,506,328	37,107	-	37,107
At 31 December 2012	**81,730,854**	**408,654**	**39,380**	**448,034**

The increase in share capital during the year was a result of shares issued to the employee share ownership plan trust and bonus shares paid to the shareholders.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

24. RESERVES

(a) Capital redemption reserve

In accordance with Section 60 (1) of the Kenyan Companies Act, the redemption of the preference share capital was made through a transfer to a capital redemption reserve fund.

(b) Share based payments reserve

	2012 Shs'000	2011 Shs'000
At 1 January	1,753	-
Funds received for shares awaiting allotment*	-	1,126
Release of share based payment reserve	(3,282)	-
Recognition of share-based payments **	1,529	627
At 31 December	**-**	**1,753**

The above share based payments reserve relates to purchase of shares by employees under the employee share option plan. As at the reporting date in 2011, such shares had not been allotted.

* As at 31 December 2011, funds of KShs 1,126,000 for 45,320 ordinary shares of the Company had been received from employees under the employee share ownership plan. No funds had been received as at 31 December 2012.

** Recognition of share-based payments relates to discount on purchase of shares by employees under the employee share option plan recognised as an expense.

Further information about share options granted to employees is set out in Note 37.

(c) Retained earnings

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

25. NON-CONTROLLING INTERESTS

	2012 Shs'000	2011 Shs'000
At 1 January	248,220	320,173
Share of results for the year	(25,529)	(71,953)
At 31 December	**222,691**	**248,220**

26. RELATED PARTY BALANCES

(a) Due to related parties

Group

(i) Loans

	2012 Shs'000	2011 Shs'000
The Standard Media Group Holdings Limited (common shareholding)	52,787	53,787
Trade World (K) Limited (shareholders)	19,803	19,199
Miller Trustees (shareholders)	39,084	36,749
	111,674	**109,735**

Balances due to related parties are repayable as follows:

	2012 Shs'000	2011 Shs'000
Between 2 and 5 years	**111,674**	**109,735**

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

26. RELATED PARTY BALANCES (Continued)

(a) Due to related parties (Continued)

Company

	2012 Shs'000	2011 Shs'000
(i) Loans - continued		
Standard Media Group Holdings Limited	52,787	53,787
Trade World (K) Limited	19,803	19,199
Miller Trustees Limited	39,084	36,749
	111,674	**109,735**
(ii) Others		
Baraza Limited	-	41,291
The Standard Limited	10,590	10,590
	10,590	51,881
	122,264	**161,616**

Balances due to related parties are repayable as follows:

	2012 Shs'000	2011 Shs'000
Within 1 year	-	41,291
Between 2 and 5 years	122,264	120,325
	122,264	**161,616**

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 two years and is interest free. The loans from Miller Trustees and Trade World (K) Limited are repayable within the next two years and attract interest at a rate of 8%. As per agreement between the parties, no amounts are due within the next twelve months. All loans are unsecured.

The group has transactions with shareholders and companies in which directors of The Standard Group Limited are also directors (Note 28).

(b) Due from related companies

	Group 2012 Shs'000	Group 2011 Shs'000	Company 2012 Shs'000	Company 2011 Shs'000
The Standard Production Services Limited	-	14,828	-	14,828
Baraza Limited	-	-	181,582	-
	-	**14,828**	**181,852**	**14,828**

The amounts due from the group Company are fully performing and are recoverable within the next 12 months.

27. DEFERRED TAX LIABILITY

(a) Group

	2012 Shs'000	2011 Shs'000
Deferred tax assets:		
General provisions	(53,060)	(18,687)
Tax losses carried forward	(93,432)	(73,439)
	(146,492)	(92,126)
Deferred tax liability:		
Accelerated capital allowances	380,500	400,487
Unrealised foreign exchange differences	-	598
Net deferred tax liability	**234,008**	**308,959**
Movement on the deferred tax liability is as follows:		
At 1 January	308,959	395,724
Deferred tax (credit) in respect of the current year (Note 15(a))	(74,951)	(83,722)
Adjustments recognised in the current year in relation to the deferred tax of prior year (Note 15(a))	-	(3,043)
At 31 December	**234,008**	**308,959**

(b) Company

	2012 Shs'000	2011 Shs'000
Deferred tax liability/(assets)		
Accelerated capital allowances	299,383	318,670
Unrealised foreign exchange differences	-	598
Gratuity provision	(8,877)	(5,584)
Leave provision	(2,722)	(1,714)
Provision for share-based payments	(162)	-
General provisions for doubtful receivables	(33,904)	(5,283)
Net deferred tax liability	**253,718**	**306,687**
Movement on deferred tax liability is as follows:		
At 1 January	306,687	326,234
Deferred tax in respect of current year	(52,969)	(19,547)
At 31 December	**253,718**	**306,687**

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

28. BORROWINGS

(a) Group

The borrowings are repayable as follows:

	HP Loans Shs'000	Term Loans Shs'000	Overdrafts Shs'000	2012 Total Shs'000	2011 Total Shs'000
On demand and within one year	20,214	126,957	316,123	463,294	562,839
Between 1 and 2 years	21,963	63,006	-	84,969	85,641
Between 2 and 5 years	27,657	85,635	-	113,292	159,337
	69,834	275,598	316,123	661,555	807,817
Amounts due for settlement within one year	**20,214**	**126,957**	**316,123**	**463,294**	**562,839**
Amount due after one year	**49,620**	**148,641**	**-**	**198,261**	**244,978**
	69,834	**275,598**	**316,123**	**661,555**	**807,817**
The movement in the year was as follows:					
Beginning of the year	65,903	442,278	299,636	807,817	591,539
Additions	21,597	418,112	-	439,709	495,720
Repayments	(17,666)	(584,792)	-	(602,458)	(387,630)
Movement in overdrafts	-	-	16,487	16,487	108,188
At 31 December	**69,834**	**275,598**	**316,123**	**661,555**	**807,817**

	HP Loans Shs'000	Term loans Shs'000	Overdrafts Shs'000	Total Shs'000
At 31 December 2012:				
CfC Stanbic Bank Limited	12,749	117,202	147,694	277,645
CFC Stanbic Bank Limited (Short term Raw Materials)	-	38,000	-	38,000
Commercial Bank of Africa Limited	42,119	120,396	168,429	330,944
Diamond Trust Bank Kenya Limited	14,966	-	-	14,966
	69,834	**275,598**	**316,123**	**661,555**
At 31 December 2011:				
CfC Stanbic Bank Limited	17,492	235,948	177,043	430,483
Commercial Bank of Africa Limited	24,006	206,330	122,593	352,929
Diamond Trust Bank Kenya Limited	24,405	-	-	24,405
	65,903	**442,278**	**299,636**	**807,817**

28. BORROWINGS (Continued)

(b) Company

The borrowings are repayable as follows:

	HP Loans Shs'000	Term loans Shs'000	Overdrafts Shs'000	2012 Total Shs'000	2011 Total Shs'000
On demand and within one year	20,214	126,957	305,020	452,191	538,178
Between 1 and 2 years	21,963	63,006	-	84,969	85,641
Between 2 and 5 years	27,657	85,635	-	113,292	159,337
	69,834	275,598	305,020	650,452	783,156
Amount due for settlement within one year	**20,214**	**126,957**	**305,020**	**452,191**	**538,178**
Amount due after one year	**49,620**	**148,641**	**-**	**198,261**	**244,978**

The movement in the year was as follows:

	2011				2012
	HP Loans Shs'000	**Term loans Shs'000**	**Overdrafts Shs'000**	**Total Shs'000**	**Total Shs'000**
Beginning of the year	65,903	442,278	274,975	783,156	581,710
Additions	21,597	418,112	-	439,709	495,720
Repayments	(17,666)	(584,792)	-	(602,458)	(387,630)
Movement in overdrafts	-	-	30,045	30,045	93,356
At 31 December	**69,834**	**275,598**	**305,020**	**650,452**	**783,156**

	HP Loans Shs'000	Term loans Shs'000	Overdrafts Shs'000	Total Shs'000
At 31 December 2012:				
CfC Stanbic Bank Limited	12,749	117,202	147,693	277,644
CfC Stanbic Bank Limited	-	38,000	-	38,000
Commercial Bank of Africa Limited	42,119	120,396	157,327	319,842
Diamond Trust Bank Kenya Limited	14,966	-	-	14,966
	69,834	**275,598**	**305,020**	**650,452**
At 31 December 2011:				
CfC Stanbic Bank Limited	17,492	235,948	162,446	415,886
Commercial Bank of Africa Limited	24,006	206,330	112,529	342,865
Diamond Trust Bank Kenya Limited	24,405	-	-	24,405
	65,903	**442,278**	**274,975**	**783,156**

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

28. BORROWINGS (Continued)

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

- Joint and several debenture for Sh 130 million, a variation of joint and several debenture for Sh 243.3 million and a second further joint and several debenture for Sh 116.7 million (all together securing an aggregate amount of Sh 490 million) created by the borrower and The Standard Limited ranking pari passu with a debenture created by the borrower in favour of Commercial Bank of Africa.
- Legal charge, being supplemental to the above debentures, for Sh 490 million created by Standard Group Limited in favour of the bank over Land Reference Number 209/18213, Nairobi ranking pari passu with a legal charge created over the said property in favour of Commercial Bank of Africa Limited;
- Corporate guarantee and indemnity for Sh 518,000,000 by Baraza Limited in favour of the Bank on account of The Standard Group Limited supported by the Board of Director's resolution authorising issuance of the same
- Corporate guarantee and indemnity for Sh 359,000,000 by Baraza Limited in favour of the bank and on account of The Standard Limited
- Letter of undertaking by The Standard Production Services Limited consenting to the sale of Land Reference Number 209/9717, Nairobi in the event of default by the Company
- Inter-lenders' agreement between the Bank, Commercial Bank of Africa and the borrower.
- Hire Purchase Agreements executed between the bank and the Company and lodgements with the bank of all the relevant logbooks together with blank transfer forms for the assets financed under the Vehicle and Asset Finance Facility.

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

- Joint and several, fixed and floating debenture charge over all the assets of the Baraza Limited and The Standard Limited for Sh 490 million.
- Joint and several, fixed and floating debenture for Sh 110 million over all the assets of the Company and Toads Media Group Limited
- Legal charges for an aggregate of Sh 490 million over Land Reference Number 209/18213 INO the Company together with the title, ranking pari passu with charges of CfC Stanbic Bank Kenya Limited
- Corporate guarantee from Baraza Limited for Sh 490 million
- Corporate guarantees from Toads Media Group Limited in the amount of Sh 110 million.

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

The effective interest rates on the borrowings were as follows:

	HP Loans %	Term loans %	Overdraft %
Year ended 31 December 2012			
CfC Stanbic Bank Limited	19	19	19
Commercial Bank of Africa Limited	18.75	18.75	18.75
Diamond Trust Bank Kenya Limited	19	-	-
Year ended 31 December 2011			
CfC Stanbic Bank Limited	17.13	17.12	17.13
Commercial Bank of Africa Limited	16.25	16.25	16.25
Diamond Trust Bank Kenya Limited	19.17	-	-

		2012 Shs'000	2011 Shs'000
29.	**TRADE AND OTHER PAYABLES**		
(a)	**Group**		
	Trade	305,602	300,254
	Accruals and other payables	240,589	221,105
	Value Added Tax payable	20,176	3,854
	Leave pay accrual	12,126	7,585
		578,493	**532,798**
(b)	**Company**		
	Trade	276,262	240,707
	Accruals and other payables	213,937	196,084
	Leave pay accrual	9,073	5,713
	Value Added Tax payable	16,671	-
		515,943	**442,504**
30.	**PROVISIONS**		
(a)	**Group**		
	Gratuity provision	**34,119**	**24,343**
	Movement in gratuity provision is as shown below:		
	At 1 January 2012	24,343	16,756
	Amounts paid in the year	(16,555)	(11,460)
	Additional provision	26,331	19,047
	At 31 December 2012	**34,119**	**24,343**
(b)	**Company**		
	Gratuity provision	29,825	18,721
	Movement in gratuity provision is as shown below:		
	At 1 January 2012	18,721	11,425
	Amounts paid in the year	(15,759)	(6,837)
	Additional provision	26,863	14,133
	At 31 December 2012	**29,825**	**18,721**

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

31. NOTES TO THE STATEMENT OF CASH FLOWS

	2012	2011
(a) Reconciliation of profit before tax to cash generated from operations	**Shs'000**	**Shs'000**
Profit before tax	265,364	232,097
Adjustments for:		
Depreciation	228,997	205,998
Amortisation - intangible assets	9,777	7,941
- prepaid operating lease rentals	1,366	1,100
(Gain)/loss on sale of plant and equipment	(608)	2,779
Loss on write off of plant and equipment	200	-
Interest expense	157,926	117,454
Share-based payments expense	-	627
Operating profit before tax and working capital changes	**663,022**	**567,996**
Decrease in inventories	31,712	37,007
Decrease in trade and other receivables	11,018	46,806
Increase in trade and other payables (Note 31(e))	45,695	9,198
Increase in provisions	9,776	7,587
Net movement in related party balance	16,766	(13,881)
Cash generated from operations	**777,989**	**654,713**
(b) Cash and cash equivalents		
Bank and cash balances	39,636	21,489
Bank overdraft (Note 28)	(316,123)	(299,636)
	(276,487)	**(278,147)**
(c) Analysis of purchase of property and equipment		
Additions in the year (Note 17a)	232,890	508,773
Amounts for hire purchase financing (Note 28)	(21,597)	(36,220)
	211,293	**472,553**
(d) Analysis of bank loans received		
Loan additions during the year (Note 28)	439,708	495,720
Amounts for hire purchase financing (Note 28)	(21,597)	(36,220)
	418,111	**459,500**
(e) Analysis of trade and other payables		
At beginning of the year	532,798	546,760
Recognised in share capital on issue of shares	-	(6,404)
Gratuity provision (Note 30)	-	(24,343)
Increase in the year	45,695	16,785
At end of the year (Note 29)	**578,493**	**532,798**

32. RETIREMENT BENEFIT OBLIGATIONS

The group contributes to a pension plan established for the benefit of its employees. The pension plan is a defined contribution scheme, whereby the group matches contributions to the fund made by employees up to 7.5% of the employee's pensionable salary.

During the year, the group expensed Shs 38,491,000 (2011 – Shs 24,280,000) in contributions payable.

33. OPERATING LEASES

	2012 Shs'000	2011 Shs'000
Outstanding commitments under operating leases are as follows:		
Tenancy payable:		
Not later than one year	31,302	43,846
Between one and two years	30,651	68,720
Between two and five years	20,349	26,360
Over 5 years	6,640	655
	88,942	**139,581**
Amounts charged to profit or loss in the year in respect of operating leases	**65,806**	**79,355**

34. RELATED PARTY TRANSACTIONS

Related parties balances not settled at year end are disclosed under note 21.

(a) Key management compensation

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

	2012 Shs'000	2011 Shs'000
Fees for services as a director		
Executive directors	222	370
Non-executive directors	2,929	3,151
	3,151	3,521
Other emoluments		
Salaries and other short-term employment benefits:		
Executive directors' and key management	103,230	84,750
Total	**106,381**	**88,271**

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

34. RELATED PARTY TRANSACTIONS (Continued)

	2012 Shs'000	2011 Shs'000
(b) Cash transfers		
Cash transfers from The Standard Group Limited to Baraza Limited	59,079	48,535
Cash transfers from Baraza Limited to The Standard Group Limited	190,466	177,807
(c) Payments on behalf		
Payments by The Standard Group Limited on behalf of Baraza Limited	468,263	359,458
Payments by Baraza Limited on behalf of The Standard Group Limited	129,196	77,511
(d) Interest expense		
Interest on shareholder loan	3,457	4,258

35. CAPITAL COMMITMENTS

	Group 2012 Shs'000	Group 2011 Shs'000
Authorised and contracted for	26,000	87,000
Authorised but not contracted for	464,417	117,280
	490,417	**204,280**

Capital commitments mainly relate to acquisition of new equipment.

36. CAPITAL RISK MANAGEMENT

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

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

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

	2012 **Shs'000**	**2011** **Shs'000**
Share capital	408,654	371,123
Share premium	39,380	36,522
Capital redemption reserve	102	102
Cash-settled employee benefit reserve	-	1,753
Retained earnings	1,168,075	996,346
Non - controlling interests	222,691	248,220
Equity	**1,838,902**	**1,654,066**
Total borrowings	810,877	807,817
Less: cash balances	(39,636)	(21,489)
Net debt	**771,241**	**786,328**
Gearing	**42%**	**48%**

37. EMPLOYEE SHARE OPTION PLAN

Company

Details of the employee share option plan of the Company

The Board proposed to the shareholders to set up an Employee Share Ownership Plan (ESOP) as part of strategic measures to align shareholders and employee interests. The shareholders approved the same on May 18, 2007. The Trust Deed to the Scheme was approved by Capital Markets Authority on 20 August 2009 and registered on 11 September 2009. Consequently, 5,198,980 unissued ordinary shares of the Company are reserved for the ESOP. In accordance with the Trust Deed, employees with more than one year's service with the Group may be granted options to purchase ordinary shares.

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

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

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

37. EMPLOYEE SHARE OPTION PLAN (Continued)

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

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

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

Fair value of share options granted in the year

The weighted average fair value of shares granted during the year is nil (2011: 33.03). Options were valued with reference to quoted market prices.

Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2012		2011	
	Number of options	Weighted average exercise price Shs	Number of options	Weighted average exercise price Shs
Balance at beginning of year	45,320	38.69	-	-
Granted during the year	-	38.69	256,140	38.69
Exercised during the year	(39,956)	38.69	(210,820)	38.69
Options lapsed in the year	(5,364)	38.69	-	-
Balance at end of year	**-**	**38.69**	**45,320**	**38.69**

The following share options were exercised during year:

Options series	Number exercised	Exercise date	Share price at exercise date Shs
(1) Granted on 30 June 2012	39,956	July 2012	*26.3
	39,956		

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

Share options outstanding at the end of the year

There were no share options outstanding as at 31 December 2012.

NOTES TO THE CONSOLIDATED STATEMENTS (CONTINUED)

38. CONTINGENT LIABILITIES

As at 31 December 2012, the group had outstanding contingent liabilities amounting to Shs 327,340,000 (2011 – Shs 323,793,000 million) in respect of on-going litigation mainly relating to libel charges arising in the normal course of business. Shs 360 million (2011 - Shs 270 million) of the contingent liabilities have been insured while a total of Shs 66,657,000 (2011 – Shs 42,193,000) have been provided for by the group to cover both the balance and professional legal services. Legal opinion obtained from the group's advocates by the directors show that no additional liability will arise.

39. INCORPORATION

The Standard Group Limited is a limited liability Company incorporated and domiciled in Kenya under the Kenyan Companies Act. The ultimate holding Company is Standard Media Group Holdings Limited, which owns 100% of SNG Holdings Limited and is incorporated in the British Virgin Islands.

40. CURRENCY

The financial statements are presented in Kenya Shillings Thousands (Shs'000).

MINUTES OF THE 94TH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON THURSDAY MAY 10, 2012 AT 12.00 NOON AT THE STANDARD GROUP CENTRE

THE STANDARD GROUP LIMITED

PRESENT

R. Sewell - Chairman
P. Melly - Deputy Chairman and Chief Executive
Z. Janmohamed - Independent Director
J. Mcfie - Independent Director
S. Channa - Group Chief Operating Officer
F. Munywoki - Director Value and Innovation

IN ATTENDANCE
N. Matheka - Group Company Secretary (Secretary)

SHAREHOLDERS

1. Raphael Karina Kamotho
2. Haron Nyangore Biyogo
3. Marie Njambi Zakayo
4. Namagoa Carlos Nacumbize
5. Alois Wafula Chami
6. Elly Ochieng Samba
7. Ainea Sangili Vanegehiza
8. Charles Maganga Omumbwa
9. Andrew Murunga Toboso
10. James Muthubi Gitau
11. Frederick Tuhoto Maiteri
12. James Ngugi Mbai, John Njoroge Mbai
13. Francis Kamenwa Chege
14. Janet Wangeci Thuku
15. Joel Njihia Njenga
16. Joseph Kuria Gitau
17. Stepping Stone Enterprises
18. Musa Kiptum Komen
19. Adan Sheikh Hussein
20. Emmanuel Fenswa Masaba
21. Mansukhlal Jamnadas Morjaria
22. Fredrick Ndungu Githinji
23. Silas Steve Nyonje
24. Mary Polyne Khagali
25. Zechariah Godfrey Alushulla Muchere
26. Timothy Okello Matolo
27. Samuel Kamau Kariuki
28. William Francis Kinuthia Daniel Ngugi
29. Nancy Rutto
30. Jeremiah Ottaro Owich
31. John Kamau Kibe
32. Francis Mbuthia Irungu
33. John Mungai Muritu
34. Charles Maina Waweru
35. Francis Nyauma Ondieki
36. James Mburu Karwinu
37. Joseph Mute Mbwiria Gitumah
38. Charles Kabui Njoroge
39. Mbati Bevaly Nyawacha
40. Wellington Mutuku Mbondo
41. Paul Thumbi Mwangi
42. Cleophas Ojwang Adede
43. Shem Wanjohi Muchiri
44. Allan Kariuki Kahura
45. Peter Gicure Mwangi
46. Hunderson D. Njuku Mwazo
47. Isaac Thumbi Gichuha
48. George Njuguna Chui
49. Joseph Kuria Waweru
50. Albanus Kioko Wambua
51. Nital Rajesh Patel , Urmilla Vinodray Patel & Vinodray Dahyabhai Patel
52. Francis Patrick Nyegenye
53. Joyce Karimi Thuranira
54. Grace W Kiarie
55. Wambugu Munyiri
56. Cosmas Mulwa Malombe
57. Anish Amritlal Shah
58. Geoffrey Bethuel Maoga
59. Josephine Nyamoita Moseti
60. Albert Barack Owuor Yamo
61. Elizabeth Njeri Muruo
62. Mary Wambui Gacuruba
63. Sudhir Harilal Shah
64. Philip Munywoki Muthungu
65. Joseph Magondu Gitonga
66. Kirtesh Premchand Shah
67. Dominic Nyaga Njue
68. Joseph Magondu Gitonga
69. Peter Andrew Gacheru
70. Arthur Kibinu Karanja
71. Shashikant Meghji Shah
72. Lata Shashikant Shah
73. Nahason Karanja Mwangi
74. John Njoroge Gathogo
75. Simon Kahoko Mureu
76. Johnson Thuo Mbugua
77. David Oduor Oludhe
78. Florence Wamaitha Thuo
79. Margaret Muriuki & James G Muriuki
80. Jones Kavivya Nzau
81. Elizabeth Wanyi Muchugu
82. Stephen Irungu Kimani
83. Isaac Mwangi Macharia
84. Stephen Mbugua Muthandi
85. David Githaiga Nyanji
86. Jesi Mburu Mungai
87. David Wahiti Karanja
88. Alexander Matelu Andabwa
89. Peter Mwangi Mukuria
90. Joseph Ndiritu Ndurere
91. Miriam Wanjiru Wainaina
92. Alice Wanjiru Ndungi
93. Miriam Wairimu Nyindo
94. Denis Okoth Omollo
95. Martin Nyagaya Awega
96. Aaron Mwatha Mwangi
97. Wambui Maina
98. Edward Muthiora Gichuru
99. Sammy Makuda Osolo4
100. Mary Muthoni Kinyanjui
101. Nargis Waris
102. Iminza Mary Maheli, Kenneth Zeyazi Munubi
103. Charles Ndeda Manera
104. Charles Ndeda Manera
105. Lucia Katini Mulla
106. Charles Ndeda Manera
107. John Bosco Kamwana Mwangi
108. Silvia Kathambi Murithi
109. Samuel Gatuha Watata
110. Joseph Mwangi Karanja
111. Patricia Wambui Njuguna
112. Muchiri Kinyanjui
113. Paul Irungu Wairimu
114. Paul Gituhi Kaburia
115. Joseph Ombati Mosaremo

MINUTES OF THE 94TH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON THURSDAY MAY 10, 2012 AT 12.00 NOON AT THE STANDARD GROUP CENTRE

116. Samuel Moturi
117. Francis Wan'gombe Karuri
118. Benson Kiragu Mwangi
119. Rose Elizabeth Okumu Awuor
120. The Standard Group Limited Esop Trust
121. Jones Nthuku Ndundu
122. James Kimani Chege
123. Zablon Kiage Kimori
124. Stephen Njuguna Waweru
125. Elizabeth Gathoni Karanja
126. Peter Mungai Kimani,James Ngaruiya Karuu
127. Tabitha Omboja
128. Anjeline Mwikali Makuku
129. Allan Ngari Nduru
130. Francis Wainaina Mwangi
131. Jenipher Amuyunzu
132. Margaret Wambura Wangari
133. Eunice Waithira Kihara
134. Perpetual Njoki Mwaniki
135. Moses Kiarie Njoroge
136. Margaret W. Njoroge, Gabriel Njoroge Kirori
137. Luke G M Nzangi
138. Nancy Wanjeri Mwangi
139. Grace Muoti Kimeu
140. Kenneth Zeyazi Munubi & Wilberforce Musira Munubi
141. Collins Audi Ogola
142. Chao Patience Menya
143. Janet Wangui Munga
144. Jafferson Lainy Shangala
145. Stephen Mukugi Kariuki
146. Esther Njiri Otieno
147. Dann Odhiambo Werre
148. Henry Njonge Muranga
149. Sammy Karanja Mungai
150. William Gitau Wagatitu
151. Samson Augustine Wanyangu
152. Dominic Kamami Ngigi
153. Michael Muriithi Githinji
154. Joseph Ndungu Kamau
155. Elizabeth Kidiangi Muthiani
156. Jamleck Irungu Kuria
157. Lilian Karimi Igweta
158. George W Odhiambo Onyango
159. Jack Ndung'u Ndirangu
160. Enoch Mureithi
161. George Mbugua Ndirangu
162. Mary Mmbone Okot
163. Edward Mbaabu Mbogori
164. Margaret Waithira Njoroge
165. Samuel Maina Mwaura
166. Grace Menge
167. Joyce Nyambura Kimani
168. Damaris Evangeline Ayodo
169. Paul Yago Goga
170. Jervasio Kithaka Mbogoh
171. Dominic M.Buga Odera & Benard Ngaa Otieno
172. Aurelia Wambui Waiganjo
173. James Gatoru Kamande
174. Amos Kimani
175. Lucy Wanjiru Gichinga
176. Mary Wanjiku Karume
177. Monica Wangui Ngigi
178. James Kangethe Kamau
179. Dominic Otieno Ondoro
180. Schaerbeek Agency
181. John Wanga Otuoma
182. Joshua Walter Anyango Ogutu

53 proxies of 67,239,110 shares were received by the Company.

MIN. 01/2012: CONFIRMATION OF PREVIOUS MINUTES

The Company Secretary read the minutes of the previous Annual General Meeting and invited them to confirm or make comment on the same.

In absence of any comments by shareholders Mr. Timothy Okello Matolo proposed and Mr. Alois Wafula Chami seconded the confirmation of the minutes of the previous Annual General Meeting held on August 18, 2011 at the Standard Group Centre as read by the Company's Secretary, Nelly Matheka.

MIN. 02/2012: MATTERS ARISING

There was no matter arising.

MIN. 03/2012 BALANCE SHEET AND ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2011

The Chairman's, Directors' and the Auditor's accounts for the year ended 31st December 2011 were read to shareholders.

Shareholders questioned why the group was trading with high overdrafts and if this was the cause of lower dividend and therefore the Group should avoid such instances and give shareholders better dividend.

Shareholders were not pleased with the way the government was holding back on payments to the Company as this was denying the Company revenue and affecting dividends.

The Shareholders made a comment on the corporate information in the Annual Report and stated that there were no contacts for the Board and that it was important to get in touch with the Board for clarification and/or comments whenever the need arose.

The shareholders queried the NSE live streaming being aired on KTN. They challenged their accuracy and stated that what was being aired was not the current trading prices for several companies some of which have not been trading for long or are long dead. He also inquired on whether the shareholders could meet some of the Anchors during the AGM. Further the shareholders mentioned an incident on KTN when the station lost transmission and sound yet the programming continued without an apology to viewers.

One of the shareholders noted that there was a change in the Judiciary and that the Chief Justice encouraged parties to negotiate out of court to try and reduce the backlog of cases in the Courts hence the shareholder proposed the idea that the Group should seek an out of court settlement with the Government on the Standard Raid case.

Shareholders inquired on the Groups progress of Corporate Social Responsibility and proposed that the Group should venture into waste recycling as a project and noted that entrepreneurs have made millions from being garbage millionaires. The shareholder proposed the bottles, bottle tops and plastics could be a start and also the paper waste that we generate.

Shareholders questioned the large loss of revenue in broadcast and Radio but noted that Radio Maisha was still in its grace period.

MINUTES OF THE 94TH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON THURSDAY MAY 10, 2012 AT 12.00 NOON AT THE STANDARD GROUP CENTRE

Shareholders inquired whether the Group was paying tax to the Government and if so why Kshs.75 Million was shown as still owing to KRA. The Group Chief Operating Officer assured the shareholders that the said amount was in contention as the Group was challenging the provisions of the law on the accrued interest and that they had paid 16 Million to the Tax man.

Shareholders questioned where the funds and shares for the bonus issue of shares were coming from. The Group Chief Operating Officer informed the shareholders that revenue reserve funds would be utilised for the bonus issue.

After lengthy deliberations, Mr. Jones Kavivya Nzau proposed that the accounts be approved and Mr. Amos Gichamba seconded. The motion to approve the accounts was then carried unanimously.

MIN: 04/2012 RE-ELECTION OF DIRECTORS

Shareholders urged the Chair to introduce Management and not only the Board as the Management are the people on the ground implementing the Board's decision and that proper checks on Management is vital for proper delivery of services

The Chairman informed shareholders that Ms. Zehrabanu Janmohamed and Mr. Sarvjeet Channa had retired by rotation and offered themselves for re-election to the board.

Mr. Emmanuel Fenswa Masaba proposed and seconded by Mr. Stephen Irungu Kimani. It was resolved that the following be and are hereby re-elected to the board;

Ms. Zehrabanu Janmohamed	-	Independent Director
Mr. Sarvjeet Channa	-	Group Chief Operating Officer

MIN: 05/2012 DIRECTORS' REMUNERATION

Mr. David Oduor Oludhe proposed and seconded by Mr. Fredrick Ndungu Githinji. It was resolved that Directors' remuneration for the year ended 31st December 2011 be and hereby approved.

MIN: 06/2012 APPOINTMENT OF AUDITORS

The Chairman informed the shareholders that the Group's current Auditors were being retired in line with the Group's policy. He thanked the Auditors for serving the Group well for the past Five (5) years.

The Chairman informed shareholders that the Board had considered proposals from suitable auditors and had recommended KPMG to be the Group's Auditors for the financial year ended December 2012.

Following a proposal by Mr. Sudhir Harilal Shah and seconded by Mr. Mansukhlal Jamnadas Morjaria. It was unanimously resolved that KPMG be appointed Auditors in accordance with Section 159 (1) of the Companies Act Cap 486, the Directors are authorised to fix their remuneration.

MIN: 07/2012 SPECIAL BUSINESS

1. Following a proposal by Mr. Jones Kavivya Nzau and seconded by Mr. Timothy Okello Matolo. It was resolved that the Directors and Management are authorised to enter into an appropriate strategic Partnership with respect to Baraza Limited.

2. Following a proposal by and seconded by Mr. Geoffrey Bethuel Maoga it was resolved that the company issues one (1) bonus share for every ten (10) held as at 24th April, 2012 and to rank pari pasu in all respect with the existing issued ordinary shares held pursuant to article 96 of the Articles of the Company and subject to approval by the Capital Markets Authority.

3. The Shareholders were impressed with the Bonus share issue of one (1) bonus share for every ten (10) held and gladly welcomed the bonus issue commending that it was higher than any dividend that the Group has ever given.

4. The Chairman urged the shareholders to approve the proposed amendments to the Memorandum and Articles of Association of the Company.

Shareholders inquired into the provisions of the Amended Memorandum and Articles of Association on the untraceable shareholders. The Deputy Chairman and Chief Executive informed all shareholders that only when the Group has been unable to trace a shareholder for a period of six (6) years then the company may sell the shares however if they re-appear their shares as well as the dividends accrued will be payable to them.

Following a proposal by Mr. Jones Kavivya Nzau and seconded by Mr. Haron Nyangore Biyogo. It was unanimously resolved the proposed amendments to the Memorandum and Articles of Association of the Company are hereby approved.

MIN: 08/2012 ANY OTHER BUSINESS

1. Shareholders were concerned that their counties did not receive any CSR activity and that we should consider going county to county.

2. One of the shareholders raised a query on the County Weekly paper and stated that his county (Machakos) was not properly being covered and urged the Vice Chair to look into proper coverage of each County.

3. Shareholders questioned the development of Radio Maisha in Western Kenya a question which was raised last year and that to date the station is still not being heard.

4. Shareholders questioned the high rate of turnover of staff especially anchors and demanded that the Group should remunerate staff competitively in order to retain them.

Meeting ended at 1.45 pm with lunch.

CHAIRMAN……………………..
DATE………………………………….

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PROXY FORM FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2012

THE STANDARD GROUP LIMITED

I/We ____

of ____________________________________ being member(s) of the

above named Company appoint ______________________________

of ____________________________ or failing him ____________________

____________________________ of ____________________________

to vote for me/us on my/our behalf at the ninety-fourth Annual General Meeting of the said Company to be held on Friday May, 31 2013 at 2.00 p.m. and at any adjournment thereof.

Signed ____

____________________ day of ________________ 2013

Signature ______________________________

A member entitled to attend and vote at this meeting to appoint a proxy who need not be a member.

N.B. This Form of proxy must be deposited at the Registered Office, Standard Group Centre, P.O. Box 30080, Nairobi, not less than 48 hours before the appointment time for the holding of the meeting.

BACK OF PROXY FORM

INSIDE BACK COVER