2013

ANNUAL REPORT AND FINANCIAL STATEMENTS

STANDARD GROUP
bringing your world to you.

FINANCIAL YEAR ENDED 31ST DECEMBER 2013

VISION | To be a globally respected company that inspires people and transforms lives by being a reliable source of knowledge, information and entertainment.

MISSION | It is our mission to be a respectable player in knowledge transfer and transformation of society.

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BUSINESS REVIEW

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DIRECTORS AND STATUTORY INFORMATION

DIRECTORS	Robin Sewell*	- Chairman
	Sam Shollei	- Group Chief Executive Officer
	Orlando Lyomu	- Group Finance Director
	Francis Munywoki	- Managing Director Print Operations
	Zehrabanu Janmohamed	
	Lerionka S. Tiampati	
	James Boyd Mcfie	
	*British	

COMPANY SECRETARY

Ronald Lubya (Appointed 15 May 2013)
Certified Public Secretary (Kenya)
Standard Group Centre
Mombasa Road
P O Box 30080 - 00100
Nairobi

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Standard Group Centre
Mombasa Road
P O Box 30080 - 00100
Nairobi

AUDITORS

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

LEGAL ADVISERS

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

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

BANKERS

CfC Stanbic Bank Limited
Chiromo Road
P O Box 72833 - 00200
Nairobi

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

COMPANY REGISTRARS

Image Registrars
Transnational Plaza
Mama Ngina Street
P O Box 9287 - 00100
Nairobi

A unique news bulletin that captures the spirit of the weekend without losing the seriousness of the week. The programme features lively segments that check on how well you understand the language you speak.

hosted by

BETTY KYALO

& YOUR FAVOURITE CELEBRITIES

EVERY

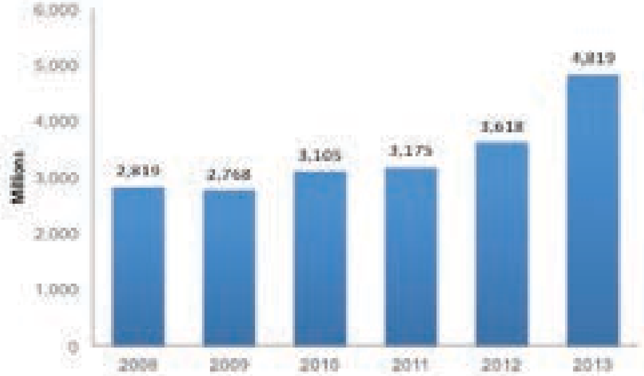
FRIDAY

9.00pm

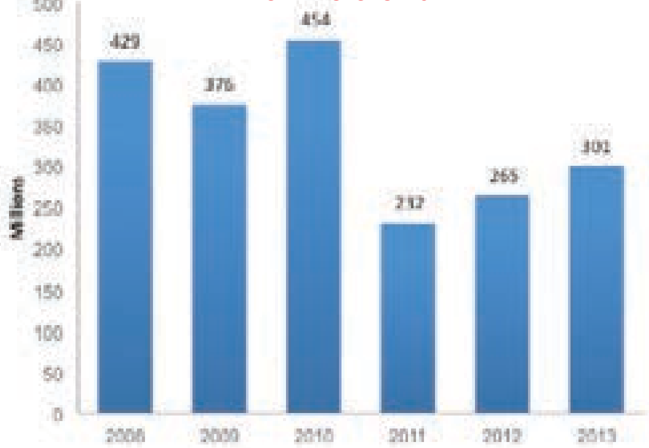
KTN

FINANCIAL HIGHLIGHTS
Kshs.

Turnover



Profit Before Tax



Movement in Total Assets

Movement in Shareholders' Equity


GUINNESS
SONY

Chairman's Statement | MR. ROBIN SEWELL

Dear Shareholders

On behalf of the Board of Directors and Management, I have great pleasure in presenting to you the annual report on the audited financial statements of your company for the year ended 31st December 2013.

In the year under review, the Group achieved impressive growth in all revenue streams despite a challenging business environment that was characterized by inflationary pressure, high cost of finance and increased competition. This sustained growth is a demonstration of the positive impact of our strategic initiatives and efficiency improvements.

The Group realized a turnover of Kshs 4.8Billion up from the Kshs 3.6Billion achieved in 2012, which represents a 33% growth in Group revenue. Circulation business grew by 6% while print advertising recorded a 41% growth over the previous year. TV advertising revenue also registered an impressive growth of 72%.

The Group realized a profit before tax of Kshs 301 million representing a 13% growth from Kshs 265 million in 2012. This would have been higher however the anticipated migration of television broadcasting from the current analogue "free-to-air" system to digital meant it was necessary to accelerate the depreciation of the analogue transmission equipment and this together with additional provisions arising from several necessary changes in accounting policies reduced the final Group profit to the extent of some Kshs. 151Million in 2013.

The value of Shareholders' equity at 31st December 2013 increased by 10% to stand at Kshs 2Billion up from Kshs 1.84Billion in the previous year with total assets increasing by 18% over the same period to stand at Kshs 4.1Billion.

Outlook

The economy is projected to expand by 5.6% in 2014 which should lead to increased business opportunities in our market.

The media industry in Kenya whilst vibrant remains highly competitive with more players venturing into the sector and the intensity of competition is expected to increase particularly on the TV and Radio fronts.

The Group has invested heavily in ICT related projects that are expected to enhance capacity and improve efficiencies as part of our cost containment objectives. Our expansion strategy has also contributed to the current growth in the business and management intends to take this initiative to the next level.

Barring unforeseen factors, the Board is cautiously optimistic that the level of growth in your business will be sustained in the current year and that the projected Group results will be realized.

Dividends

In view of the level of revenue reserves that now stand at Kshs 1.36Billion, the Board recommends a final dividend of Kshs 0.50 per share for the year 2013, subject to withholding tax where applicable and shareholders' approval at the Annual General Meeting to be held on 23rd May 2014.

Finally, I wish to acknowledge the efforts of my fellow directors, management, staff, media consumers and business partners whose invaluable efforts and support contributed to the tremendous growth of the Group's business and profitability in 2013.

Robin Sewell

CHAIRMAN

CEO's Statement | MR. SAM SHOLLEI

Dear Shareholders

In 2013, Standard Group delivered profitable growth despite a volatile market environment. Group market share increased significantly overall generating solid cash flow. The following are the highlights of 2013:

- Group profit before tax of Kshs 301 million
- Turnover of Kshs 4.8 billion
- EPS of Kshs 2.41
- Balance sheet growth of 18%
- Dividend of Kshs 0.50 per share

The Standard

The Standard recorded significant market share and volume growth. 2013 presented an opportunity to do things differently; re-packaging our news on the back of a year that started with a general election. Going beyond basic headlines to profile candidates, field questions and have the reader engage with their preferred candidates through the paper.

2013 is also the year the Standard drove sales through a sensitive approach to news. We successfully experimented with research-based headlines (Mpango wa Kando).

The Nairobian

The Nairobian which was launched in March 2013 has shown tremendous growth and its story goes against expert opinion on the performance of the print industry. The paper's readership strategy was to track and report on contemporary life in its diversity of the residents of the capital city of Kenya. Its content was anticipated as human interest news away from the usual politics that characterized newspaper content in Kenya.

The Nairobian has successfully recruited non-traditional newspaper readers and has become a true mirror of society. The paper will continue to be relevant to readers with human interest content, holding up a mirror to society and going where others dare not tread.

Game Yetu

As a targeted bi-weekly sports publication, Game Yetu has found its niche in in-depth sports analysis, telling the stories behind the game. It is a one-stop shop for sports with strong content pillars in rugby, basketball and football.

It is the only publication of its kind in the market and is the first and only English sports newspaper in the country.

Publishers Distribution Services

The distribution arm of the print division acquired key local magazine titles in 2013. PDS has continued its market domination by opening up new markets and distributing our products in the trade through various channels.

Digital

Standard Digital is a leading platform that aggregates all our digital assets and engages audiences by being the most frequently updated website. It currently ranks as the first Kenyan news website by traffic.

Television

KTN continued to be driven by the impetus of remaining issue-based, aggressive, unique, independent and authoritative in its broadcasting. Apart from being home to the crème of anchors in the country, KTN also continues to offer a balanced and professional range of news (political, business and sports) as well as a wide range of versatile programming.

Radio

Radio Maisha was re-launched and re-positioned in 2013. There was recruitment of fresh new talent as well as the acquisition of additional frequencies to increase reach and listenership. In addition, the purchase of a roadshow truck for use by both advertisers and our marketing team has increased awareness, brand affinity and visibility making Radio Maisha among the top ten stations nationally, in less than a year.

Continued expansion of reach should see the station rank amongst the top five by the end of 2014.

Automation

In order to reduce costs by improving efficiency as well as stay competitive, the Group in late 2013 embarked on implementing an Editorial publishing system (ppi). It offers solutions from planning, production, advertising and editorial workflow. This will not only increase speed (how fast the paper is produced), it will increase productivity.

In addition, the Group will be investing in an advanced ERP system that should see increased efficiency and management of financial as well as non-financial resources while enhancing internal controls and safeguarding company resources.

Our commitment

Our company Standard Group celebrated 111 years of existence this year. We are probably one of the oldest companies in Kenya. The first copy of the African Standard was launched on 15th November 1902 in Mombasa. The purpose of the newspaper (launched by Alibhai Mulla Jevanjee) was to champion the interest of the workers, and non-racial and equal rights for all.

As we reflect on our rich heritage, we at the Group would like to have greater impact in our society. As one of the oldest indigenous Kenyan companies we want to help create a different narrative for the next fifty years in this country. We want to identify champions, encourage transformation, and be there to tell these stories.

We remain committed to our mission to create credible inspiring content that champions public interest, empowers, transforms and entertains society.

www.transformkenyaawards.com

Kuna more homeless kids in the streets

These streets boys are all over the place nowadays.

Si gava should just round up these street families and keep them somewhere.

Ile pesa yote tunalipa tax inafaa isafishe hawa watu kutoka kwa streets

Hata mtu hawezi kuenjoy mali yake bila kusumbuliwa.

Gava ifanye kitu.

Niliona hawa watoto hawana mahali pengine pa kwenda, wote ni mayatima.

Nalea watoto 125 hapa. Hii ndio shule yao na makao yao. Mimi ndio mzazi na mwalimu wao.

Wanasoma kwa hii madarasa, na usiku wanalala hapa tu.

Ile kidogo Napata, ni yangu na hawa watoto.

Mimi nafanya ile mimi naweza

Khalid Mjomba, Entrepreneur, Nairobi

Enock Kaghuli Fani, Skylight Centre, Kawangware, Nairobi

Do something!

Visit www.transformkenyaawards.com and be a part of the great transformation.
There's always something that can be done to make Kenya a better place.
However small or seemingly insignificant.

Transform Kenya Awards
HONORING THOSE WHO MAKE A DIFFERENCE

Founded by: STANDARD GROUP bringing your world to you Deloitte.

Knowledge Partner: Riara University

#dosomething

CORPORATE GOVERNANCE STATEMENT

The Standard Group continues to comply with Corporate Governance regulations and guidelines issued by 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 the 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 overall strategic direction, policies, objectives and effective control to safeguard the Assets of the Group lies with the Board of Directors.

Composition of the Board

The names of Directors who held office in the year and to the date of the report are set out on page 22 to 23.

The Board currently consists of 7 Directors, 4 of whom are Independent Directors. The Directors possess broad range of expertise, diverse professional backgrounds from various sectors and experience required to run the business effectively.

The Group has an In-house Legal Counsel.

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

Audit Committee

This committee consists of 3 Directors, comprising the Chairman who is an independent Director and two 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 recommends improvements where appropriate. To further strengthen and ensure independent reports on internal audits, the Board has hired an Internal Auditor. Internal Audit reports findings and recommendations are presented to the Committee to ensure implementation. The Committee further ensures that the financial reporting is accurate and timely.

Remuneration Committee

This Committee consists of 3 Directors, comprising the Chairman who is an independent Director and 2 other Directors.

This Committee assists the board in addressing issues related to remuneration of Directors in particular and in general employee development and motivation. It also ensures that remuneration is set within the principles of equity and appropriateness.

The committee also oversees a transparent process for recruiting new Directors to the Board.

In order to enhance corporate governance, the Board has recommended that the Finance and Strategy Committee should be reconstituted. Further to that the Board has also recommended an additional Committee namely, Editorial Committee that, will deal with fair and balanced reporting, accuracy, public interest and ethical issues.

Matters deliberated by the Committees are placed before the full Board in form of reports from the Committees.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Ninety Sixth Annual General Meeting of The Standard Group Limited will be held on May 23rd, 2014 at 11am at The Standard Group Centre along Mombasa Road, Nairobi, to transact the following business:

1. To read the notice convening the meeting, this is issued in accordance with Article 137 of the Articles of the Company.

2. To confirm minutes of the ninety fifth Annual General Meeting held on May 31, 2013.

3. Matters arising there from.

4. To receive and consider the Balance Sheet and Accounts for the year ended 31st December 2013, together with the reports of the Chairman, the Directors, and the Auditors report therein.

5. To approve payment of a final dividend of Kshs.0.50 per share for the year ended 31st December 2013, subject to shareholder approval.

6. Re-election of Directors:

    a. In accordance with Article 101 of the company's Articles of Association, Dr. James Mcfie who is an independent director, retires by rotation and being eligible, offers himself for re-election.

    b. In accordance with Article 101 of the company's Articles of Association, Mr. Francis Munyoki who is an executive Director, retires by rotation and being eligible, offers himself for re-election.

    c. Shaun Zambuni, was appointed on the 28th February, 2014 and in accordance with Article 102 of the Company's Articles of Association, he hereby retires and offers himself for re-election.

7. To approve the Directors' remuneration for the year ended 31st December 2013.

8. To note that the Auditors, KPMG Kenya, have expressed their willingness to continue in office under section 159(2) of the company's Act (Cap 486), and to authorize the Directors to fix their remuneration.

9. Any other transaction of the ordinary business of the company for which appropriate notice has been issued and received.

By order of the Board.

RONALD LUBYA

COMPANY SECRETARY

Note:

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

   A proxy form may be obtained from our website **http://www.standardmedia.co.ke/corporate/annualreport.pdf**, and if used, shall be deposited with the secretary of the Company, or at the Company's share registrars, Image registrar Ltd, 6th Floor, Barclays Plaza, Loita Street P O Box 9287 - 00100 Nairobi, no later than 48 hours before the time appointed for holding the meeting.

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

   For further inquiries contact Naomi Kosgei (Telephone: 3222010, ckosgei@standardmedia.co.ke)

   Please Note: transport will be offered to shareholders to the Standard Group Centre along Mombasa road, the venue of the Annual General Meeting, from outside I&M Bank towers along Kenyatta Avenue from 9am.


KTN

CORPORATE SOCIAL RESPONSIBILITY

Education

Under this pillar, the Group seeks to inspire and support young people to realize their academic potential especially in the field of journalism. In the year 2013, some of the activities under this pillar included:

- Writing and photography competition for the youth drawn from local universities and colleges. The competition which was a joint venture with UN Women sought to highlight the achievement of millennium development goal three which is to promote gender equality and empower women. The Standard Group awarded the winners with cameras, tablets and internships in the broadcasting and print departments.
- Donation of books, magazines and newspapers to schools and children's homes.

Health

The Standard Group has had a major focus on palliative health care. This involves volunteer activities as well as donations towards treatment and equipment for children suffering from cancer, cardiac diseases and physical disability.

The Group partnered with community-based organizations and other stakeholders in the following campaigns:

- "My Eyes Your Eyes Campaign" which is a partnership with the Kenya Society for the Blind. The campaign raised funds for the provision of assistive devices and aid equipment for visually impaired children.
- Colour Kwa Face campaign saw The Group partner with the Colour Kwa Face foundation in raising awareness and buying sunscreen lotion for people living with Albinism.
- Keemokidz campaign raised funds for treatment and awareness on children suffering from cancer.
- Niko Fiti campaign is a joint initiative by the Standard Group and Kenya Re together with the Association for the Physically Disabled of Kenya (APDK). The aim of the campaign which is in its third year, is to promote mobility and accessibility of persons living with physical disabilities and mobility impairments through provision of assistive devices.

Environment

The Standard Group has also put great emphasis on activities and campaigns that seek to promote the conservation and protection of the environment. Some of the 2013 activities include:

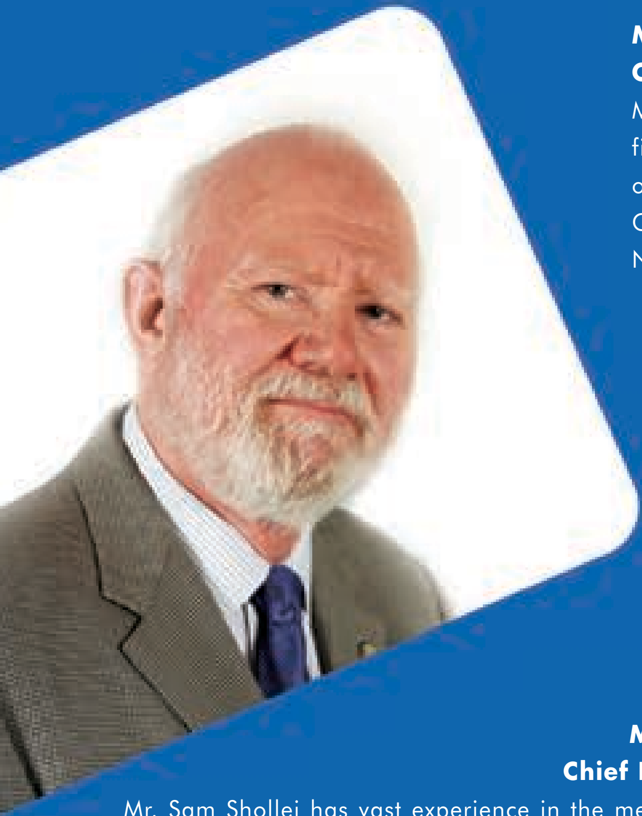
- Save Our Elephants (Hands off our elephants campaign) is a partnership with the Kenya Wildlife Service among other stake holders. The campaign aims at fighting poaching of elephants in the country.
- Greening of schools initiative is also one of the key areas where the Standard Group has partnered with community-based and governmental organizations.

  The aim is to plant ten million trees in the country in the next five years, mentor pupils and donate tree seedlings to schools.

  Eight thousand seedlings were donated to schools in Baringo, Nandi, Uasin Gishu and Elgeyo Marakwet Counties.

COVERAGE WITH COURAGE

BOARD OF DIRECTORS



MR. ROBIN SEWELL*
Chairman

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

MR. SAM SHOLLEI
Chief Executive Officer

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

DR. JAMES BOYD MCFIE
Independent Director

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

BOARD OF DIRECTORS

MS. ZEHRABANU JANMOHAMED
Independent Director

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

MR. SAMUEL LERIONKA TIAMPATI
Independent Director

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

MR. FRANCIS MUNYWOKI
Managing Director, Print Operations

Mr. Munywoki holds a BSc — Electrical and Communication and MBA from the London Business School. He brings 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 service. He has previously worked with The Coca-Cola Company and Pepsico Europe.

MR. ORLANDO LYOMU
Finance 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 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.

MANAGEMENT TEAM

JOHN BUNDOTICH
Chief Editor

KIZITO NAMULANDA
Head of Outdoor

JOE MUNENE
MD Broadcasting

JULIE KISAKA
Head of PDS

IRENE KIMANI
Commercial Director

ROBERT TOROITICH
Head of ICT

PAULINE KIRAITHE
HR Director

Ronald Lubya
Company Secretary

DOREEN MBAYA
Head of Marketing


KTN
JEFF
KOINANGE
LIVE

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2013, 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 and Online business under the trade name of Standard Digital.

2. Group results

	2013 Shs'000	2012 Shs'000
Profit before taxation	300,680	265,364
Taxation expense	(111,187)	82,057
Profit for the year transferred to retained earnings	**189,493**	**183,307**
Attributable to:		
Non-controlling interests	(7,919)	(25,529)
Owners of the Company	197,412	208,836
	189,493	**183,307**

3. Dividend

The directors recommend a final dividend of Kshs 0.50 per share for the year ended 31 December 2013 subject to shareholders' approval at an Annual General Meeting to be held in 2014. A share bonus issue of KShs 37,107,000 was made in 2012 resulting in issuance of 7,421,000 shares.

4. Directors

The directors who served since 1 January 2013 are set out on page 22 to 23.

5. Auditors

The auditors, KPMG Kenya, 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 21 March 2014

BY ORDER OF THE BOARD

Secretary

Date: 1st April 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the Consolidated and Company financial statements of The Standard Group Limited and its subsidiaries set out on pages 31 to 69 which comprise the Consolidated and Company statements of financial positions as at 31 December 2013, and the Consolidated statement profit or loss and other comprehensive income, the 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.

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

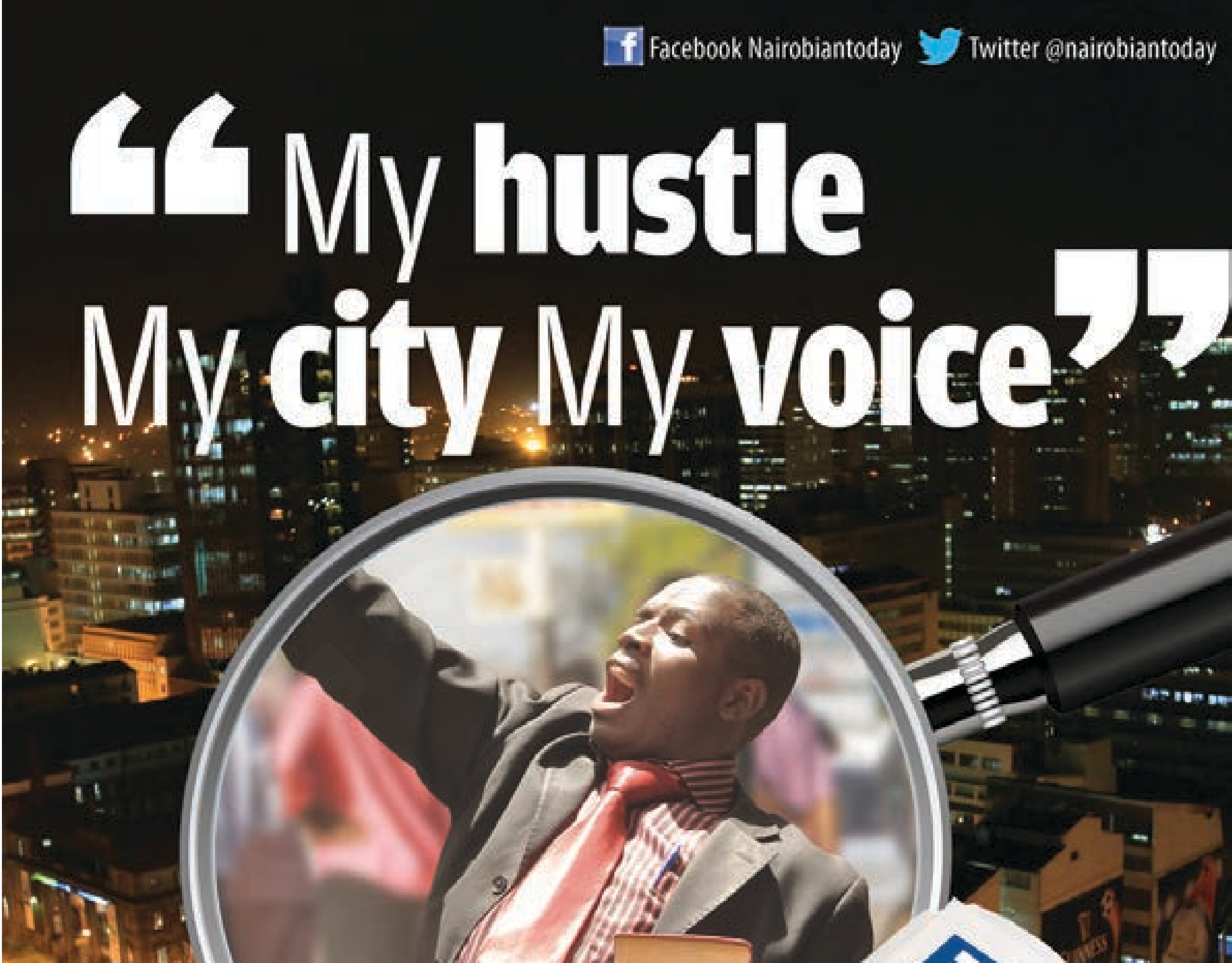
The financial statements, as indicated above, were approved by the Board of Directors on 21 March 2014 and were signed on its behalf by:

Director

Director


KTN
THIS
SUNDAY
6AM-9AM
HOSTED BY
ANTHONY NDIEMA &
DJ KROWBAR
TUKUZA
INSPIRE . REFRESH . CONNECT
11AM-1PM
HOSTED BY
DJ KROWBAR
& KENDI ASHITIVA


Radio Maisha
Tuko mbele pamoja!
Maisha ni
KUJIENJOY
JALANGO, ZULEKA NA ALEX MWAKIDEU
NAIROBI 102.7 | NYERI 105.7 | MERU 105.1 | NAKURU 104.5 | KITUI 93.8 | KISUMU 105.3 | MOMBASA 105.1 | KERICHO 90.5 | EDORET 91.1 | KISII 91.3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My city My voice"
THE NAIROBIAN
GET YOUR COPY EVERY FRIDAY
Nairobi Uncovered

REPORT OF THE INDEPENDENT AUDITORS 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 31 to 69 which comprise the Consolidated and Company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 27, 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 2013, 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Eric Etale Aholi - P/1471.

KPMG Kenya

Date: **21st March 2014**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Shs'000	2012 Shs'000
Revenue	7	4,818,808	3,617,816
Direct costs	8	(1,652,041)	(1,374,136)
Other gains and losses	9	73,584	112,271
Selling and distribution costs	10	(523,013)	(283,968)
Administrative expenses	11	(2,297,530)	(1,648,693)
Finance costs	12	(119,128)	(157,926)
Profit before taxation	13	**300,680**	**265,364**
Taxation expense	15(a)	(111,187)	(82,057)
Profit for the year		**189,493**	**183,307**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**189,493**	**183,307**
Attributable to:			
Non-controlling interests	25	(7,919)	(25,529)
Owners of the parent		197,412	208,836
		189,493	**183,307**
		Shs	**Shs**
Earnings per share – Basic	16(a)	**2.41**	**2.56**
Earnings per share – Diluted	16(b)	**2.41**	**2.56**
Dividend per share – Diluted (first and final proposed)		**0.50**	**-**

The notes set out on pages 40 to 69 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

ASSETS	Note	2013 Shs'000	2012 Shs'000
Non current assets			
Property, plant and equipment	17(a)	2,181,488	2,053,869
Prepaid operating lease rentals	18	120,555	122,186
Intangible assets	19(a)	191,142	77,221
		2,493,185	2,253,276
Current assets			
Inventories	21(a)	303,035	278,478
Trade and other receivables	22(a)	1,304,715	923,563
Taxation recoverable	15(c)	16,313	6,595
Bank and cash balances	31(b)	19,514	39,636
		1,643,577	1,248,272
TOTAL ASSETS		**4,136,762**	**3,501,548**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23(a)	408,654	408,654
Share premium	23(b)	39,380	39,380
Capital redemption reserve	24(a)	102	102
Retained earnings	24(c)	1,365,487	1,168,075
Attributable to owners of the Company		1,813,623	1,616,211
Non-controlling interests	25	214,772	222,691
Total equity		**2,028,395**	**1,838,902**
Non current liabilities			
Due to related parties	26(a)	110,671	111,674
Deferred tax liability	27(a)	261,493	234,008
Borrowings	28(a)	314,552	198,261
		686,716	543,943
Current liabilities			
Taxation payable	15(c)	-	42,797
Borrowings	28(a)	613,023	463,294
Trade and other payables	29(a)	780,906	578,493
Employee benefit	30(a)	27,722	34,119
		1,421,651	1,118,703
TOTAL EQUITY AND LIABILITIES		**4,136,762**	**3,501,548**

The financial statements on pages 31 to 69 were approved by the Board of Directors on 21 March 2014 and were signed on its behalf by:

Director *Director*

The notes set out on pages 40 to 69 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

ASSETS	Note	2013 Shs'000	2012 Shs'000
Non current assets			
Property, plant and equipment	17(b)	1,766,505	1,613,532
Prepaid operating lease	18	120,555	122,186
Intangible assets	19(b)	124,267	10,346
Investments	20	70,367	70,367
		2,081,694	1,816,431
Current assets			
Inventories	21(b)	264,513	255,667
Trade and other receivables	22(b)	1,020,938	702,717
Due from a group company	26(b)	211,096	181,582
Tax recoverable	15(c)	9,589	-
Bank and cash balances		18,314	35,932
		1,524,450	1,175,898
TOTAL ASSETS		**3,606,144**	**2,992,329**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23(a)	408,654	408,654
Share premium	23(b)	39,380	39,380
Capital redemption reserve	24(a)	102	102
Retained earnings	24(c)	1,134,849	929,194
Shareholders' equity		1,582,985	1,377,330
Non current liabilities			
Due to related parties	26(a)	121,261	122,264
Deferred tax liability	27(b)	287,200	253,718
Borrowings	28(b)	314,552	198,261
		723,013	574,243
Current liabilities			
Tax payable	15(c)	-	42,797
Borrowings	28(b)	581,767	452,191
Trade and other payables	29(b)	695,655	515,943
Employee benefit	30(b)	22,724	29,825
		1,300,146	1,040,756
TOTAL EQUITY AND LIABILITIES		**3,606,144**	**2,992,329**

The financial statements on pages 31 to 69 were approved by the Board of Directors on 21 March 2014 and were signed on its behalf by:

Director *Director*

The notes set out on pages 40 to 69 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

2013:	Share capital Shs'000	Share premium Shs'000	Capital redemption reserve Shs'000	Retained earnings Shs'000	Attributable to equity holders of parent Shs'000	Non-controlling interests Shs'000	Shareholders' equity Total
At 1 January 2013	408,654	39,380	102	1,168,075	1,616,211	222,691	1,838,902
Total comprehensive income for the year							
Profit/(loss) for the year	-	-	-	197,412	197,412	(7,919)	189,493
Total comprehensive income for the year							
At 31 December 2013	**408,654**	**39,380**	**102**	**1,365,487**	**1,813,623**	**214,772**	**2,028,395**

The notes set out on pages 40 to 69 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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	Share-holders' 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**

*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 40 to 69 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

2013:	Share capital Shs'000	Share premium Shs'000	Capital redemption reserve Shs'000	Retained earnings Shs'000	Total Shs'000
At 1 January 2013	408,654	39,380	102	929,194	1,377,330
Total comprehensive income for the year					
Profit for the year	-	-	-	205,655	205,655
At 31 December 2013	**408,654**	**39,380**	**102**	**1,134,849**	**1,582,985**

The notes set out on pages 40 to 69 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

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(c))	-	-	-	1,529	-	1,529
Issue of bonus issue (Note 14)	37,107	-	-	-	(37,107)	-
Issue of ordinary shares under ESOP (Note 24(b))	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**

*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 40 to 69 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Shs'000	2012 Shs'000
Cash flows from operating activities			
Cash generated from operations	31(a)	515,645	777,989
Interest paid	12	(119,128)	(157,926)
Tax paid	15(c)	(136,217)	(188,750)
Net cash generated from operating activities		260,300	431,313
Cash flows from investing activities			
Purchase of intangible assets	19(a)	(52,155)	(1,154)
Purchase of property, plant and equipment	31(c)	(425,002)	(211,293)
Payments for prepaid operating lease	18	-	(40,000)
Proceeds from disposal of property, plant and equipment		20,360	5,611
Net cash used in investing activities		(456,797)	(246,836)
Cash flows from financing activities			
Bank loans received	31(d)	712,944	418,111
Bank loans repaid	28(a)	(563,549)	(602,457)
Proceeds from issue of equity instruments of the Company	24(b)	-	1,529
Net cash generated from/(used) financing activities		149,395	(182,817)
Net (decrease/increase) in cash and cash equivalents		(47,102)	1,660
Cash and cash equivalents at 1 January		(276,487)	(278,147)
Cash and cash equivalents at 31 December	31(b)	**(323,589)**	**(276,487)**

The notes set out on pages 40 to 69 form an integral part of these financial statements.


Kisii sasa tuko mbele pamoja
SAFARI
Anthony Ndiema
Mon - Fri, 4am
ASUBUHI
Alex & Jalas
Mon - Fri, 6am
STAARABIKA
Ann Njogu
Mon - Fri, 10am
JIONI
Tina & Zuleka
Mon - Fri, 3pm
RHUMBA
Mwashumbe
Mon - Fri, 7pm
HABARI
Khadija
Kisii
Suneka
Kamagambo
Ogembo
Rongo
Keroka
Awendo
Nyamache
Kilgoris
Uriri
Sare
Migori
91.3
Radio Maisha
Tuko mbele pamoja!
Nairobi 102.7 | Nyeri 105.7 | Meru 105.1 | Nakuru 104.5 | Kitui 93.8
Kisumu 105.3 | Mombasa 105.1 | Kericho 90.5 | Bungoma 91.1

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013 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 profit or loss and other 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 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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

Subsidiaries

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

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

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue and other income recognition

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

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

Other income is recognised on an accrual basis.

(c) Taxation

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

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

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

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

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

(d) Provisions

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

(e) Segmental reporting

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

(f) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

(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%

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

(iv) Disposal of property, plant and equipment

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

(g) Intangible assets

(i) Software

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

Computer software 33⅓%

(ii) Trademarks and frequency

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

(h) Leasehold land

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

(i) Impairment of non financial assets

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

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

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

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

(j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the group as the lessee. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. All other leases are classified as operating leases.

Rentals payable under operating leases are recognised in profit or loss on the straight line basis over the term of the relevant lease.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and the overheads incurred in bringing the inventories to their present location and condition. Costs of direct materials and general consumable stores are determined on the weighted average cost basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories (continued)

Net realisable value represents the estimated selling price less the estimated cost to completion and costs to be incurred in marketing, selling and distribution.

Film stock is expensed when aired.

(l) Currency translations

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

(m) Financial instruments

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

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

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

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

(ii) Non-derivative financial assets – measurement

Loans and receivables

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

Cash and cash equivalents

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

(iii) Non-derivative financial liabilities – measurement

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

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

(n) Impairment

(i) Financial assets

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

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would otherwise not consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Impairment (continued)

(i) Financial assets (continued)

active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group or economic conditions that correlate with defaults in the Group.

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

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

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

(o) Employee benefits

(i) Defined contribution plan

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

(ii) Staff gratuity (Defined Benefit Plan)

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

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

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

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

(p) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired less advances from banks repayable within three months from date of disbursement or confirmation of the advance.

(q) Group overheads

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

(r) Related party transactions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Earnings per share

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

(t) Share capital

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

(u) Finance income and finance costs

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

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

(v) Comparatives

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

(w) New standards and interpretations adopted

The Group has adopted the following new standards and amendments to standards including consequential amendments to other standards, with a date of initial application of 1 January 2014

- 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 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 removes the corridor method and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which was 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.
- 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.
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New standards and interpretations not yet adopted

(i) Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012, introduced an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 ***Financial Instruments*** instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition, the amendments introduce new disclosure requirements related to investment entities in IFRS 12 ***Disclosure of Interests in Other Entities*** and IAS 27***Separate Financial Statements***.

These amendments will become effective for financial year commencing on 1st January 2014.

The parent company does not qualify to be classified as an ***Investment Entity*** as defined in the new amendments. Further the group does not account for its investment properties at fair value through profit or loss. These amendments will therefore have no effect on the Group's financial statements or the separate financial statements of the company.

(ii) Financial Assets and Financial Liabilities (Amendments to IAS 32)

Offsetting Financial Assets and Financial liabilities (amendments to IAS 32 Financial Instruments: Presentation) — These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Disclosures — Offsetting Financial Assets and Financial liabilities (amendments to

IFRS 7 ***Financial instruments: Disclosures***) — These disclosures, would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position and analyzing and comparing financial statements prepared in accordance with IFRSs and US GAAP.

These amendments will become effective for financial year commencing on 1st January 2014.

The Group's policy is to offset financial assets and financial liabilities when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The clarification contained in these amendments reinforces the Group's policy and would not alter the manner in which offsetting arrangements are accounted for.

The additional disclosure requirements in IFRS 7 would require the Group to disclose gross amounts before any offsetting arrangement.

(iii) Recoverable amount disclosures for Non-Financial assets (Amendments to IAS 36)

The amendments eliminate the requirement to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The amendments require the disclosure of the recoverable amount of an asset (including goodwill) or cash-generating unit when a material impairment loss is recognized or reversed during the period for that asset or unit.

These amendments will become effective for financial year commencing on 1st January 2014.

The amendments to IAS 36 have no impact on the Group's financial statements. The Group has no intangible assets or goodwill acquired in business combinations; neither does it have assets classified at fair value less costs of disposal.

(iv) Novation of Derivatives and continuation of Hedge Accounting (Amendments to IAS 39)

IAS 39 requires hedge accounting to be discontinued when the hedging instrument expires or is sold, terminated or exercised, unless the replacement or rollover of a hedging instrument into another hedging instrument is part of the entity's documented hedging strategy. The amendments clarify that an entity is required to discontinue the hedge accounting for a derivative that has been designated as a hedging instrument in an existing hedging relationship if the derivative is novated to a Central Counter Party.

These amendments will become effective for financial year commencing on 1st January 2014.

The Group does not have any derivatives and is currently not employing hedge accounting. Consequently these changes would have no impact of the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(v) IFRIC 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached.

These interpretations will become effective for annual periods commencing on 1st January 2014.

The legislation regarding levies in the jurisdictions where the Group operates provide for specific dates when these levies are due and payable. There is no ambiguity when the liability arises. The Group therefore complies with the interpretations proposed in IFRIC 21.

(vi) Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

The amendments are effective for annual periods beginning on or after 1 July 2014, with earlier application being permitted.

The Group's defined benefits scheme does not provide for employee contributions. The adoption of these changes would not affect the amounts and disclosures of the Group's defined benefits obligations.

(vii) IFRS 9 Financial Instruments

IFRS 9 ***Financial Instruments*** was initially issued on 12th November 2009 as the first step to replace IAS 39 ***Financial Instruments: Recognition and Measurement***. On 28 October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities. On 16 December 2011, the IASB issued Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7), which amended the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, and modified the relief from restating comparative periods and the associated disclosures in IFRS 7. On 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) amending IFRS 9 to include the new general hedge accounting model.

The IASB intends to expand IFRS 9 to add new requirements for impairment of financial assets measured at amortised cost and include limited amendments to the classification and measurement requirements.

The new Standard is effective for annual periods beginning on or after 1 January 2018.

Although the Group does not envisage any major impact on its financial statements on the adoption of IFRS 9 given its limited use of complex financial instruments, the Standard is still going through major changes before it finally replaces IAS 39. The full impact of these changes cannot therefore be reliably estimated at this time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (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, liquidity risk, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

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

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

(a) Market risk

(i) Foreign exchange risk

The group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro, 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:

2013:	USD Shs'000	EUROS Shs'000	SAR Shs'000	GBP Shs'000	TOTAL Shs'000
Financial Assets					
Cash at Bank	6,324	6,402			12,726
Financial liabilities					
Trade payables	(194,455)	(17,552)	(572)	(20,310)	(232,889)
Net foreign currency liability	**(188,131)**	**(11,150)**	**(572)**	**(20,310)**	**(220,163)**
	USD Shs'000	**EUROS Shs'000**	**SAR Shs'000**	**GBP Shs'000**	**TOTAL Shs'000**
2012:					
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)**

At 31 December 2013, 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 2,328,000 (2012 - Shs 685,000) higher/lower.

The following significant exchange rates have been applied during the year

	Average		Closing	
	2013	2012	2013	2012
USD	86.2	84.6	86.3	85.9
EURO	114.5	108.7	119.2	113.2
SAR	8.9	10.3	8.2	10.03
GBP	134.8	134.1	142.3	138.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (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. 353 million (2012 - Shs 320 million) at rates determined by prevailing market conditions.

As at 31 December 2013, an increase/decrease of 1% on average borrowing rates would have resulted in an increase/decrease in profit before taxation by Shs 1,191,000 (2012 - Shs 1,579,000).

(b) Credit risk

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

The amount that best represents the group's maximum exposure to credit risk as at 31 December 2013 is made up as follows:

Group	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total
Receivables				
Advertising	491,863	246,655	222,322	960,840
Circulation	75,408	25,806	32,280	133,494
Trade debtors – PDS	91,092	37,721	38,398	167,211
Trade debtors – Baraza	233,462	31,567	47,971	313,000
	891,825	**341,749**	**340,971**	**1,574,545**
Company				
Advertising	491,863	246,655	222,322	960,840
Circulation	75,408	25,806	32,280	133,494
Trade debtors – PDS	91,092	37,721	38,398	167,211
	658,363	**310,182**	**293,000**	**1,261,545**

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

Group	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total
Receivables				
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	24,885	17,300	189,515
	622,300	**215,861**	**188,986**	**1,027,147**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

Company	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total
Receivables				
Advertising	387,610	160,842	139,064	687,516
Circulation	6,936	9,764	4,025	20,725
Trade debtors – PDS	80,424	20,450	28,597	129,471
	474,970	**191,056**	**171,686**	**837,712**

The analysis above is based on the ageing below:

Fully performing	0-90 days
Past due	91-365 days
Impaired	Over 365 days

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

	2013 KShs '000	2012 KShs '000
Balance brought forward	188,986	104,333
Charge for the year	200,247	114,113
Bad debts recoveries	(48,262)	(29,460)
Balance carried forward	**340,971**	**188,986**

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. 34.23 million as at December 2013 (2012 – Shs 28.87 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 353 million (2012 – Shs 320 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 2013					
Borrowings – Shareholder loans	-	-	-	110,671	110,671
Borrowings – Bank borrowings	17,190	13,703	195,637	238,044	464,574
Hire purchase loans	5,765	3,948	40,004	70,180	119,897
Overdraft facility	343,104	-	-	-	343,104
Trade payables	19,612	82,689	290,585	-	392,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

Group	Between Less than 1 month Shs'000	Between 1 – 3 months Shs'000	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	275,597
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

(d) Fair values

None of the Group's financial instruments are measured at fair value. The Group has not disclosed fair values for financial instruments not measured at fair value, such as short term trade receivables and payables and borrowings, because their carrying amounts are a reasonable estimation of their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Property, plant and equipment

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

Impairment

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

Contingent liabilities

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

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

Taxation

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

6. SEGMENT REPORTING

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

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

	2013					2012				
	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	3,888,172	875,414	55,222	-	4,818,808	3,085,895	509,774	22,147	-	3,617,816
Other gains and losses	86,290	(9,644)	(3,062)	-	73,584	56,213	56,058	-	-	112,271
Expenses	(3,481,954)	(885,845)	(104,785)	-	(4,472,584)	(2,604,700)	(636,145)	(65,952)	-	(3,306,797)
Finance costs	(117,043)	(2,085)	-	-	(119,128)	(149,576)	(3,769)	(4,581)	-	(157,926)
Segment profit/(loss) before taxation	**375,465**	**(22,160)**	**(52,625)**	**-**	**300,680**	**387,832**	**(74,082)**	**(48,386)**	**-**	**265,364**
Income tax (expense)/ credit	(117,185)	5,998	-	-	(111,187)	(104,038)	21,981	-	-	(82,057)
Profit/(loss) after taxation	**258,280**	**(16,162)**	**(52,625)**	**-**	**189,493**	**283,794**	**(52,101)**	**(48,386)**	**-**	**183,307**

(c) Segment assets and liabilities

Segment assets	**3,372,925**	**754,489**	**220,444**	**(211,096)**	**4,136,762**	**2,890,836**	**713,999**	**159,255**	**(262,542)**	**3,501,548**
Segment liabilities	**1,986,861**	**332,602**	**-**	**(211,096)**	**2,108,367**	**1,595,293**	**259,528**	**-**	**(192,175)**	**1,662,646**
Capital expenditure	**308,543**	**89,516**	**50,780**	**-**	**488,839**	**174,369**	**89,516**	**10,159**	**-**	**274,044**
Depreciation and amortisation expense	**164,490**	**72,268**	**40,751**	**-**	**277,509**	**167,233**	**61,522**	**11,386**	**-**	**240,141**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

	2013 Shs'000	2012 Shs'000
7. REVENUE		
Newspaper circulation	1,290,800	1,212,526
Newspaper advertising	2,342,149	1,639,842
Magazines and newspapers	177,730	165,020
Outdoor advertising	77,493	68,507
Television advertising	835,275	488,399
Radio advertising	55,222	22,147
Production and other revenue	40,139	21,375
	4,818,808	**3,617,816**
8. DIRECT COSTS		
Material cost	783,556	706,526
Programmes	209,995	121,245
Magazine purchases	156,324	125,883
Depreciation	87,573	83,480
News contribution costs	89,612	67,161
Advertising commission	34,510	51,235
Billboard costs	61,422	45,209
Production salaries	39,772	30,125
Maintenance	40,208	17,538
News service	53,408	30,237
Interactive service cost	-	22,122
Air freight	10,046	10,310
Rent	7,099	8,520
TV licenses	48,390	41,457
Machine and equipment hire	14,259	2,966
Others	15,867	10,122
	1,652,041	**1,374,136**
9. OTHER GAINS AND LOSSES		
Sale of returns, production waste and other income	39,371	22,861
Printing services	1,535	8,118
Write back of bad debts provision	48,262	18,680
Miscellaneous income	3,948	53,174
Leasing fees	7,412	1,683
Gain/(loss) on disposal of plant and equipment	15,899	409
Net foreign exchange (loss)/gain	(3,592)	7,346
Loss on impaired assets	(39,251)	-
	73,584	**112,271**
10. SELLING AND DISTRIBUTION		
Commission	319,180	135,114
Transport and distribution costs	87,106	83,260
Marketing and promotion	102,900	53,766
Packing materials	13,827	11,828
	523,013	**283,968**

	2013 Shs'000	2012 Shs'000
11. ADMINISTRATIVE EXPENSES		
Staff costs	1,341,917	890,237
Vehicle running and hire	106,994	122,339
Depreciation charge	189,936	145,518
Bad debts	197,143	114,113
Rent and office expenses	89,745	83,323
Professional fees	63,459	55,204
Electricity and water	56,428	50,145
Telephone and postages	51,374	42,953
General insurance	33,412	27,723
Licences	20,384	22,683
Printing and stationery	24,002	19,962
Repairs and maintenance	19,754	19,237
Bank charges	18,523	13,643
Travel and accommodation	46,076	13,128
Amortisation	5,672	11,143
Mileage	3,020	4,088
Directors' fees	3,219	2,618
Entertainment	3,452	2,681
Training	5,515	1,711
Subscription and donation	6,263	2,084
Others	11,242	4,160
	2,297,530	**1,648,693**
Staff costs include:		
Salaries and wages	1,097,793	707,429
Staff welfare	194,601	143,775
Pension contributions	46,531	36,277
NSSF contributions	2,992	2,214
Share-based payments	-	542
	1,341,917	**890,237**
12. FINANCE COSTS		
Interest on term loans	52,308	78,457
Interest on overdrafts	45,150	63,821
Interest on shareholder loans	3,527	3,457
Interest on hire purchase loans	18,143	12,191
	119,128	**157,926**
13. PROFIT BEFORE TAXATION		
The profit before taxation is arrived at after charging/ (crediting):		
Depreciation	277,509	228,998
Amortisation - intangible assets	4,041	9,777
- prepaid operating lease rentals	1,631	1,366
Directors' remuneration: fees – executive	-	222
: Fees - non-executive	3,444	2,929
: Other emoluments – executive	71,605	60,086
Auditors' remuneration - current year	3,850	3,500
Loss/(gain) on disposal of plant and equipment	15,899	(608)
Loss on impaired assets	(39,251)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

14. DIVIDEND PER SHARE

During 2012, a share bonus issue of KShs 37,107,000 was made in issuance of 7,421,000 shares.

15. TAXATION

	2013 Shs'000	2012 Shs'000
Group		
(a) Taxation expense		
Current taxation charge based on adjusted profit at 30%	83,702	157,008
Deferred tax charge/(credit) in respect of the current year (Note 27)	10,339	(74,951)
Adjustments recognised in the current year in relation to the deferred tax of prior year (Note 27)	17,146	-
Total income tax expense recognised in the current year	**111,187**	**82,057**
(b) Reconciliation of expected tax based on accounting profit to taxation expense		
Profit before taxation	**300,680**	**265,364**
Tax at the applicable rate of 30%	90,204	79,609
Tax effect of non-deductible costs	3,837	2,448
Prior year under provision of deferred tax	17,146	-
	111,187	**82,057**
(c) Taxation payable/(recoverable)		
Group		
At beginning of the year	36,202	69,221
Current tax - charge for the year	83,702	157,008
Tax paid in the year	(136,217)	(188,750)
At 31 December	**(16,313)**	**37,479**
Comprising:		
Tax payable	-	42,797
Tax recoverable	(16,313)	(6,595)
	(16,313)	**36,202**
Company		
At beginning of the year	42,797	74,539
Current tax - charge for the year	83,703	157,008
Tax paid in the year	(136,089)	(188,750)
At 31 December	**(9,589)**	**42,797**
Comprising		
Tax payable	-	42,797
Tax receivable	9,589	-
	9,589	**42,797**

16. EARNINGS PER SHARE

	2013	2012
(a) Basic earnings per share		
Profit attributable to owners of the Company – Shs'000	**197,412**	**208,836**
Number of shares during the year	**81,730,854**	**81,583,384**
Basic earnings per share – Shs	**2.41**	**2.56**
(b) Diluted earnings per share		
Earnings used in calculation of diluted earnings per share – Shs'000	**197,412**	**208,836**
Weighted average number of shares in issue during the year	**81,730,854**	**81,583,384**
Diluted earnings per share – Shs	**2.41**	**2.56**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

17. PROPERTY, PLANT AND EQUIPMENT

(a) Group

2013:	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 2013	534,893	1,998,475	154,065	431,970	117,745	3,237,148
Additions	-	258,801	80,115	65,751	109,979	514,646
Disposals	-	(4,424)	(34,845)	(805)	-	(40,074)
Write off	-	(204,527)	-	-	-	(204,527)
Transfers to intangible	-	-	-	-	(65,807)	(65,807)
Transfers from WIP	129,753	18,237	-	10,635	(158,625)	-
At 31 December 2013	664,646	2,066,562	199,335	507,551	3,292	3,441,386
Depreciation						
At 1 January 2013	35,530	720,100	111,236	316,413	-	1,183,279
Charge for the year	11,595	150,462	50,714	64,738	-	277,509
Write off	-	(165,276)	-	-	-	(165,276)
Eliminated on disposals	-	(1,362)	(34,020)	(232)	-	(35,614)
At 31 December 2013	47,125	703,924	127,930	380,919	-	1,259,898
Net book value						
At 31 December 2013	**617,521**	**1,362,638**	**71,405**	**126,632**	**3,292**	**2,181,488**
2012:						
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	-	52,910	-	4,265	(57,174)	-
Write offs	-	(83)	-	(8,146)	-	(8,229)
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**

At 31 December 2013, property, plant and equipment with cost of Shs.507, 634,749 (2012 – KShs 446,617,000) were fully depreciated. The notional depreciation charge on these assets would have been Shs.115,279,775 (2012 – Shs 106,868,799).

During the year, management carried out a review of the working conditions of the group's property, plant and equipment and booked impairment for impaired assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

17. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

2013:	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 2013	454,288	1,349,184	151,593	355,768	63,236	2,374,069
Additions	-	157,751	80,115	51,395	148,836	438,097
Disposals	-	(4,424)	(32,520)	(804)	-	(37,748)
Transfers	129,753	6,875	-	6,344	(142,972)	-
Transfer to intangible	-	-	-	-	(65,807)	(65,807)
Write offs	-	(36,466)	-	-	-	(36,466)
At 31 December 2013	584,041	1,472,920	199,188	412,703	3,293	2,672,145
Depreciation						
At January 2013	30,991	361,023	108,763	259,760	-	760,537
Charge for the year	9,974	93,636	50,714	50,917	-	205,241
Write off	-	(26,849)	-	-	-	(26,849)
Eliminated on disposals	-	(1,362)	(31,696)	(231)	-	(33,289)
At 31 December 2013	40,965	426,448	127,781	310,446	-	905,640
Net book value						
At 31 December 2013	**543,076**	**1,046,472**	**71,407**	**102,257**	**3,293**	**1,766,505**
2012:						
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**

At 31 December 2013, property, plant and equipment with cost of Shs.309,267,313 (2012 – Shs 276,836,000) were fully depreciated. The notional depreciation charge on these assets would have been Shs.88,822,408 (2012 – Shs 82,441,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

18. PREPAID OPERATING LEASE RENTALS

	2013 Shs'000	2012 Shs'000
Group and Company		
Cost		
At 1 January	128,000	88,000
Additions during the year	-	40,000
	128,000	128,000
Amortisation		
At 1 January	5,814	4,448
Charge for the year	1,631	1,366
At 31 December	7,445	5,814
Net book value		
At 31 December	**120,555**	**122,186**

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

19. INTANGIBLE ASSETS

Group	Trademarks Shs'000	Software Shs'000	Broadcasting Licenses Shs'000	2013 Shs'000	2012 Shs'000
Cost					
At 1 January	6,000	65,471	66,875	138,346	137,192
Additions -		52,155	-	52,155	1,154
Transfers from PPE	-	15,027	50,780	65,807	-
At 31 December	**6,000**	**132,653**	**117,655**	**256,308**	**138,346**
Amortisation					
At 1 January	-	61,125	-	61,125	51,348
Charge for the year	-	4,041	-	4,041	9,777
At 31 December	-	65,166	-	65,166	61,125
Net book value					
At 31 December	**6,000**	**67,487**	**117,655**	**191,142**	**77,221**
Company					
Cost					
At 1 January	6,000	65,471	-	71,471	70,317
Additions	-	52,155	-	52,155	1,154
Transfers from PPE	-	15,027	50,780	65,807	-
At 31 December	6,000	132,653	50,780	189,433	71,471
Amortisation					
At 1 January	-	61,125	-	61,125	51,348
Charge for the year	-	4,041	-	4,041	9,777
At 31 December	-	65,166	-	65,166	61,125
Net book value					
At 31 December	**6,000**	**67,487**	**50,780**	**124,267**	**10,346**

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 and other frequencies acquired directly by the parent.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

20. INVESTMENTS

Company

Investment in subsidiaries (unquoted)

	Principal activity	Shareholding %	2013 Shs'000	2012 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

	2013 Shs'000	2012 Shs'000
(a) Group		
Raw materials	86,789	109,851
Consumables	115,434	102,456
Goods in transit	89,160	49,438
Stocks for resale	3,980	3,481
Broadcast programmes	7,672	13,252
	303,035	**278,478**
(b) Company		
Raw materials	86,789	109,851
Consumables	106,459	92,897
Goods in transit	67,285	49,438
Stocks for resale	3,980	3,481
	264,513	**255,667**

22. TRADE AND OTHER RECEIVABLES

	2013 Shs'000	2012 Shs'000
(a) Group		
Trade receivables	1,574,545	1,027,147
Provision for doubtful receivables	(340,970)	(188,987)
	1,233,575	838,160
Other receivables	71,140	85,403
Prepayments	-	-
	1,304,715	**923,563**
(b) Company		
Trade receivables	1,261,545	837,712
Provision for doubtful receivables	(292,999)	(171,686)
	968,546	666,026
Other receivables	52,392	36,691
	1, 020,938	**702,717**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

23. SHARE CAPITAL

(a) Ordinary shares

	2013 Shs'000	2012 Shs'000
Authorised:		
103,979,600 ordinary shares of Shs 5 each	**519,898**	**519,898**
Issued and fully paid:		
81,730,854 Ordinary shares of Shs 5 each	**408,654**	**408,654**

(b) Share premium

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

(c) Movement in fully paid ordinary shares

	No. of shares	Share capital Shs'000	Share premium Shs'000	Total Shs'000
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**
At 31 December 2013	**81,730,854**	**408,654**	**39,380**	**448,034**

There was no increase in share capital during the year.

24. RESERVES

(a) Capital redemption reserve

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

(b) Share based payments reserve

	2013 Shs'000	2012 Shs'000
At 1 January	-	1,753
Release of share based payment reserve	-	(3,282)
Recognition of share-based payments **	-	1,529
At 31 December	**-**	**-**

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 2013, such shares had not been allotted.

**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

	2013 Shs'000	2012 Shs'000
At 1 January	222,691	248,220
Share of results for the year	(7,919)	(25,529)
At 31 December	**214,772**	**222,691**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

26. RELATED PARTY BALANCES

(a) Due to related parties

	2013 Shs'000	2012 Shs'000
Group		
(i) Loans		
The Standard Media Group Holdings Limited (common shareholding)	48,787	52,787
Trade World (K) Limited (shareholders)	19,803	19,803
Miller Trustees (shareholders)	42,081	39,084
	110,671	**111,674**
Company		
Standard Media Group Holdings Limited	48,787	52,787
Trade World (K) Limited	19,803	19,803
Miller Trustees Limited	42,081	39,084
The Standard Limited	10,590	10,590
	121,261	**122,264**

Balances due to related parties are repayable as follows:

	2013 Shs'000	2012 Shs'000
Group		
Within 1 year	-	-
Between 2 and 5 years	110,671	111,674
	110,671	**111,674**
Company		
Within 1 year	-	-
Between 2 and 5 years	121,261	122,264
	121,261	**122,264**

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 34).

(b) Due from related companies

	Group 2013 Shs'000	2012 Shs'000	Company 2013 Shs'000	2012 Shs'000
Baraza Limited	-	-	**211,096**	**181,582**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

27. DEFERRED TAX LIABILITY

(a) Group	2013 Shs'000	2012 Shs'000
Deferred tax assets:		
General provisions	(94,506)	(53,060)
Tax losses carried forward	(92,707)	(93,432)
	(187,213)	(146,492)
Deferred tax liability:		
Accelerated capital allowances	448,706	380,500
Unrealised foreign exchange differences	-	-
Net deferred tax liability	**261,493**	**234,008**

Movement on the deferred tax liability is as follows:	2013 Shs'000	2012 Shs'000
At 1 January	234,008	308,959
Deferred tax (credit) in respect of the current year (Note 15(a))	10,339	(74,951)
Adjustments recognised in the current year in relation to the deferred tax of prior year (Note 15(a))	17,146	-
At 31 December	**261,493**	**234,008**

(b) Company		
Deferred tax liability/(assets)		
Accelerated capital allowances	365,487	299,383
Unrealised foreign exchange differences	-	-
Gratuity provision	(6,675)	(8,877)
Leave provision	(2,245)	(2,722)
Provision for share-based payments	-	(162)
General provisions for doubtful receivables	(69,367)	(33,904)
Net deferred tax liability	**287,200**	**253,718**
Movement on deferred tax liability is as follows:		
At 1 January	253,718	306,687
Deferred tax in respect of current year	33,482	(52,969)
At 31 December	**287,200**	**253,718**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

28. BORROWINGS

(a) Group

The borrowings are repayable as follows:

	HP Loans Shs'000	Term Loans Shs'000	Overdrafts Shs'000	2013 Total Shs'000	2012 Total Shs'000
On demand and within one year	49,717	220,202	343,104	613,023	463,294
Between 1 and 2 years	41,247	129,941	-	171,188	84,969
Between 2 and 5 years	28,933	114,431	-	143,364	113,292
	119,897	**464,574**	**343,104**	**927,575**	**661,555**
Amounts due for settlement within one year	49,717	220,202	343,104	613,023	463,294
Amount due after one year	70,180	244,372	-	314,552	198,261
	119,897	**464,574**	**343,104**	**927,575**	**661,555**
The movement in the year was as follows:					
Beginning of the year	69,834	275,598	316,123	661,555	807,817
Additions	89,644	712,944	-	802,588	439,709
Repayments	(39,581)	(523,968)	-	(563,549)	(602,458)
Movement in overdrafts	-	-	26,981	26,981	16,487
At 31 December	**119,897**	**464,574**	**343,104**	**927,575**	**661,555**

	HP Loans Shs'000	Term loans Shs'000	Overdrafts Shs'000	Total Shs'000
At 31 December 2013:				
CfC Stanbic Bank Limited	26,062	228,496	173,384	427,942
CFC Stanbic Bank Limited (Short term Raw Materials)	-	85,848	-	85,848
Commercial Bank of Africa Limited	85,117	150,230	169,720	405,067
Diamond Trust Bank Kenya Limited	8,718	-	-	8,718
	119,897	**464,574**	**343,104**	**927,575**
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

28. BORROWINGS (continued)

(b) Company

The borrowings are repayable as follows:

	HP Loans Shs'000	Term loans Shs'000	Overdrafts Shs'000	2013 Total Shs'000	2012 Total Shs'000
On demand and within one year	49,717	220,202	311,848	581,767	452,191
Between 1 and 2 years	41,247	129,941	-	171,188	84,969
Between 2 and 5 years	28,933	114,431	-	143,364	113,292
	119,897	464,574	311,848	896,319	650,452
Amount due for settlement within one year	49,717	220,202	311,848	581,767	452,191
Amount due after one year	**70,180**	**244,372**	**-**	**314,552**	**198,261**

The movement in the year was as follows:

	HP Loans Shs'000	Term loans Shs'000	Overdrafts Shs'000	2013 Total Shs'000	2012 Total Shs'000
Beginning of the year	69,834	275,598	305,020	650,452	783,156
Additions	89,644	712,944	-	802,588	439,709
Repayments	(39,581)	(523,968)	-	(563,549)	(602,458)
Movement in overdrafts	-	-	6,828	6,828	30,045
At 31 December	**119,897**	**464,574**	**311,848**	**896,319**	**650,452**

At 31 December 2013:	HP Loans Shs'000	Term loans Shs'000	Overdrafts Shs'000	Total Shs'000
CfC Stanbic Bank Limited	26,062	228,496	150,878	405,436
CfC Stanbic Bank Limited	-	85,848	-	85,848
Commercial Bank of Africa Limited	85,117	150,230	160,970	396,317
Diamond Trust Bank Kenya Limited	8,718	-	-	8,718
	119,897	**464,574**	**311,848**	**896,319**
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**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

28. BORROWINGS (continued)

(b) Company (continued)

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 2013			
CfC Stanbic Bank Limited	13.5	13.5	13.5
Commercial Bank of Africa Limited	16.25	16.25	16.25
Diamond Trust Bank Kenya Limited	16.5	-	-
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	-	-

29. TRADE AND OTHER PAYABLES

	2013 Shs'000	2012 Shs'000
(a) Group		
Trade	392,886	305,602
Accruals and other payables	327,776	240,589
Value Added Tax payable	51,669	20,176
Leave pay accrual	8,575	12,126
	780,906	**578,493**
(b) Company		
Trade	377,781	276,262
Accruals and other payables	275,697	200,783
Leave pay accrual	7,482	9,073
Value Added Tax payable	34,695	29,825
	695,655	**515,943**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

30. EMPLOYEE BENEFIT

	2013 Shs'000	2012 Shs'000
(a) Group		
Gratuity provision	**27,722**	**34,119**
Movement in gratuity provision is as shown below:		
At 1 January 2013	34,119	24,343
Amounts paid in the year	(31,600)	(16,555)
Additional provision	25,203	26,331
At 31 December 2013	**27,722**	**34,119**
(b) Company		
Gratuity provision	22,724	29,825
Movement in gratuity provision is as shown below:		
At 1 January 2013	29,825	18,721
Amounts paid in the year	(25,716)	(15,759)
Additional provision	18,615	26,863
At 31 December 2013	**22,724**	**29,825**

31. NOTES TO THE STATEMENT OF CASH FLOWS

	2013 Shs'000	2012 Shs'000
(a) Reconciliation of profit before tax to		
Cash generated from operations		
Profit before tax	300,680	265,364
Adjustments for:		
Depreciation	277,509	228,997
Amortisation - intangible assets	5,672	9,777
- prepaid operating lease rentals	-	1,366
Loss/(gain) on sale of plant and equipment	(15,899)	(608)
Loss on write off of plant and equipment	39,251	200
Interest expense	119,128	157,926
Operating profit before tax and working capital changes	**726,341**	**663,022**
(Increase)/decrease in inventories	(24,557)	31,712
(Decrease)/increase in trade and other receivables	(381,152)	11,018
Increase in trade and other payables	202,413	45,695
(Decrease)/increase in Employee benefit	(6,397)	9,776
Net movement in related party balance	(1,003)	16,766
Cash generated from operations	**515,645**	**777,989**
(b) Cash and cash equivalents		
Bank and cash balances	19,514	39,636
Bank overdraft (Note 28)	(343,103)	(316,123)
	(323,589)	**(276,487)**
(c) Analysis of purchase of property and equipment		
Additions in the year (Note 17a)	514,646	232,890
Amounts for hire purchase financing (Note 28)	(89,644)	(21,597)
	425,002	**211,293**
(d) Analysis of bank loans received		
Loan additions during the year (Note 28)	802,588	439,709
Amounts for hire purchase financing (Note 28)	(89,644)	(21,597)
	712,944	**(418,112)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

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.49,522,000 (2012 – Shs 38,491,000) in contributions payable.

33. OPERATING LEASES

	2013 Shs'000	2012 Shs'000
Outstanding commitments under operating leases are as follows:		
Tenancy payable:		
Not later than one year	54,790	31,302
Between one and two years	43,967	30,651
Between two and five years	30,290	20,349
Over 5 years	43,967	6,640
	173,014	**88,942**
Amounts charged to profit or loss in the year in respect of operating leases	**56,590**	**65,806**

34. RELATED PARTY TRANSACTIONS

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

(a) Key management compensation

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

	2013 Shs'000	2012 Shs'000
Fees for services as a director		
Executive directors	-	222
Non-executive directors	3,444	2,929
	3,444	3,151
Other emoluments		
Salaries and other short-term employment benefits:		
Executive directors' and key management	128,205	103,230
Total	**131,649**	**106,381**

(b) Cash transfers

Cash transfers from The Standard Group Limited to Baraza Limited	30,361	59,079
Cash transfers from Baraza Limited to The Standard Group Limited	**408,737**	**190,466**

(c) Payments on behalf

Payments by The Standard Group Limited on behalf of Baraza Limited	721,365	468,263
Payments by Baraza Limited on behalf of The Standard Group Limited	**312,844**	**129,196**

(d) Interest expense

Interest on shareholder loan	**3,527**	**3,457**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

35. CAPITAL COMMITMENTS

	Group	
	2013 Shs'000	**2012 Shs'000**
Authorised and contracted for	403,102	26,000
Authorised but not contracted for	479,106	464,417
	882,208	**490,417**

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:

	2013 Shs'000	**2012 Shs'000**
Share capital	408,654	408,654
Share premium	39,380	39,380
Capital redemption reserve	102	102
Retained earnings	1,365,487	1,168,075
Non-controlling interests	214,772	222,691
Equity	**2,028,395**	**1,838,902**
Total borrowings	927,575	810,877
Less: cash balances	(19,514)	(39,636)
Net debt	**908,061**	**771,241**
Gearing	**45%**	**42%**

37. EMPLOYEE SHARE OPTION PLAN

Company

Details of the employee share option plan of the Company

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (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
			Shs	Shs
(1) Granted on 24 June 2011	90,640	Not applicable	38.69	36.75
(2) Granted on 20 July 2011	165,500	Not applicable	38.69	31.00

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

Fair value of share options granted in the year

The weighted average fair value of share options granted in 2011 was KShs 33.03. Options were valued with reference to quoted market prices. There were no share options granted in 2013.

Movements in share options during the year

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

	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		Shs		Shs
Balance at beginning of year	-	-	45,320	38.69
Granted during the year	-	-	-	38.69
Exercised during the year	-	-	(39,956)	38.69
Options forfeited in the year	-	-	(5,364)	38.69
Balance at end of year	**-**	**-**	**-**	**38.69**

The following share options were exercised during year:

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

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

Share options outstanding at the end of the year

There were no share options outstanding as at 31 December 2013.

38. CONTINGENT LIABILITIES

As at 31 December 2013, the group had outstanding contingent liabilities amounting to Shs 312,982,271 (2012 – Shs 327,340,000) in respect of on-going litigation mainly relating to libel charges arising in the normal course of business. Shs 252 million (2012 - Shs 360 million) of the contingent liabilities have been insured while a total of Shs.60,193,390 (2012 – Shs 66,657,000) have been provided for by the group to cover both the balance and the cost of 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.


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Arsenal
WIN
EYES ON THE PRIZE
WORLD CUP PREVIEW
WorldSoccer
FOOTBALL'S MOST WANTED
COUNTDOWN TO BRAZIL
Diego Costa
Inside United
ROONEY
Fellaini

Board and Committee meetings attendance:

Director	Board (Out of 4)	Audit (Out of 2)	Remuneration (Out of 0)
Robin Sewell	3	-	-
James Mcfie	4	2	-
Zehrabanu Janmohamed	3	2	-
Samuel Lerionka Tiampati	4	1	-
Sam Shollei	4	2	-
Orlando Lyomu	4	2	-
Francis Munywoki	3	2	-

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	302,292	0.37%
6.	THE STANDARD GROUP LIMITED ESOP TRUST	226,880	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.

Top 10 Global Investors As At Monday March 31 2014

	Names	Address	Shares	Percentage
1	S.N.G HOLDINGS LIMITED	IBEX HOUSE-99999 BAKER STREET, WEYBRIDGE SURREY KT13 8AH UNITED KINGDOM SURREY KT13 8AH	56,422,699	69.03%
2	TRADE WORLD KENYA LIMITED	P. O. BOX 45675-00100 NAIROBI KENYA	8,906,068	10.90%
3	MILLER TRUSTEES LIMITED	P O BOX 72133-99999 NAIROBI KENYA	8,608,569	10.53%
4	KIRTESH PREMCHAND SHAH	P.O. BOX 18138- NAIROBI KENYA	429,716	0.53%
5	BALOOBHAI CHHOTABHAI PATEL	P.O. BOX 44690-00100 NAIROBI KENYA	302,092	0.37%
6	THE STANDARD GROUP LIMITED ESOP TRUST	P.O. BOX 30080-00100 NAIROBI KENYA	266,880	0.33%
7	DENROMA INVESTMENT LIMITED	P.O. BOX 5133-00200 NAIROBI KENYA	238,640	0.29%
8	JULIUS GECAU	P.O. BOX 49341-00100 NAIROBI KENYA	220,793	0.27%
9	SAVITABEN VELJI RAICHAND SHAH	P.O. BOX 46101-00100 NAIROBI KENYA	208,070	0.25%
10	EUFRAZIO JULIAO GOES	P.O BOX 2525-30200 KITALE KENYA	200,000	0.24%
11	Others		5,928,281	7.25%
		Grand Totals:	**81,731,808**	**100.00%**

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PROXY FORM FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2013

THE STANDARD GROUP LIMITED

I/We ______________________________ of P O Box ______________________________

being a member(s) of the above named Company appoint ______________________________

of P O Box ______________________________ or failing him/her ______________________________

of P O Box ______________________________

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, 23 2014 at 11am and at any adjournment thereof.

Signature ______________________________

Dated this ______________ day of ______________ 2014 ______________

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

This form of proxy must be deposited at the registered office, Standard Group Centre, P O Box 30080 - 00100, Nairobi, not less than 48 hours before the appointment time of holding the meeting.

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