2014

ANNUAL REPORT AND FINANCIAL STATEMENTS

STANDARD GROUP
bringing your world to you.

FINANCIAL YEAR ENDED 31st DECEMBER 2014

SHAREHOLDER'S DIARY

Financial year end	31st December, 2014
Annual General Meeting	Friday 29th May, 2015
Dividend book's closure date:	Friday 29th July, 2015

DIVIDENDS

Proposed dividend cents per share	50
Payable	on or before 31st August, 2015

For more information please visit our website **http://www.standardmedia.co.ke/corporate/**

TABLE OF CONTENTS

HIGHLIGHTS

BUSINESS REVIEW

FINANCIAL REVIEW

SHAREHOLDER INFORMATION

Our Brands ...

STANDARD GROUP
bringing your world to you.

ktn

Radio Maisha
Tuko mbele pamoja!

PdS Publishers Distribution Services
Subscription For Knowledge

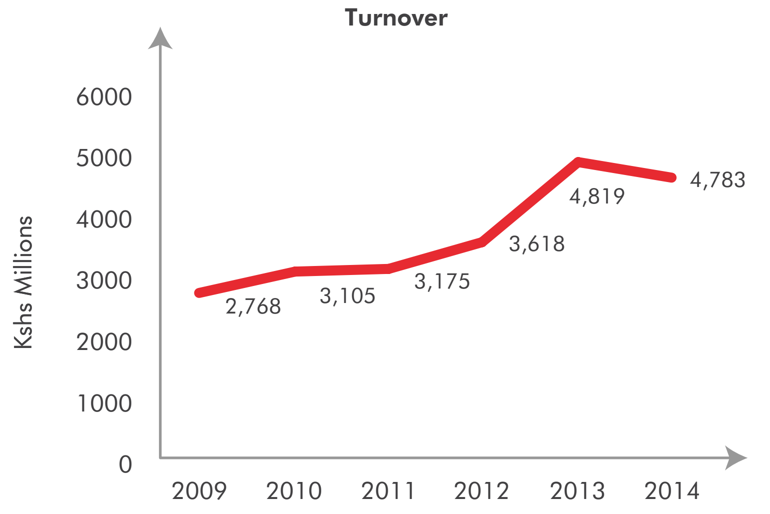
STANDARD Digital
Your Gateway...

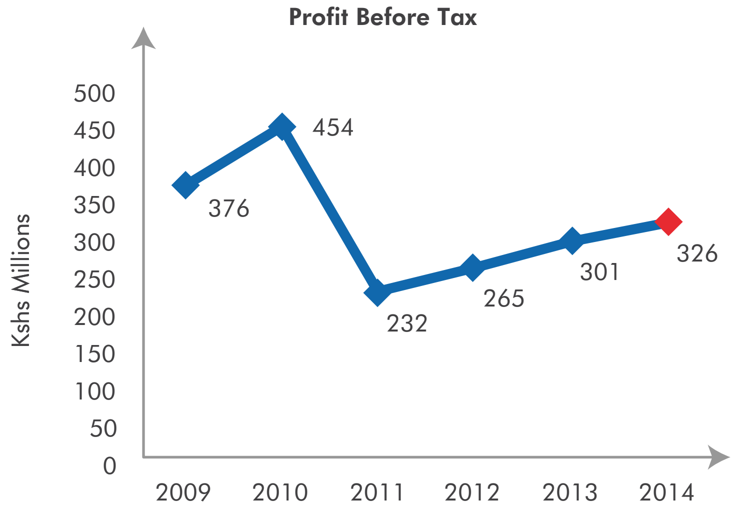
think Outdoor

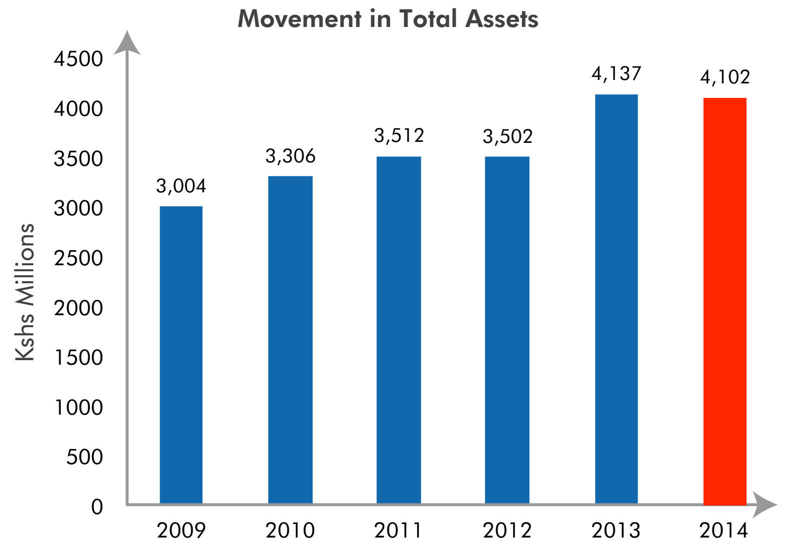
THE NAIROBIAN

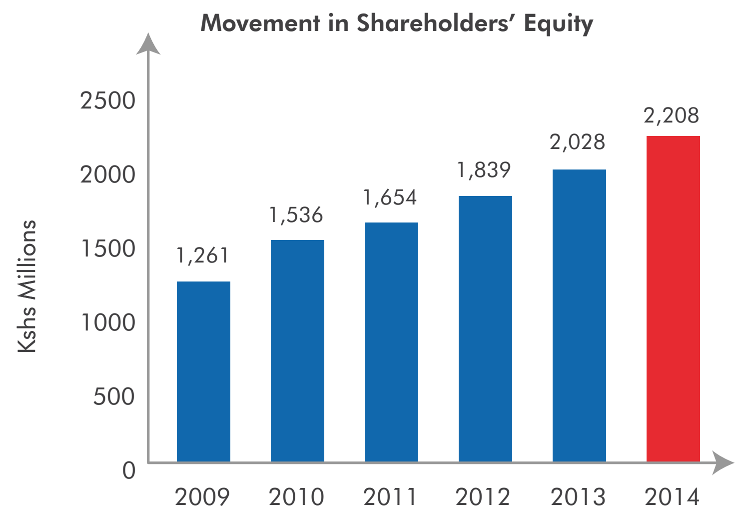
THE STANDARD

PERFORMANCE AT A GLANCE









MR. ROBIN SEWELL
CHAIRMAN

STANDARD GROUP LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS | YEAR ENDED 31ST DECEMBER 2014

CHAIRMAN'S STATEMENT

Introduction

It gives me great pleasure to present to you the Annual report and Audited Financial results for the year ended 31st December 2014.

The Group achieved a turnover of Sh4.8 billion in 2014 maintaining the same level as 2013. The key drivers for this were Print, Television and Radio advertising revenue that saw a growth of 8%, 6% and 66% respectively.

This was achieved despite the challenging business environment in 2014 characterized by reduced spending by government on print advertising and uncertainty surrounding digital migration.

The Group realized a profit before tax of KSh. 326 million in 2014 representing an 8% growth over the KSh. 301 million profit in 2013. This performance was partly as a result of initiatives by management to improve processes and controls through automation, thereby strengthening the control environment and prudent cost management.

Business Environment

The year 2014 was challenging not only for the media industry but also the global economy. However, throughout 2014, there was gradual domestic healing in the Eurozone as consumers regained confidence and the unemployment rate stopped rising. The unfavorable economic environment saw many corporates make cuts in their traditional advertising sources, but aggressive selling and innovative offers, boosted our advertising top line and ensured an improved performance.

The Group in 2014 commenced significant investment in business automation, aimed at creating operational efficiencies to spur and assure sustainable growth. So far, editorial workflow and core operations have been automated with on-going work in broadcast and advertising.

On the regulatory front, there was the notable enactment of two key laws that touch on media operations. These were the Kenya Information and Communications Amendment and the Security Laws (Amendment) Act. The Group has been involved in consultations with the Government to address concerns on possible interference with constitutionally guaranteed freedoms in media activities. The Group was also entangled in a dispute with the Communications Authority on the issue of digital migration, the culmination of which saw the award of a self-provisioning licence to the Group and two other media houses to enable the three transmit their own digital broadcasting signal.

SHARE PRICE AND MARKET CAPITALISATION

The Group had a total of 81.7 million issued shares as at 31st December 2014 with a market capitalization of KShs. 3 billion compared to Kshs. 2.1 billion in 2013. The earnings per share for 2014 were KShs. 2.57 compared to KShs. 2.41 in the previous year.

GROWTH AND 2015 PROSPECTS

The World Bank projects a 6.6% growth in the GDP for Kenya for the current year. The Central Bank of Kenya forecasts 6.4% in 2015 from 5.3% in 2014.

An overall improvement in performance of the world economy is expected in 2015 with a projected growth rate of 3% or slightly higher. This will positively impact developing economies such as the Kenyan economy where a more robust world economic environment should provide new business opportunities. However, the Kenyan economy continues to suffer from insecurity and terror threats. Terrorism has virtually brought the tourism sector to a stand-still especially at the coastal region where hotel occupancy rates have fallen below 15%.

The Group continues to prioritize customer satisfaction and to this end various initiatives are being undertaken to create and deliver high-quality, innovative products and services. The key activities for the various business units include the re-design of the newspaper to create a more visually-driven and attractive newspaper that is easy to navigate with fresh and appealing content. The Group has also made additional investments in the expansion of reach and signal availability for radio, in order to grow listenership while also enhancing awareness of the brand through promotions. As regards television, there are plans to invest in digital transmission infrastructure, launch new channels and also explore the viability of pay television business in order to harness the new business opportunities presented by digital broadcasting. The Group is also leveraging on its supplier relations in order to manage transaction and product development costs and also to enable the business get the best value in products and services to actualize the Group's investment in product development and innovation.

The operating environment in the media industry continues to evolve influenced by technological advancements, and this calls for innovative new products and services in response to the changing consumer demands and habits. The Group is developing strategies to engage consumers on non-traditional platforms such as digital media, as some of the traditional platforms for instance print, are showing signs of stagnation. The Group recognizes the need to navigate with agility in this changing media landscape in order to remain relevant and compete sustainably.

Finally, the Group's continued investment in automation is expected to increase efficiency and productivity and this should result in lower cost of

CHAIRMAN'S STATEMENT (Continued)

doing business. In order to take advantage of these investments as well as align the operations of the Group to world class standards, the Group is undertaking a comprehensive review of the organization structure. To this end, Deloitte and Touche, who have wide experience in carrying out this kind of exercise, were contracted to carry out the assignment which is expected to be completed in the first half of 2015.

CORPORATE GOVERNANCE

I would like to welcome Mr Shaun Zambuni who joined the Board in 2014 as a non-executive member. Mr. Zambuni brings a new mix of skills, knowledge and experience to the Standard Group based on his extensive commercial and operational experience in businesses spanning energy, health care and business service sectors in the United Kingdom, Australia and Kenya.

Dividend

The Board recommends a final dividend of Kshs. 0.50 per share for the year 2014, subject to withholding tax where applicable and shareholders' approval at the Annual General Meeting to be held on 29th May 2015.

ACKNOWLEDGEMENT

The Board wishes to acknowledge and thank our management and staff and our media consumers and business partners whose contribution to the stability and growth of the Group's business and profitability in the year under review was invaluable.

Thank you

Robin Sewell

CHAIRMAN

MR. SAM SHOLLEI
GROUP CEO

STANDARD GROUP LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS I YEAR ENDED 31ST DECEMBER 2014

CEO'S STATEMENT

I am delighted to present to you the business highlights for the year ended 31 December 2014.

To start with, I would like to give an overview of the Group's business performance during the period under review. The country faced a significant number of challenges in 2014 that consequently affected overall economic growth and the operating business environment. Key among them was insecurity that saw cases of terrorism increase directly affecting tourism and eventually impacting on the Kenyan Shilling. The introduction of VAT on newspapers half way through the year impacted negatively on this sector of the business.

Specifically, reduced spending by government on advertising and uncertainty surrounding digital migration had a negative impact on our top line.

But despite all these, we posted positive results with a pretax profit of Kshs. 326 million representing 8% growth from Sh301 million in 2013. During the same year, advertising grew by 8% in print, 66% in Radio and 6 % in Television.

The Company realized a turnover of Sh4.8 billion maintaining the same turnover level as 2013. The key drivers for this performance were growth in Print, Television and Radio advertising streams, which cancelled out the negative effect of introduction of VAT on newspapers.

Key Challenges

A key challenge that continues to affect the Group's business operations is the protracted tussle with Government over digital migration. The year under review was characterized by a litigation process that saw three media houses including The Standard Group move from the High Court to the Supreme Court in an attempt to have the government extend the digital migration deadline. The Supreme Court while granting the three media houses a self-provisioning digital distribution license, denied them the request to continue broadcasting on the analogue platform. The vast majority of TV viewers in Kenya are unable to immediately purchase decoders for the digital signal: preventing the three largest TV broadcasters the possibility of continuing to broadcast on the analogue platform, as has happened in many countries around the world, has denied a large group of viewers the possibility of watching TV.

This has significantly reduced the number of viewers by as much as 65%. Television business will therefore remain depressed in the coming months and is unlikely to recover to its original levels before the end of 2015.

Copy circulation

Copy circulation was affected by the imposition of VAT mentioned above on main newspapers in the market that was effected in the last quarter of 2013. This led to a 20% increase in the cover price from Ksh.50 to Ksh.60 resulting to a shift by a significant number of readers to the digital platforms. The price increase saw an overall 15% circulation decline in the industry.

The Group is working on an improved content presentation strategy as well as an upcoming re-design that is expected to grow readership. The Group remains committed to exemplary newspaper quality to deliver value for money to achieve growth in readership.

Individual Products performance

The Standard

The flagship brand suffered a decline in readership due to the cover price increase. To address this, the Company introduced county news strengthening the content offering in the Standard.

Creative selling through specialty supplements helped boost revenue while review of the distribution channels helped to restore somewhat circulation revenue. There was an overhaul in content presentation with editioning and content analysis being part of the Group's turnaround strategy. The Group is in the process of launching a re-design strategy that is expected to not only drive sales but also bring out a new look for the newspaper.

The Nairobian

Launched in 2013, The Nairobian has grown to be one of the leading circulating papers in the Kenyan market today. The content strategy, that was to report on the contemporary lifestyle of residents in the Capital City, was expanded to cover other main towns in the country. The paper, which presents human interest content, continues to recruit non-traditional readers. The Group intends to take advantage of the wide circulation of the paper to grow its advertising base.

Television-KTN

KTN reclaimed its second position in share of viewing for the first time in the second half of 2014. The performance was driven by the impetus of remaining different and unique with the introduction of new programmes to grow market share. Specifically, KTN used the advantage of having the best journalists to introduce innovative news segments including the Sikika Sasa show that covered topical issues across the Counties. However, the Communication Authority of Kenya's poorly planned switch off of analogue television has had a significant impact on viewership and revenues. A recovery to its original viewership is expected before the end of 2016.

CEO'S STATEMENT

Radio Maisha

Since its re-launch in 2013, the station has grown to be the third best Radio station in Kenya. Two years ago, Radio Maisha did not appear in the list of the top 25 stations in Kenya. However, it benefited from expanded reach and from the commitment of a highly talented team of staff. Radio Maisha is expected to start making a positive contribution to the Group's revenues and profitability.

Standard Digital

The Standard digital maintained its top position in the market as the most visited Kenyan website. Being a platform that aggregates all our products, it receives the highest traffic flow. The product performance continues to make increased contribution to revenues and profits.

Publishers Distribution Services

This product continues to present challenges to the Group as the prices of imported newspapers and magazines continue to increase putting these products out of the reach of many Kenyans. The Group has taken a serious view of the performance of this sector of the business and is set to review whether or not it still fits in the Group's product portfolio. Management is set to advise the Board in the next three months on whether or not to continue with this business unit.

Automation

In order to align the operations of the Group to world class practice, the Company has over the last two years commenced a process of investing into the latest technology to automate its key processes and operations. In this regard, the company first invested in advertising and editorial Electronic automation system—PPI—a German technology that completely integrates the flow and production of Editorial content, advertising workflow and pre-press production processes.

PPI provides a turnaround time for output management because it is easy to tell the progress of publications from any central place.

Further, in mid last year, the Group decided to invest in a top of the range Enterprise Resource Planning System (SAP).

SAP is designed to integrate all areas of the business by providing a central platform or database where all business processes can be executed in real time. It provides end to end solutions for financials, procurement, sales and distribution.

The system enables the company to move its products faster, process orders quicker, invoice customers more rapidly and reconcile items sooner.

Phase 1 of the SAP was implemented in January 2015 while Phase 2 is expected to be finalized towards end of July. The final phase of SAP which covers Business Intelligence and Business Objects is scheduled to be implemented in August.

Human Resources and Change Management

Following the investment in technology, and the expansion of the business over the last few years, the group is in the process of undertaking a major restructuring exercise with the aim of getting a more efficiently structured organization. We brought on board Deloitte who have a wealth of knowledge and expertise in implementing HR change processes.

The task entails job evaluation, updating grading systems and aligning remuneration structure to grades and jobs to achieve equity. Moving forward, the Group will inculcate a high performance culture that is expected to stimulate growth and profitability.

In order to expand the pool of talent, the group also launched the Scribes Inc. Program where 12 candidates were selected for a special training in Journalism. Candidates will be taken through all media platforms training including news and features writing, media laws, ethics and court reporting, design and layout, online journalism and broadcast media. Graduates from this program will be multi-skilled journalists who will be able to fit into all platforms.

Future Prospects

The year 2015 is expected to be very challenging for media and the Group. Migration from analogue to digital television broadcasting has already had a significant impact on viewership and revenues, a situation which is expected to persist until the end of 2015. Further the government announcement to shift its advertising from newspapers to online platform would have an impact on advertising print revenue.

Management has taken measures to optimize its cost structure as well as expand revenue from new units, including the Nairobian and Radio Maisha. Management and the Board will update the shareholders in the event that any of the challenges impacts on the performance of the Group.

Despite the challenges, the Group is committed to continue championing transformation and change in society through all our products. Automation remains a crucial part of business growth. With technology, efficiency and productivity is enhanced and costs are visible in real time and become optimized. The company will continue to create credible inspiring content that champions the public interest, empowers, transforms and entertains society.

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

Sam Shollei

CEO

STANDARD GROUP LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS | YEAR ENDED 31ST DECEMBER 2014

DIRECTORS' PROFILE

MR. ROBIN SEWELL

Chairman

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

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

Non Executive Director

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

MS. ZEHRABANU JANMOHAMED

Non Executive Director

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

DIRECTORS' PROFILE

SHAUN ZAMBUNI

Non Executive Director

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

MR. SAMUEL LERIONKA TIAMPATI

Non Executive Director

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

MR. FRANCIS MUNYWOKI

Managing Director, Print Operations

Mr. Munywoki holds a BSc — Electrical and Communication Engineering 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 fifteen (15) years' experience in Finance gained from dynamic and multi - cultural organisations. Before joining The Standard Group, he worked at Total Kenya Limited, where he started his career and rapidly rose through the ranks to hold various positions including Treasury Manager and Chief Accountant and at Gulf Energy Limited, where he served as a CFO in charge of the group companies. He was instrumental in the transformation and rapid growth of the business from a startup, into one of the leading oil importers and traders in the region, with a presence in various East and Central African countries. He holds a Bachelor of Commerce degree from University of Nairobi and is finalizing on his MBA for Executives at the Strathmore Business School. He is a CPA (K) and a member of ICPAK.

MANAGEMENT PROFILE

PAULINE KIRAITHE
HR Director

KENNETH MUOKI
Head of Audit

ROBERT TOROITICH
Head of ICT

KIZITO NAMULANDA
Head of Outdoor

DOREEN MBAYA
Head of Marketing

JOE MUNENE
MD Broadcasting

JOHN BUNDOTICH
Chief Editor

IRENE KIMANI
Commercial Director

CORPORATE GOVERNANCE STATEMENT

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

Composition of the Board

The Board currently consists of 8 Directors, 5 of whom are Non-Executive Directors. The Directors possess broad range of expertise, diverse professional backgrounds from various sectors and experience required to effectively run the business.

The Board together with the Company Secretary plan the agenda and annual programmes for board meetings. The Board meets at least four times a year and where necessary senior management team may be invited to attend meetings.

BOARD OF DIRECTORS

Robin Sewell*	Non-executive	Chairman
Sam Shollei	Executive	Group Chief Executive Officer
Orlando Lyomu	Executive	Group Finance Director
Francis Munywoki	Executive	Managing Director print operations
Zehrabanu Janmohamed	Non-executive	
Lerionka S. Tiampati	Non-executive	
James Boyd Mcfie	Non-executive	
Shaun Zambuni*	Non-executive	Appointed 28th February, 2014

*British

CORPORATE GOVERNANCE STATEMENT (Continued)

Board members meetings for 2014

Director	28 February, 2014	21 March, 2014	22 May, 2014	23 May, 2014	22 August, 2014	21 November, 2014
Robin Sewell Chairman	√	-	√	√	√	√
James Mcfie Non-Executive Director	-	√	√	√	√	√
Zehrabanu Janmohamed Non-Executive Director	√	√	√	√	-	-
Samuel Lerionka Tiampati Non-Executive Director	√	√	√	√	√	√
Shaun Zambuni Non-Executive Director	Appointed on 28/2/2014	-	√	√	√	√
Sam Shollei Group Chief Executive Officer	√	√	√	√	√	√
Orlando Lyomu Group Finance Director	√	√	√	√	√	√
Francis Munywoki Managing Director Print Operations	√	-	√	√	√	√

Board Committees

The Board's established committees and their roles include;

1. **Finance and Audit Committee**

   This committee consists of 4 Directors, comprising the Chairman who is an Independent Director and other Directors.

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

CORPORATE GOVERNANCE STATEMENT (Continued)

Finance and Audit Committee Meetings for 2014

Director	26 February, 2014	26 June, 2014	15 August, 2014	21 November,2014
James Mcfie Chairman	√	-	√	√
Zehrabanu Janmohamed Non-Executive Director	√	√	-	-
Samuel Lerionka Tiampati Non-Executive Director	√	√	√	√
Shaun Zambuni Non-Executive Director	App w.e.f 28/2/2014	√	√	√

2. **Human Resource and Remuneration Committee**

   This committee consists of 4 Directors, comprising the Chairman who is a Non-Executive Director and other directors.

   This Committee assists the Board in addressing issues relating to remuneration of directors and general employee development and motivation. It also ensures that the remuneration set is within the principles of equity and appropriateness. This Committee oversees a transparent process for recruitment of new Directors to the Board.

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

Human Resource and Remuneration Committee Meetings for 2014

Director	18 September, 2014	11 December, 2014
Samuel Lerionka Tiampati Chairman	√	√
James Mcfie Non-Executive Director	√	√
Zehrabanu Janmohamed Non-Executive Director	√	-
Shaun Zambuni Non-Executive Director	√	√

The Group had an in-house Legal Counsel and Company Secretary for the period ended 31st December 2014.

STANDARD GROUP LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS | YEAR ENDED 31st DECEMBER 2014

RISK MANAGEMENT

The Standard Group acknowledges the importance of risk management as part of good corporate governance. Risks are identified and categorized into social, ethical, environmental, financial & operational and key risks managed to acceptable levels.

Enterprise Risk Management
A holistic approach to managing risk that identifies, assesses, communicates & manages risks in a cost effective manner was implemented as part of Enterprise Risk Management (ERM). Organization-wide ERM program was designed in order to understand and guide in managing identified specific media risks. ERM components (Risk Governance, Risk Assessment, Risk Quantification & Aggregation, Risk Monitoring - Reporting & Risk Control optimization) guided smooth role out around media cycle (Content development & acquisition, Content delivery, Distribution & Selling).

Internal Auditing
The Standard Group internal audit is an independent function mandated to provide assurance on the internal control environment through continuous engagement. The objective of Internal Audit is enhanced through governance support from the Board Audit Committee to which the function directly reports. During the financial year Internal audit capacity was enhanced by recruiting 3 internal auditors and head of audit. Significant internal audit efforts were directed towards assurance on adequacy, design and operating effectiveness of controls. Automation of Internal audit department is scheduled for 2015, the same will help monitor improvement of control environment.

Conclusion
Risk management is a fundamental element of corporate governance. Management is responsible for establishing and operating the risk management framework on behalf of the Board.

SOCIAL REPORT

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

EDUCATION

The Standard Group in 2014 launched the Group's inaugural Graduate Trainee program dubbed "Scribes Inc.". 12 trainees were enrolled into the program with a view to increasing the Group's talent pool. The program has provided an opportunity to 251 students in various institution of higher learning, to get hands on experience on operations in the media and corporate business industries. The Company has integrated 48 trainees as employees upon their completion of the program.

Africa Rising Conference: The conference sponsored through the Standard Thought Leadership series facilitated the exchange of information and ideas amongst academia, business and government. The Standard Group also got an opportunity to display its products and services at the conference.

Innovation Talks: The Standard Thought Leadership series aimed to present sophisticated information in a palatable, memorable and usable manner. Onboarding the public one meeting at a time, the innovation talks created platforms that allowed the public to become part of the conversation, drive the thinking around the topic and gather feedback directly from people who are truly vested in the cause.

HEALTH

The Standard Group has been actively being engaged in promoting the society's well-being through supporting various healthcare focused initiatives. Standard Group has partnered with like-minded stakeholders in the following campaigns:

My Eyes Your Eyes Campaign: This is a partnership with the Kenya Society for the Blind. The campaign raised funds for the provision of assistive devices and aid equipment for the visually impaired children.

Jaipur Foot Project: whereby the Standard Group partnered with Crown Paints to support physically disabled children. The aim of the campaign was to promote mobility for children amputees by proving them with artificial limbs.

Niko Fiti Campaign: a joint initiative by the Standard Group, Kenya Re and the Association for the Physically Disabled of Kenya (APDK). The campaign aims at promoting mobility and accessibility of persons living with physical disabilities and mobility impairments by providing assistive devices.

Mater Heart Run: The Standard Group partnered with The Mater Hospital for the annual Mater Heart Run whose aim is to raise funds to cater for the cost of cardiac surgery for children aged between 6 months to 18years from families who cannot afford the medical procedure.

Henry Wanyoike Hope for the Future Run: This is a partnership with the Henry Wanyoike Foundation, founded by the visually-impaired Paralympic athlete to raise funds for mobility aids for Persons with Disability (PWDs) and to advocate for disability rights.

SECURITY

Standard Group invested resources and enlisted the National Police Service as a partner to develop the 'Kaa Chonjo' security campaign as part of the initiatives to address insecurity across the country. This is in recognition of the state of insecurity in the country and the Group has sought to use its media platforms in a concerted effort to call upon law enforcement agencies and members of the public to secure the streets and the nation at large from possible threats that impact the lives of citizens and business when ignored.

ENVIRONMENT

The Standard Group is keen on promoting sustainable development and the protection and conservation of the environment. The Standard Group partnered with community based organizations in 2014 in the following initiatives:

'Greening of Schools Initiative' which saw the Group donate 8000 tree seedlings for school's environmental conservation campaign.

'Chemususu Dam Race' a partnership with Chemususu Dam Community based organization to hold a charity half marathon that aimed at raising funds for conserving Chemususu Dam catchment area and increasing accessibility to clean water to 50% for the communities living in the environs of the dam.

Sondeka Festival: The Standard Group participated in the Sondeka festival, a forum that brought together individuals who used recycled material, including old newspapers, to craft unique innovations. The festival celebrated innovations in art, music, dance, film and fashion that resulted in a sustainable use of the environmental resources.

The Transform Kenya Awards (TKA) is an initiative launched by Standard Group to honor and celebrate persons, organizations or institutions making a positive difference in the lives of the community at either grassroots or national level. Deloitte participated as the audit partner while Riara University participated as the knowledge partner.

The objectives of this initiative are:

- **Short term** – To identify people, business and institutions that have and are transforming lives.
- **Long term** – To inspire people to think beyond profit, support ideas that will benefit the society at large and hence improve others' lives and eventually transform Kenya as a whole.

TKA was the first of its kind in Kenya to celebrate the unsung heroes who did exemplary things to inspire and facilitate better lives for the surrounding communities. The net effect of having all the heroes together in one room during the Awards Gala was that it created an overwhelming sense of purpose for each person to stand up and do something. These were ordinary Kenyans doing extraordinary things.

A public call for nominations was sent out to the general public through a 360° campaign. It solicited a positive response with an impressive 26,000 nominations. These nominees were put through a rigorous evaluation by a 5-member panel comprised of seasoned professionals and change drivers to decide who the winners were in each category. Our knowledge partner, Riara University, helped in narrowing down to three nominees for each pillar of transformation. While Deloitte's participation as the audit partner guaranteed the authenticity of the process.

On 19th July 2014, TKA held awards gala and celebrated winners in:

Lifetime Achievement	Agriculture
Manufacturing	Rookie of the Year
Media Information and Access	Tourism
Education	Green
Arts and Culture	Health
Sports	

Approximately 700 invited guests drawn from all sectors were in attendance for the awards gala. Most notably were; Ndaba Mandela, Chairman and Co-Founder of Africa Rising Foundation; Ms. Phyllis Kandie, Cabinet Secretary for East Africa Affairs, Commerce and Tourism; Ms. Nardos Bekele-Thomas, UNDP Resident Representative in Kenya; Dr. Christian Turner, British High Commissioner to Kenya, and Mama Sarah Obama. The awards gala aired live on KTN, a television station owned by SGL, from 6.30pm to 11pm.

As the Standard Group celebrated 112 years of doing business in Kenya there was borne a need to tell the good story of Kenya at 50 and its future. The Standard Group through the Transform Kenya Awards initiative seeks to call upon individual, communities, corporates to do what they can, to transform the nation.

SHAREHOLDERS ANALYSIS

TOP 10 SHAREHOLDERS

RANK	NAME	SHARES HELD	PERCENTAGE
1	S.N.G HOLDINGS LIMITED	56,422,699	69.03%
2	TRADE WORLD KENYA LIMITED	8,906,068	10.90%
3	MILLER TRUSTEES LIMITED	8,608,569	10.53%
4	GULAMALI ISMAIL	907,700	1.06%
5	KIRTESH PREMCHAND SHAH	429,716	0.53%
6	THE STANDARD GROUP LIMITED ESOP TRUST	266,880	0.33%
7	DENROMA INVESTMENT LIMITED	238,640	0.29%
8	SARAJ PROPERTIES LIMITED	234,900	0.29%
9	JULIUS GECAU	220,793	0.27%
10	SAVITABEN VELJI RAICHAND SHAH	208,070	0.25%
11	OTHERS	5,287,773	6.47%
		81,731,808	**100.00%**

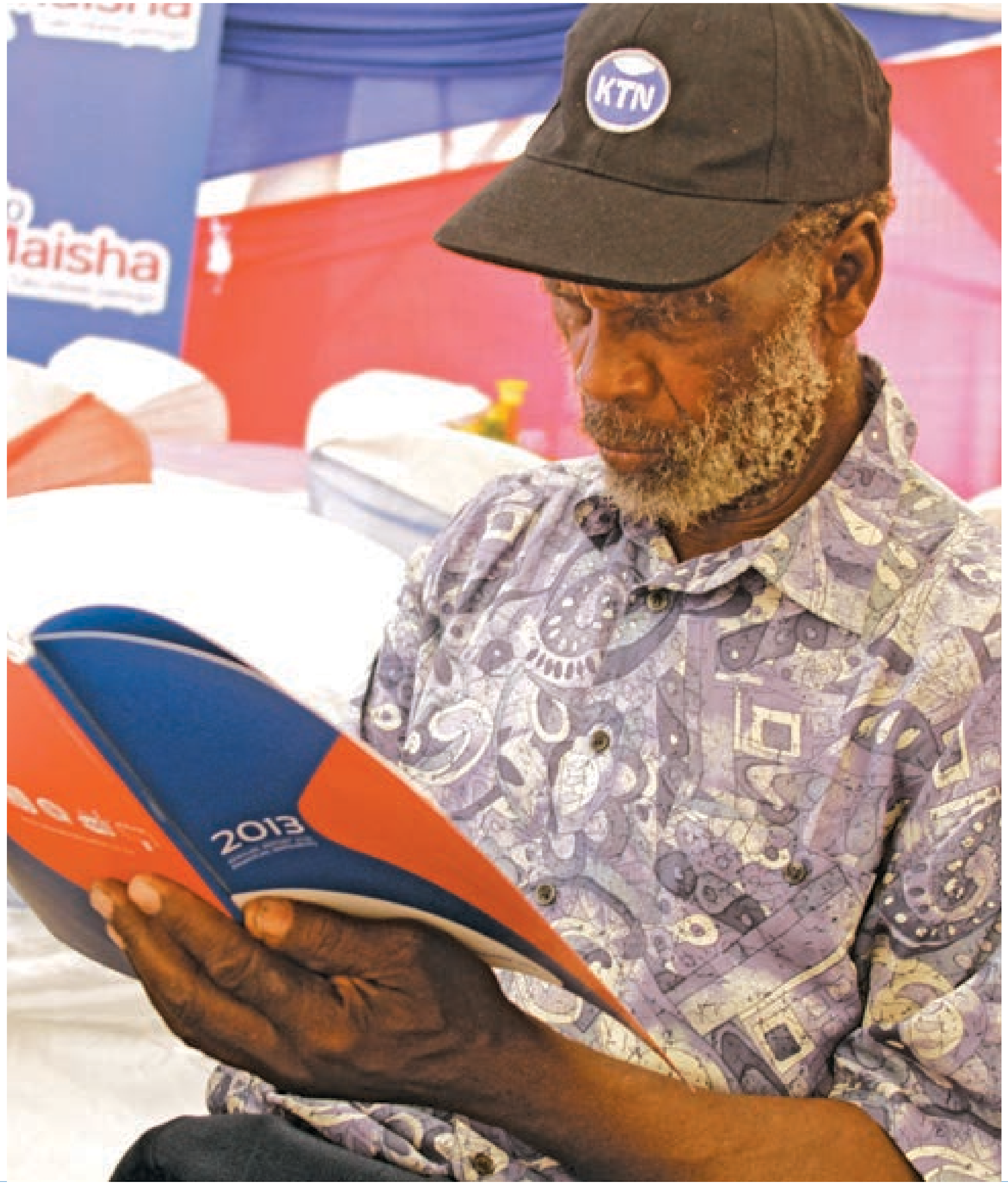
SHARE DISTRIBUTION SCHEDULE

I. BY NUMBER OF SHARE

RANGE	NO OF MEMBERS	TOTAL NO OF SHARES	PERCENTAGE
1-500	2,012	276,828	0.34%
501-1000	385	280,913	0.34%
1001-5000	661	1,333,294	1.63%
5001-10,000	131	899,466	1.10%
10,001-50,000	96	1,890,196	2.31%
50,001-100,000	2	144,430	0.18%
100,001-500,000	9	2,061,645	2.52%
500,001-1000,000	1	907,700	1.11%
1,000,001-2000000000	3	73,937,336	90.46%
	3,300	**81,731,808**	**100.00%**

II. BY CATEGORY OF SHAREHOLDER

GROUP	NO OF MEMBERS	TOTAL QUANTITY	PERCENTAGE
FOREIGN INVESTORS	85	56,801,178	69.50%
LOCAL INSTITUTIONS	223	19,026,612	23.28%
LOCAL INDIVIDUALS	2,992	5,904,018	7.22%
TOTALS	**3,300**	**81,731,808**	**100.00%**



REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2014, 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

	2014 KShs'000	2013 KShs'000
Profit before taxation	326,083	300,680
Taxation expense	(105,569)	(111,187)
Profit for the year transferred to retained earnings	**220,514**	**189,493**
Attributable to:		
Non-controlling interests	10,644	(7,919)
Owners of the Company	209,870	197,412
	220,514	**189,493**

3. DIVIDEND

The directors recommend a final dividend of KShs 40,866,000 (which represents KShs 0.50 per share) for the year ended 31 December 2014, (2013 – KShs 40,866,000) subject to shareholders' approval at the Annual General Meeting to be held on 29 May 2015.

4. DIRECTORS

The directors who served since 1 January 2014 and upto the date of this report are set out on page 19.

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 13 March 2015.

BY ORDER OF THE BOARD

LAWRENCE KIBET
Secretary

Date: 13 March 2015


GARISSA
sasa tuko mbele pamoja
Safari
Anthony Ndiema
Mon - Fri, 4am
asubuhi
Alex & Jalas
Mon - Fri, 6am
staarabika
Ann Njogu
Mon - Fri, 10am
Konnect
Mwende & Clemo
Mon - Fri, 1pm
JIONI
Tina & Zuleka
Mon - Fri, 4pm
rhumba
Mwashumbe
Mon - Fri, 7pm
habari
Khadija
88.7
Daadab, Bura, Modicar, Algabur, moibura, BilBil
Radio Maisha
Tuko mbele pamoja!
MALINDI...106.3 WEBUYE...95.9 GARISSA...88.7 TAITA/ VOI...107.4 NAROK...102.3
NAIROBI...102.7 NYERI...105.7 MERU...105.1 NAKURU...104.5 KISII...91.3 KISUMU...105.3
MOMBASA...105.1 KERICHO...90.5 ELDORET...91.1 KITUI...93.8

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the consolidated financial statements of The Standard Group Limited and its subsidiaries set out on pages 7 to 54 which comprise the consolidated and company statements of financial positions as at 31 December 2014, 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 information.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act 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 Company and its subsidiaries ability to continue as a going concern and have no reason to believe the Company and its subsidiaries will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 13 March 2015 and were signed on its behalf by:

Director

Director

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 33 to 74 which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 information.

Directors' responsibility for the financial statements

As stated on page 32, 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 2014, 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 auditors' report is CPA Joseph Kariuki P/2102.

Date: 13 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 KShs'000	2013 KShs'000
Revenue	7	4,782,649	4,818,808
Direct costs	8	(1,415,041)	(1,652,041)
Other gains and losses	9	61,574	73,584
Selling and distribution costs	10	(537,304)	(523,013)
Administrative expenses	11	(2,447,379)	(2,297,530)
Finance costs	12	(118,416)	(119,128)
Profit before taxation	**13**	**326,083**	**300,680**
Taxation expense	15(a)	(105,569)	(111,187)
Profit for the year		220,514	189,493
Total comprehensive income for the year		**220,514**	**189,493**
Attributable to:			
Non-controlling interests	25	10,644	(7,919)
Owners of the parent		209,870	197,412
		220,514	**189,493**
Earnings per share – Basic and diluted **(**KShs)	16	**2.57**	**2.41**

The notes set out on pages 40 to 74 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014 KShs'000	2013 KShs'000
ASSETS			
Non-current assets			
Property, plant and equipment	17(a)	2,266,952	2,181,488
Prepaid operating lease rentals	18	118,924	120,555
Intangible assets	19(a)	209,356	191,142
Deferred tax asset	27(a)	15,498	25,707
		2,610,730	2,518,892
Current assets			
Inventories	21(a)	201,950	303,035
Trade and other receivables	22(a)	1,250,323	1,304,715
Taxation recoverable	15(c)	6,724	16,313
Bank and cash balances	31(b)	32,022	19,514
		1,491,019	1,643,577
TOTAL ASSETS		**4,101,749**	**4,162,469**
EQUITY AND LIABILITIES			
Capital and reserves (Page 10)			
Share capital	23(a)	408,654	408,654
Share premium	23(b)	39,380	39,380
Capital redemption reserve	24(a)	102	102
Retained earnings	24(b)	1,534,491	1,365,487
Attributable to owners of the Company		1,982,627	1,813,623
Non-controlling interests	25	225,416	214,772
Total equity		2,208,043	2,028,395
Non-current liabilities			
Due to related parties	26(b)	107,489	110,671
Deferred tax liability	27(a)	272,104	287,200
Borrowings	28(a)	291,172	314,552
		670,765	712,423
Current liabilities			
Taxation payable	15(c)	16,984	-
Borrowings	28(a)	613,534	613,023
Trade and other payables	29(a)	561,003	780,906
Employee benefit	30(a)	31,420	27,722
		1,222,941	1,421,651
TOTAL EQUITY AND LIABILITIES		**4,101,749**	**4,162,469**

The financial statements on pages 34 to 74 were approved by the Board of Directors on 13 March 2015 and were signed on its behalf by:

Director

Director

The notes set out on pages 40 to 74 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014 KShs'000	2013 KShs'000
ASSETS			
Non-current assets			
Property, plant and equipment	17(b)	1,864,765	1,766,505
Prepaid operating lease	18	118,924	120,555
Intangible assets	19(b)	142,481	124,267
Investments	20	70,367	70,367
		2,196,537	2,081,694
Current assets			
Inventories	21(b)	177,981	264,513
Trade and other receivables	22(b)	949,579	1,020,938
Due from a group company	26(a)	228,277	211,096
Tax recoverable	15(c)	-	9,589
Bank and cash balances		23,036	18,314
		1,378,873	1,524,450
TOTAL ASSETS		**3,575,410**	**3,606,144**
EQUITY AND LIABILITIES			
Capital and reserves (Page 11)			
Share capital	23(a)	408,654	408,654
Share premium	23(b)	39,380	39,380
Capital redemption reserve	24(a)	102	102
Retained earnings	24(b)	1,292,772	1,134,849
Shareholders' equity		1,740,908	1,582,985
Non-current liabilities			
Due to related parties	26(b)	118,079	121,261
Deferred tax liability	27(b)	272,104	287,200
Borrowings	28(b)	291,172	314,552
		681,355	723,013
Current liabilities			
Tax payable	15(c)	16,984	-
Borrowings	28(b)	612,727	581,767
Trade and other payables	29(b)	497,939	695,655
Employee benefit	30(b)	25,497	22,724
		1,153,147	1,300,146
TOTAL EQUITY AND LIABILITIES		**3,575,410**	**3,606,144**

The financial statements on pages 34 to 74 were approved by the Board of Directors on 13 March 2015 and were signed on its behalf by:

______________________________ ______________________________

Director Director

The notes set out on pages 40 to 74 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital KShs'000	Share premium KShs'000	Capital redemption reserve KShs'000	Retained earnings KShs'000	Attributable to equity holders of parent KShs'000	Non-controlling interests KShs'000	Shareholders' equity Total
2014:							
At 1 January 2014	408,654	39,380	102	1,365,487	1,813,623	214,772	2,028,395
Total comprehensive income							
Profit for the year	-	-	-	209,870	209,870	10,644	220,514
Transaction with shareholders recorded directly in equity							
Dividend paid in June 2014	-	-	-	(40,866)	(40,866)	-	(40,866)
At 31 December 2014	**408,654**	**39,380**	**102**	**1,534,491**	**1,982,627**	**225,416**	**2,208,043**
2013:							
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
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 74 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital KShs'000	Share premium KShs'000	Capital redemption reserve KShs'000	Retained earnings KShs'000	Total KShs'000
2014:					
At 1 January 2014	408,654	39,380	102	1,134,849	1,582,985
Total comprehensive income for the year					
Profit for the year	-	-	-	198,789	198,789
Transaction with shareholders recorded directly in equity					
Dividend paid in June 2014	-	-	-	(40,866)	(40,866)
At 31 December 2014	**408,654**	**39,380**	**102**	**1,292,772**	**1,740,908**
2013:					
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 74 form an integral part of these financial statements.

STANDARD GROUP LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS I YEAR ENDED 31ST DECEMBER 2014

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 KShs'000	2013 KShs'000
Cash flows from operating activities			
Cash generated from operations	31(a)	685,955	515,645
Interest paid	12	(118,416)	(119,128)
Tax paid	15(c)	(83,491)	(136,217)
Net cash generated from operating activities		484,048	260,300
Cash flows from investing activities			
Purchase of intangible assets	19(a)	(82,568)	(52,155)
Purchase of property, plant and equipment	31(c)	(331,335)	(425,002)
Proceeds from disposal of property, plant and equipment		6,098	20,360
Net cash used in investing activities		(407,805)	(456,797)
Cash flows from financing activities			
Dividends paid		(40,866)	-
Bank loans received	31(d)	397,563	712,944
Bank loans repaid	28(a)	(388,683)	(563,549)
Net cash (used in)/generated from financing activities		(31,986)	149,395
Net increase/(decrease) in cash and cash equivalents		44,257	(47,102)
Cash and cash equivalents at 1 January		(323,589)	(276,487)
Cash and cash equivalents at 31 December	31(b)	**(279,332)**	**(323,589)**

The notes set out on pages 40 to 74 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 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 and online business under the trade name of Standard Digital.

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

Standard Group Centre

Mombasa Road

PO Box 30080 - 00100

Nairobi

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

Subsidiaries

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

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

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

(b) Revenue and other income recognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 2014 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

(iii) Depreciation

Depreciationon 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%

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(ii) Trademarks and frequency

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

(h) Leasehold land

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

(i) Impairment of non-financial assets

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

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

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

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

(j) Leases

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

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

Film stock is expensed when aired.

(l) Foreign currency translations

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

(m) Financial instruments

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

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

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

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

(ii) Non-derivative financial assets – measurement

Loans and receivables

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

Cash and cash equivalents

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

(iii) Non-derivative financial liabilities - measurement

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

(iv) Offsetting

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

(n) Impairment

(i) Financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment (continued)

(i) Financial assets (continued)

flows of the asset than can be estimated reliably.

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would otherwise not consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security or other observable data relating to a Group of assets such as adverse changes in the payment status of borrowers or issuers in the Group or economic conditions that correlate with defaults in the Group.

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

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

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

(o) Employee benefits

(i) Defined contribution plan

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

(ii) Staff gratuity (Defined Benefit Plan)

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

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

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

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

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

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

(iii) Short term employee benefits

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

(iv) Share-based payment

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

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

(p) Cash and cash equivalents

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

(q) Group overheads

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

(r) Related party transactions

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

(s) Earnings per share

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

(t) Share capital

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

(u) Finance income and finance costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New standards and interpretations adopted

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

New standard or amendments	Effective for annual periods beginning on or after
• Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (2011)	1 January 2014
• Investment Entities- Amendments to IFRS 10, IFRS 12, and IAS 27 (2012)	1 January 2014
• Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (2013)	1 January 2014
• Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
• IFRIC 21 Levies (2013)	1 January 2014

· *Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The clarification contained in these amendments reinforces the Group's policy and would not alter the manner in which offsetting arrangements are accounted for.

· *Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities (effective for annual periods beginning on or after 1 January 2014)*

The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional. The adoption of the amendments did not have a significant impact on the financial statements of the Group.

· *Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)*

The amendments reverse the unintended requirement in ***IFRS 13 Fair Value Measurement*** to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The adoption of the amendments did not have a significant impact on the financial statements of the Group.

· *Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)*

The amendments permit the continuation of hedge accounting in a situation where a counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives'), as a consequence of laws or regulations, if specific conditions are met. 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.

· *IFRIC 21: Levies (effective for annual periods beginning on or after 1 January 2014).*

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New standards and interpretations adopted (continued)

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

· *Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014) (continued)*

a liability for a levy when – and only when – the triggering event specified in the legislation occurs. The legislation regarding levies in Kenya provides 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.

(ii) New and amended standards and interpretations in issue but not yet effective for the year/ period ended 31 December 2014

New standard or amendments	Effective for annual periods beginning on or after
• Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
• Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
• Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
• Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
• IFRS 14 Regulatory Deferral Accounts	1 January 2016
• Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
• Disclosure Initiative (Amendments to IAS 1)	1 January 2016
• IFRS 15 Revenue from Contracts with Customers	1 January 2017
• IFRS 9 Financial Instruments (2014)	1 January 2018

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

· *Defined benefit plans – Employee contributions (Amendments to IAS 19)*

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

· set out in the formal terms of the plan;
· linked to service; and
· independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New standards and interpretations adopted (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2014 (continued)

permitted. The adoption of these changes will not affect the amounts and disclosures of the Group.

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

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 ***Business Combinations***. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. The amendments will be effective from annual periods commencing on or after 1 January 2016. The adoption of these changes is not expected to have an impact on the financial statements of the Group.

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

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The amendment will only have an effect on the Group's financial statements if such an interest is acquired. Management will assess the impact if and when that occurs.

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

The amendments to IAS 16 ***Property, Plant and Equipment*** and IAS 41 ***Agriculture*** require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 ***Property, Plant and Equipment*** instead of IAS 41 ***Agriculture***. The produce growing on bearer plants will remain within the scope of IAS 41. The amendment will not have an effect Group's financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*

The amendments to IAS 16 ***Property, Plant and Equipment*** explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 ***Intangible Assets*** introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The Group does not apply revenue-based methods of depreciation or amortization therefore these amendments are not expected to have an effect on the consolidated financial statements. The Group did not early adopt new or amended Standards in 2014 and is in the process of assessing the impact.

- *Equity Method in Separate Financial Statements (Amendments to IAS 27)*

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted. The Group did not early adopt new or amended Standards in 2014 and is in the process of assessing the impact.

- *IFRS 14 Regulatory Deferral Accounts*

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New standards and interpretations adopted (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2014 (continued)

- *IFRS 14 Regulatory Deferral Accounts (continued)*

customers for goods and services is subject to oversight and/or approval by an authorised body. The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted. The adoption of this standard is not expected to have an impact the financial statements of the Group given that it is not a first time adopter of IFRS.

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

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

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

The amendment to IAS 28 ***Investments in Associates and Joint Ventures*** modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted. The adoption of these changes is not expected to affect the amounts and disclosures of the Group's interests in other entities.

- *Disclosure Initiative (Amendments to IAS 1)*

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The Group did not early adopt new or amended Standards in 2014 and is in the process of assessing the impact.

- *IFRS 15 Revenue from Contracts with Customers*

This standard replaces IAS 11 ***Construction Contracts***, IAS 18 ***Revenue***, IFRIC 13 ***Customer Loyalty Programmes***, IFRIC 15 ***Agreements for the Construction of Real Estate***, IFRIC 18 ***Transfer of Assets from Customers*** and SIC-31 ***Revenue – Barter of Transactions Involving Advertising Services***.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption is permitted. The Group is assessing the potential impact

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New standards and interpretations adopted (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2014 (continued)

· *IFRS 15 Revenue from Contracts with Customers (continued)*

on its consolidated financial statements resulting from the application of IFRS 15.

· *IFRS 9: Financial Instruments (2014)*

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

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. 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 2014 (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:

Group and Company

	USD KShs'000	EURO KShs'000	SAR KShs'000	GBP KShs'000	TOTAL KShs'000
2014:					
Financial assets					
Cash at bank	8,100	2,009	-	-	10,109
Financial liabilities					
Trade payables	(23,564)	(1,136)	(124)	(9,990)	(34,814)
Net foreign currency liability	**(15,464)**	**873**	**(124)**	**(9,990)**	**(24,705)**
2013:					
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)**

At 31 December 2014, if the Shilling had weakened/strengthened by 1% against the foreign currencies with all other variables held constant, the impact on profit before taxation for the year would have been KShs 247,050 (2013 - KShs 2,201,630) higher/lower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

	Average 2014	Average 2013	Closing 2014	Closing 2013
USD	90.2	86.2	90.3	86.3
EURO	112.3	114.5	112.4	119.2
SAR	8.2	8.9	8.2	8.2
GBP	141.1	134.8	141.3	142.3

(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 KShs. 353 million (2013 - KShs 353 million) at rates determined by prevailing market conditions.

As at 31 December 2014, an increase/decrease of 1% on average borrowing rates would have resulted in an increase/decrease in profit before taxation for Group and Company by KShs 1,184,000 (2013 - KShs 1,191,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 2014 is made up as follows:

	Fully performing KShs'000	Past due KShs'000	Impaired KShs'000	Total KShs'000
Group				
Receivables				
Advertising	652,635	122,628	146,298	921,561
Circulation	60,493	12,580	15,928	89,001
Trade debtors – PDS	32,214	11,972	46,780	90,966
Trade debtors – Baraza	239,732	54,502	42,327	336,561
	985,074	**201,682**	**251,333**	**1,438,089**
Company				
Advertising	652,635	122,628	146,298	921,561
Circulation	60,493	12,580	15,928	89,001
Trade debtors – PDS	32,214	11,972	46,780	90,966
	745,342	**147,180**	**209,006**	**1,101,528**

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

	Fully performing KShs'000	Past due KShs'000	Impaired KShs'000	Total
Group				
Receivables				
Advertising	491,863	246,655	222,322	960,840
Circulation	75,408	25,806	32,280	133,494
Trade debtors – PDS	91,092	37,722	38,397	167,211
Trade debtors – Baraza	233,462	31,567	47,971	313,000
	891,825	**341,750**	**340,970**	**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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

The analysis above is based on the ageing below:

Circulation	
Fully performing	0-60 days
Past due	61-90 days
Impaired	Over 91 days
Advertising	
Fully performing	0-90 days
Past due	91-180 days
Impaired	Over 181 days
PDS	
Fully performing	0-90 days
Past due	91-120 days
Impaired	Over 121 days

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

	2014 KShs '000	2013 KShs '000
Group:		
Balance brought forward	340,971	188,986
Charge for the year	236,402	200,247
Bad debt write offs and credit notes	(212,632)	-
Bad debts recoveries	(113,408)	(48,263)
Balance carried forward	**251,333**	**340,970**

Company:	**2014 KShs '000**	**2013 KShs '000**
Balance brought forward	292,999	174,790
Charge for the year	190,547	160,988
Bad debt write offs and credit notes	(177,509)	(2,220)
Bad debts recoveries	(97,031)	(40,559)
Balance carried forward	**209,006**	**292,999**

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

The debt that is overdue is not impaired and continues to be paid. The credit control department is actively following this debt. In addition, the group has bank guarantees of KShs 29.5 million as at December 2014 (2013 – KShs 34.23 million), which can be enforced in the event of customer default. Further, for Circulation, the debt is partially covered by cumulative cash deposits by Vendors and Agents.

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

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

	2014 KShs '000	2013 KShs '000
Group:		
Bank and cash balances	32,022	19,514
Other receivables (Note 22)	63,567	71,140
	95,589	**90,654**
Company:		
Bank and cash balances	23,036	18,314
Other receivables (Note 22)	57,057	52,392
	80,093	**70,706**

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

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash to meet Group obligations. The treasury function reviews the cash forecast monthly and determines the cash requirement. Cash generated from operations is healthy but if a heavy cash requirement is necessary there exists overdraft facilities with Commercial Bank of Africa Limited and CfC Stanbic Bank Limited with a combined limit of Shs353 million (2013 – KShs 353 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

STANDARD GROUP LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS | YEAR ENDED 31ST DECEMBER 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

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.

	Less than 1 month KShs'000	Between 1 – 3 months KShs'000	Between 3 – 12 months KShs'000	Over 1year KShs'000	Total KShs'000
Group					
At 31 December 2014					
Borrowings – Shareholder loans	-	-	-	107,489	107,489
Borrowings – Bank borrowings	9,297	14,090	239,563	263,274	526,224
Hire purchase loans	7,177	3,447	28,606	27,898	67,128
Overdraft facility	311,354	-	-	-	311,354
Trade payables	49,365	21,306	418,872	71,460	561,003
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	79,854	82,689	618,363	-	780,906
Company					
At 31 December 2014					
Borrowings – Related parties loans	-	-	-	118,079	118,079
Borrowings – Bank borrowings	9,297	14,090	239,563	263,274	526,224
Hire purchase loans	7,177	3,447	28,606	27,898	67,128
Overdraft facility	310,547	-	-	-	310,547
Trade payables	49,953	7,609	371,042	69,335	497,939
At 31 December 2013					
Borrowings – Related parties loans	-	-	-	121,261	121,261
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	311,848	-	-	-	311,848
Trade payables	50,304	23,365	550,526	71,460	695,655

(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 2014 (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

6. SEGMENT REPORTING

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

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

(b) Segment revenues and results

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

	2014					2013				
	Publishing KShs'000	Television KShs'000	Radio KShs'000	Elimina-tion KShs'000	Total KShs'000	Publishing KShs'000	Television KShs'000	Radio KShs'000	Elimination KShs'000	Total KShs'000
External sales	3,758,441	932,343	91,865	-	4,782,649	3,888,172	875,414	55,222	-	4,818,808
Other gains and losses	60,876	698	-	-	61,574	86,290	(9,644)	(3,062)	-	73,584
Expenses	(3,398,665)	(899,539)	(101,520)	-	(4,399,724)	(3,481,954)	(885,845)	(104,785)	-	(4,472,584)
Finance costs	(113,461)	(1,568)	(3,387)	-	(118,416)	(117,043)	(2,085)	-	-	(119,128)
Segment profit/(loss) before taxation	**307,191**	**31,934**	**(13,042)**	**-**	**326,083**	**375,465**	**(22,160)**	**(52,625)**	**-**	**300,680**
Income tax (expense)/credit	(95,360)	(10,209)	-	-	(105,569)	(117,185)	5,998	-	-	(111,187)
Profit/(loss) after taxation	**211,831**	**21,725**	**(13,042)**	**-**	**220,514**	**258,280**	**(16,162)**	**(52,625)**	**-**	**189,493**

(c) Segment assets and liabilities

Segment assets	**3,292,558**	**758,106**	**338,099**	**(309,236)**	**4,079,527**	**3,356,612**	**754,489**	**220,444**	**(211,096)**	**4,120,449**
Segment liabilities	**1,615,781**	**298,072**	**-**	**(309,236)**	**1,604,617**	**1,725,188**	**332,602**	**-**	**(211,096)**	**1,846,694**
Capital expenditure	**308,963**	**56,630**	**48,310**	**-**	**413,903**	**308,543**	**89,516**	**50,780**	**-**	**488,839**
Depreciation and amortisation expense	**218,430**	**67,567**	**17,593**	**-**	**303,590**	**170,162**	**72,268**	**40,751**	**-**	**283,181**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

	2014 KShs'000	2013 KShs'000
7. REVENUE		
Newspaper circulation	1,145,557	1,290,800
Newspaper advertising	2,320,539	2,256,551
Digital advertising	116,956	85,598
Magazines and newspapers	111,372	177,730
Outdoor advertising	64,016	77,493
Television advertising	901,586	835,275
Radio advertising	91,865	55,222
Production and other revenue	30,758	40,139
	4,782,649	**4,818,808**
8. DIRECT COSTS		
Material cost	621,993	783,556
Programmes	219,640	209,995
Magazine purchases	124,510	156,324
Depreciation	92,242	87,573
News contribution costs	91,003	89,612
Advertising commission	43,819	34,510
Billboard costs	26,823	61,422
Production salaries	39,733	39,772
Maintenance	35,973	40,208
News service	42,955	53,408
Air freight	10,128	10,046
Rent	10,984	7,099
TV licenses	45,022	48,390
Machine and equipment hire	1,390	14,259
Others	8,826	15,867
	1,415,041	**1,652,041**
9. OTHER GAINS AND LOSSES		
Sale of returns, production waste and other income	40,209	39,371
Printing services	22,873	1,535
Write back of impairment losses	1,546	48,262
Miscellaneous income	632	3,948
Leasing fees	1,557	7,412
Gain on disposal of property and equipment	1,733	15,899
Net foreign exchange loss	(6,976)	(3,592)
Loss on impaired assets	-	(39,251)
	61,574	**73,584**

	2014 KShs'000	2013 KShs'000
10. SELLING AND DISTRIBUTION		
Commission	342,042	319,180
Transport and distribution costs	83,536	87,106
Marketing and promotion	99,672	102,900
Packing materials	12,054	13,827
	537,304	**523,013**
11. ADMINISTRATIVE EXPENSES		
Staff costs	1,402,139	1,341,917
Vehicle running and hire	113,839	106,994
Depreciation charge	198,957	189,936
Impairment losses	114,962	197,143
Rent and office expenses	102,418	89,745
Professional fees	134,262	63,459
Electricity and water	66,325	56,428
Telephone and postages	57,258	51,374
General insurance	42,213	33,412
Licences	30,788	20,384
Printing and stationery	27,560	24,002
Repairs and maintenance	22,452	19,754
Bank charges	20,451	18,523
Travel and accommodation	58,122	46,076
Amortisation	12,392	5,672
Mileage	3,025	3,020
Directors' fees	6,595	3,219
Entertainment	10,698	3,452
Training	10,086	5,515
Subscription and donation	10,375	6,263
Others	2,462	11,242
	2,447,379	**2,297,530**
Staff costs include:		
Salaries and wages	1,167,757	1,097,793
Staff welfare	177,301	194,601
Pension contributions	54,244	46,531
Others	2,837	2,992
	1,402,139	**1,341,917**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

	2014 KShs'000	2013 KShs'000
12. FINANCE COSTS		
Interest on term loans	67,153	52,308
Interest on overdrafts	33,778	45,150
Interest on shareholder loans	3,525	3,527
Interest on hire purchase loans	13,960	18,143
	118,416	**119,128**
13. PROFIT BEFORE TAXATION		
The profit before taxation is arrived at after charging/ (crediting):		
Depreciation	291,198	277,509
Amortisation - intangible assets	10,761	4,041
- prepaid operating lease rentals	1,631	1,631
Directors' emoluments:		
- Fees - non-executive	6,335	3,444
- Other emoluments – executive	77,499	71,605
Auditors' remuneration - current year	4,235	3,850
Gain on disposal of plant and equipment	1,733	15,899
Loss on impaired assets	-	(39,251)

14. DIVIDEND PER SHARE

	2014 KShs '000	2013 KShs '000
Group and Company		
Dividends – Ordinary shares	**40,866**	**40,866**

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting.
At the Annual General Meeting to be held on 29 May 2015, a final dividend in respect of the year ended 31 December 2014 of KShs 0.50 for every ordinary share is to be proposed. This will bring the total dividend for the year to KShs 40,866,000 (2013 – KShs 40,866,000).
Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-resident shareholders.

	2014 KShs'000	2013 KShs'000
15. TAXATION		
Group		
(a) Taxation expense		
Current taxation charge	109,586	83,702
Deferred tax in respect of the current year	(5,208)	10,339
Adjustments recognised in the current year in relation to the deferred tax of prior year (Note 27)	321	17,146
Under provision of current tax in prior year	870	-
Total income tax expense recognised in the current year	**105,569**	**111,187**
(b) Reconciliation of expected tax based on accounting profit to taxation expense		
Profit before taxation	**326,083**	**300,680**
Tax at the applicable rate of 30%	97,825	90,204
Tax effect of non-deductible costs	6,553	3,837
Prior year under provision of deferred tax	321	17,146
Under provision of current tax in prior year	870	-
	105,569	**111,187**
(c) Taxation payable/(recoverable)		
Group		
At beginning of the year	(16,313)	36,202
Under provision prior year	478	-
Current tax - charge for the year	109,586	83,702
Tax paid in the year	(83,491)	(136,217)
At 31 December	**10,260**	**(16,313)**
Comprising:		
Tax payable	16,984	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

15. TAXATION (CONTINUED)

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

	2014 KShs'000	2013 KShs'000
Tax recoverable	(6,724)	(16,313)
	10,260	**(16,313)**
Company		
At beginning of the year	(9,589)	42,797
Under provision prior year	478	-
Current tax - charge for the year	109,586	83,703
- tax paid in the year	(83,491)	(136,089)
At 31 December	**16,984**	**(9,589)**
Comprising:		
Tax payable	16,984	-
Tax recoverable	-	9,589
	16,984	**9,589**

16. BASIC AND DILUTED EARNINGS PER SHARE

	2014	2013
Profit attributable to owners of the Company – KShs'000	**209,870**	**197,412**
Number of shares during the year	**81,730,854**	**81,730,854**
Basic earnings per share – KShs	**2.57**	**2.41**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings KShs'000	Plant & machinery KShs'000	Motor vehicles KShs'000	Furniture fittings & equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
(a) Group						
2014:						
At 1 January 2014	664,646	2,066,562	199,335	507,551	3,292	3,441,386
Additions	-	126,974	3,830	89,014	111,517	331,335
Disposals	-	(4,728)	(19,022)	(2,036)	-	(25,786)
Write off	-	(9,839)	(2,071)	(102,907)	-	(114,817)
Transfers from intangible	-	-	-	-	53,593	53,593
At 31 December 2014	664,646	2,178,969	182,072	491,622	168,402	3,685,711
Depreciation						
At 1 January 2014	47,125	703,924	127,930	380,919	-	1,259,898
Charge for the year	13,504	155,069	55,429	67,196	-	291,198
Write off	(8,408)	(777)	-	(101,493)	-	(110,678)
Eliminated on disposal	-	(1,043)	(19,022)	(1,594)	-	(21,659)
At 31 December 2014	52,221	857,173	164,337	345,028	-	1,418,759
Carrying amount						
At 31 December 2014	**612,425**	**1,321,796**	**17,735**	**146,594**	**168,402**	**2,266,952**
2013:						
Cost						
At 1 January 2013	534,893	1,998,475	154,065	431,970	117,745	3,237,148
Additions	-	258,801	65,751	80,115	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
Carrying amount						
At 31 December 2013	**617,521**	**1,362,638**	**71,405**	**126,632**	**3,292**	**2,181,488**

At 31 December 2014, property, plant and equipment with cost of KShs 502,534,793 (2013 – KShs 507, 634,749) were fully depreciated. The notional depreciation charge on these assets would have been KShs 120,970,971 (2013 – KShs 115,279,775).

During the year, management carried out a review of the working conditions of the group's property, plant and equipment and booked impairment losses for impaired assets. Impairment losses for the year were KShs 3,509,000 (2013: 39,251,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings KShs'000	Plant & machinery KShs'000	Motor vehicles KShs'000	Furniture fittings & equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
2014:						
(b) Company						
Cost						
At January 2014	584,041	1,472,920	199,188	412,703	3,293	2,672,145
Additions	-	73,585	4,371	85,916	110,834	274,706
Write offs	-	(2,510)	(2,071)	(82,174)	-	(86,755)
Disposals	-	(4,728)	(19,022)	(2,036)	-	(25,786)
Transfer from intangible	-	-	-	-	53,593	53,593
At 31 December 2014	584,041	1,539,267	182,466	414,409	167,720	2,887,903
Depreciation						
At January 2014	40,965	426,448	127,781	310,446	-	905,640
Charge for the year	11,883	100,611	55,429	55,709	-	223,632
Write off	-	(2,252)	(777)	(81,127)	-	(84,156)
Eliminated on disposals	-	(1,169)	(19,216)	(1,593)	-	(21,978)
At 31 December 2014	52,848	523,638	163,217	283,435	-	1,023,138
Carrying amount						
At 31 December 2014	**531,193**	**1,015,629**	**19,249**	**130,974**	**167,720**	**1,864,765**
2013:						
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
Carrying amount						
At 31 December 2013	**543,076**	**1,046,472**	**71,407**	**102,257**	**3,293**	**1,766,505**

At 31 December 2014, property, plant and equipment with cost of KShs 394,036,676 (2013 – KShs 309,267,313) were fully depreciated. The notional depreciation charge on these assets would have been KShs 104,002,674 (2013 – KShs 88,822,408).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

18. PREPAID OPERATING LEASE RENTALS

	2014 KShs'000	2013 KShs'000
Group and Company		
Cost		
At 1 January	128,000	128,000
Additions during the year	-	-
At 31 December	128,000	128,000
Amortisation		
At 1 January	7,445	5,814
Charge for the year	1,631	1,631
At 31 December	9,076	7,445
Carrying amount		
At 31 December	**118,924**	**120,555**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

19. INTANGIBLE ASSETS

	Trademarks KShs'000	Software KShs'000	Broadcasting Licenses KShs'000	2014 KShs'000	2013 KShs'000
(a) Group					
Cost					
At 1 January	6,000	132,653	117,655	256,308	138,346
Additions	-	82,568	-	82,568	52,155
Transfer to property, plant and equipment	-	(53,593)	-	(53,593)	65,807
At 31 December	6,000	161,628	117,655	285,283	256,308
Amortisation					
At 1 January	-	65,166	-	65,166	61,125
Charge for the year	-	10,761	-	10,761	4,041
At 31 December	-	75,927	-	75,927	65,166
Carrying amount At 31 December	**6,000**	**85,701**	**117,655**	**209,356**	**191,142**
(b) Company					
Cost					
At 1 January	6,000	132,653	50,780	189,433	71,471
Additions	-	82,568	-	82,568	52,155
Transfers to property, plant and equipment	-	(53,593)	-	(53,593)	65,807
At 31 December	6,000	161,628	50,780	218,408	189,433
Amortisation					
At 1 January	-	65,166	-	65,166	61,125
Charge for the year	-	10,761	-	10,761	4,041
At 31 December	-	75,927	-	75,927	65,166
Carrying amount At 31 December	**6,000**	**85,701**	**50,780**	**142,481**	**124,267**

The group acquired the rights to distribute the Eve trademark on 17 April 2009. An agreement was signed transferring full title and guaranteeing all rights, titles and interest in the publication to the Group.

The Group acquired licenses for radio frequencies through its subsidiary, Toads Media Group Limited and additional frequencies acquired directly by the parent. The Group made reference to the cash generating ability of radio Maisha and projected consistent revenue growth for the foreseeable future and assessed these as not impaired.

At the end of the year, the Group assessed the recoverable amounts of both its investments in trademarks and the frequency for impairment. The Group used reference to their cash generating ability and assessed them as not impaired. For the Eve trademark,the assumption made was that the publication (Eve Woman) will continue to accrue commercial benefits in the foreseeable future. No impairment losses have therefore been recognized in these financial statements.

STANDARD GROUP LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS | YEAR ENDED 31ST DECEMBER 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

20. INVESTMENTS

Investment in subsidiaries (unquoted)	Principal activity	Shareholding %	2014 KShs '000	2013 KShs '000
The Standard Limited	Dormant	100%	3,398	3,398
Baraza Limited	Broadcasting	51%	92	92
Agency Sales and Promotion Limited	Dormant	100%	2	2
Toads Media Group Limited	Leasing	100%	66,875	66,875
			70,367	**70,367**

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

During the year, the Group invested in a consortium called Africa Digital Networks (ADN) jointly with Royal Media Services and Nation Media Group. This has not been consolidated during the current year as the shareholders' agreement is yet to be concluded as at the date of these financial statements. As at 31 December 2014, the Group had incurred KShs 22,323,991 in pre-operation costs for ADN.

21. INVENTORIES

	2014 KShs'000	2013 KShs'000
(a) Group		
Raw materials	66,261	86,789
Consumables	101,781	115,434
Goods in transit	19,747	89,160
Stocks for resale	-	3,980
Broadcast programmes	14,161	7,672
	201,950	**303,035**

Inventories expensed during the year amounted to KShs 857,841,000 (2013 - KShs 1,079,025,000).

	2014 KShs'000	2013 KShs'000
(b) Company		
Raw materials	66,261	86,789
Consumables	93,666	106,459
Goods in transit	18,054	67,285
Stocks for resale	-	3,980
	177,981	**264,513**

Inventories expensed during the year amounted to KShs 731,570,000 (2013 - KShs 921,652,000).

22. TRADE AND OTHER RECEIVABLES

	2014 KShs'000	2013 KShs'000
(a) Group		
Trade receivables	1,438,089	1,574,545
Impairment losses	(251,333)	(340,970)
	1,186,756	1,233,575
Other receivables	63,567	71,140
	1,250,323	**1,304,715**
(b) Company		
Trade receivables	1,101,528	1,261,545
Impairment losses	(209,006)	(292,999)
	892,522	968,546
Other receivables	57,057	52,392
	949,579	**1,020,938**

23. SHARE CAPITAL

(a) Ordinary shares		
Authorised:		
103,979,600 ordinary shares of KShs 5 each	**519,898**	**519,898**
Issued and fully paid:		
81,730,854 Ordinary shares of KShs 5 each	**408,654**	**408,654**
(b) Share premium		
Share premium comprises:		
Ordinary shares at 31 December	**39,380**	**39,380**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

23. SHARE CAPITAL (CONTINUED)

(c) Movement in fully paid ordinary share

	No. of shares	Share capital KShs '000	Share premium KShs '000	Total KShs '000
At 31 December 2013	**81,730,854**	**408,654**	**39,380**	**448,034**
At 31 December 2014	**81,730,854**	**408,654**	**39,380**	**448,034**

There was no increase in share capital during the year.

24. RESERVES

(a) Capital redemption reserve

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

(b) Retained earnings

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

25. NON-CONTROLLING INTERESTS

	2014 KShs'000	2013 KShs'000
At 1 January	214,772	222,691
Share of results for the year	10,644	(7,919)
At 31 December	**225,416**	**214,772**

26. RELATED PARTY BALANCES

(a) Due from related companies

	Group		Company	
	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
Baraza Limited	-	-	**228,277**	**211,096**

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

Balances due to related parties are repayable as follows:

	2014 KShs'000	2013 KShs'000
Group		
Within 1 year	-	-
Between 2 and 5 years	107,489	110,671
	107,489	**110,671**
Company		
Within 1 year	-	-
Between 2 and 5 years	118,079	121,261
	118,079	**121,261**

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 Limited 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 loan from The Standard Limited is unsecured and is not due within the next twelve months.

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

(b) Due to related parties

	Effective interest rate %	2014 KShs '000	2013 KShs '000
Group			
(i) Loans			
The Standard Media Group Holdings Limited (common shareholding)	-	42,609	48,787
Trade World (K) Limited (shareholders)	8.0	22,308	19,803
Miller Trustees (shareholders)	8.0	42,572	42,081
		107,489	**110,671**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

26. RELATED PARTY BALANCES (CONTINUED)

(b) Due to related parties (continued)

	Effective interest rate %	2014 KShs '000	2013 KShs '000
Company			
Standard Media Group Holdings Limited	-	42,609	48,787
Trade World (K) Limited	8.0	22,308	19,803
Miller Trustees Limited	8.0	42,572	42,081
The Standard Limited	-	10,590	10,590
		118,079	**121,261**

The balances due to related parties are not due within the next twelve months.

27. DEFERRED TAX (ASSET)/LIABILITY

	2014 KShs'000	2013 KShs'000
(a) Group		
Movement on the deferred tax liability is as follows:		
At 1 January	287,200	253,717
Deferred tax (credit) in respect of the current year	(15,417)	16,337
Adjustments recognised in the current year in relation to the deferred tax of prior year (Note 15(a))	321	17,146
At 31 December	**272,104**	**287,200**

The make up of deferred tax liability is disclosed in Note 27(b).
The net deferred tax asset is attributable to the following items

	2014 KShs'000	2013 KShs'000
Accelerated capital allowances	70,890	83,219
Leave pay provision	(459)	(328)
Gratuity provision	(1,777)	(1,500)
Doubtful debts	(12,698)	(14,391)
Tax losses	(71,454)	(92,707)
	(15,498)	**(25,707)**

	2014 KShs'000	2013 KShs'000
The movement on the deferred tax asset is as follows:		
At 1 January 2014	(25,707)	(19,709)
Credit	10,209	(5,998)
At 31 December	**(15,498)**	**(25,707)**
(b) Company		
Deferred tax liability/ (assets)		
Accelerated capital allowances	345,597	365,487
Gratuity provision	(7,649)	(6,675)
Leave provision	(3,142)	(2,245)
General provisions for doubtful receivables	(62,702)	(69,367)
Net deferred tax liability	**272,104**	**287,200**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

28. BORROWINGS

	HP Loans KShs'000	Term Loans KShs'000	Overdrafts KShs'000	2014 Total KShs'000	2013 Total KShs'000
(a) Group					
The borrowings are repayable as follows:					
On demand and within one year	39,230	262,950	311,354	613,534	613,023
Between 1 and 2 years	19,972	124,385	-	144,357	171,188
Between 2 and 5 years	7,926	138,889	-	146,815	143,364
	67,128	**526,224**	**311,354**	**904,706**	**927,575**
Amounts due for settlement within one year	39,230	262,950	311,354	613,534	613,023
Amount due after one year	27,898	263,274	-	291,172	314,552
	67,128	**526,224**	**311,354**	**904,706**	**927,575**
The movement in the year was as follows:					
Beginning of the year	119,898	464,575	343,104	927,576	661,555
Additions	-	397,563	-	397,563	802,588
Repayments	(52,770)	(335,914)	-	(388,683)	(563,549)
Movement in overdrafts	-	-	(31,750)	(31,750)	26,981
At 31 December	**67,128**	**526,224**	**311,354**	**904,706**	**927,575**

	HP Loans KShs'000	Term loans KShs'000	Overdrafts KShs'000	Total KShs'000
At 31 December 2014:				
CfC Stanbic Bank Limited	13,744	159,816	141,819	315,379
CfC Stanbic Bank Limited (Short term raw materials)	-	94,525	-	94,525
Commercial Bank of Africa Limited	52,305	271,883	169,535	493,723
Diamond Trust Bank Kenya Limited	1,079	-	-	1,079
	67,128	**526,224**	**311,354**	**904,706**
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

28. BORROWINGS (CONTINUED)

(b) Company

The borrowings are repayable as follows:

	HP Loans KShs'000	Term loans KShs'000	Overdrafts KShs'000	2014 Total KShs'000	2013 Total KShs'000
On demand and within one year	39,230	262,950	310,547	612,727	581,767
Between 1 and 2 years	19,972	124,385	-	144,357	171,188
Between 2 and 5 years	7,926	138,889	-	146,815	143,364
	67,128	**526,224**	**310,547**	**903,899**	**896,319**
Amount due for settlement within one year	**39,230**	**262,950**	**310,547**	**612,727**	**581,767**
Amount due after one year	**27,897**	**263,275**	**-**	**291,172**	**314,552**
Beginning of the year	119,898	464,575	311,848	896,321	650,452
Additions	-	397,563	-	397,563	802,588
Repayments	(52,770)	(335,914)	-	(388,684)	(563,549)
Movement in overdrafts	-	-	(1,301)	(1,301)	6,828
At 31 December	**67,128**	**526,224**	**310,547**	**903,899**	**896,319**

	HP Loans KShs'000	Term loans KShs'000	Overdrafts KShs'000	Total KShs'000
At 31 December 2014:				
CfC Stanbic Bank Limited	13,743	159,816	141,012	314,571
CfC Stanbic Bank Limited	-	94,525	-	94,525
Commercial Bank of Africa Limited	52,306	271,883	169,535	493,724
Diamond Trust Bank Kenya Limited	1,079	-	-	1,079
	67,128	**526,224**	**310,547**	**903,899**
At 31 December 2013:				
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

28. BORROWINGS (CONTINUED)

(b) Company

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 KShs 130 million, a variation of joint and several debenture for KShs 243.3 million, a second further joint and several debenture for KShs 116.7 million and a third further joint and several debenture for KShs 400 million (all together securing an aggregate amount of KShs 890 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 KShs 890 million created by Standard Group Limited in favour of the bank over Land Reference Number 209/18213, Nairobi ranking pari passu with a legal charge created over the said property in favour of Commercial Bank of Africa Limited;
- Corporate guarantee and indemnity for KShs 518,000,000 by Baraza Limited in favour of the Bank on account of The Standard Group Limited supported by the Board of Director's resolution authorising issuance of the same;
- Corporate guarantee and indemnity for KShs 359,000,000 by Baraza Limited in favour of the bank and on account of The Standard Limited ;
- Letter of undertaking by The Standard Production Services Limited consenting to the sale of Land Reference Number 209/9717, Nairobi in the event of default by the Company;
- Inter-lenders' agreement between the Bank, Commercial Bank of Africa and the borrower; and
- Hire Purchase Agreements executed between the bank and the Company and lodgements with the bank of all the relevant logbooks together with blank transfer forms for the assets financed under the Vehicle and Asset Finance Facility.

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

- Joint and several, fixed and floating debenture charge over all the assets of the Baraza Limited and The Standard Limited for KShs 490 million;
- Joint and several, fixed and floating debenture for KShs 110 million over all the assets of the Company and Toads Media Group Limited;
- Legal charges for an aggregate of KShs 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 KShs 490 million;
- Corporate guarantees from Toads Media Group Limited in the amount of KShs 110 million; and
- 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 2014			
CfC Stanbic Bank Limited	13.50	13.5	13.5
Commercial Bank of Africa Limited	15.25	15.25	15.25
Diamond Trust Bank Kenya Limited	15.50	-	-
Year ended 31 December 2013			
CfC Stanbic Bank Limited	13.50	13.5	13.5
Commercial Bank of Africa Limited	16.25	16.25	16.25
Diamond Trust Bank Kenya Limited	16.50	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

	2014 KShs'000	2013 KShs'000
29. TRADE AND OTHER PAYABLES		
(a) Group		
Trade	152,977	392,886
Accruals and other payables	354,020	327,776
Value Added Tax payable	42,002	51,669
Leave pay accrual	12,004	8,575
	561,003	**780,906**
(b) Company		
Trade	156,980	377,781
Accruals and other payables	301,193	275,697
Leave pay accrual	10,474	7,482
Value Added Tax payable	29,292	34,695
	497,939	**695,655**
30. EMPLOYEE BENEFIT		
(a) Group		
Gratuity provision	**31,420**	**27,722**
Movement in gratuity provision is as shown below:		
At 1 January	27,722	34,119
Amounts paid in the year	(12,736)	(31,600)
Additional provision	16,434	25,203
At 31 December	**31,420**	**27,722**
(b) Company		
Gratuity provision	**25,497**	**22,724**
Movement in gratuity provision is as shown below:		
At 1 January	22,724	29,825
Amounts paid in the year	(12,107)	(25,716)
Additional provision	14,880	18,615
At 31 December	**25,497**	**22,724**

	2014 KShs'000	2013 KShs'000
31. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of profit before tax to cash generated from operations		
Profit before tax	326,083	300,680
Adjustments for:		
Depreciation	291,198	277,509
Amortisation - intangible assets	10,761	4,041
- prepaid operating lease rentals	1,631	1,631
Loss/(gain) on sale of plant and equipment	(1,733)	(15,899)
Loss on write off of plant and equipment	3,509	39,251
Interest expense	118,416	119,128
Operating profit before tax and working capital changes	**749,865**	**726,341**
Decrease/(increase) in inventories	101,085	(24,557)
Decrease/(increase) in trade and other receivables	54,392	(381,152)
(Decrease)/increase in trade and other payables	(219,903)	202,413
Decrease/(increase) in employee benefit	3,698	(6,397)
Net movement in related party balance	(3,182)	(1,003)
Cash generated from operations	**685,955**	**515,645**
(b) Cash and cash equivalents		
Bank and cash balances	32,022	19,514
Bank overdraft (Note 28)	(311,354)	(343,103)
	(279,332)	**(323,589)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

31. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

	2014 KShs'000	2013 KShs'000
(c) Analysis of purchase of property and equipment		
Additions in the year (Note 17(a))	331,335	514,646
Amounts for hire purchase financing (Note 28)	-	(89,644)
	331,335	**425,002**
(d) Analysis of bank loans received		
Loan additions during the year (Note 28)	397,563	802,588
Amounts for hire purchase financing (Note 28)	-	(89,644)
	397,563	**712,944**

32. RETIREMENT BENEFIT OBLIGATIONS

The group contributes to a pension plan established for the benefit of its employees. The pension plan is a defined contribution scheme, whereby the group matches contributions to the fund made by employees up to 7.5% of the employee's pensionable salary.
During the year, the group expensed KShs 57,080,422 (2013 – KShs 49,522,000) in contributions payable.

33. OPERATING LEASES

Outstanding commitments under operating leases are as follows:

	2014 KShs'000	2013 KShs'000
Tenancy payable:		
Not later than one year	54,790	54,790
Between one and two years	43,059	43,967
Between two and five years	25,700	30,290
Over 5 years	28,321	43,967
	151,870	**173,014**
Amounts charged to profit or loss in the year in respect of operating leases	**70,235**	**56,590**

	2014 KShs'000	2013 KShs'000

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:

	2014 KShs'000	2013 KShs'000
Fees for services as a director		
Non-executive directors	6,335	3,444
Other emoluments		
Salaries and other short-term employment benefits:		
Executive directors' and key management	77,499	71,605
Total	**83,834**	**75,049**
(b) Cash transfers		
Cash transfers from The Standard Group Limited to Baraza Limited	**45,742**	**30,361**
Cash transfers from Baraza Limited to The Standard Group Limited	**387,707**	**408,737**
(c) Payments on behalf		
Payments by The Standard Group Limited on behalf of Baraza Limited	**557,379**	**721,365**
Payments by Baraza Limited on behalf of The Standard Group Limited	**198,043**	**312,844**
(d) Interest expense		
Interest on shareholder loan	**3,526**	**3,527**

35. CAPITAL COMMITMENTS

	Group	
Authorised and contracted for	276,477	403,102
Authorised but not contracted for	617,899	479,106
	894,376	882,208

Capital commitments mainly relate to acquisition of new equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

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:

	2014 KShs'000	2013 KShs'000
Share capital	408,654	408,654
Share premium	39,380	39,380
Capital redemption reserve	102	102
Retained earnings	1,534,491	1,365,487
Non - controlling interests	225,416	214,772
Equity	**2,208,043**	**2,028,395**
Total borrowings	904,706	927,575
Less: cash balances	(32,022)	(19,514)
Net debt	**872,684**	**908,061**
Gearing	**40%**	**45%**

37. EMPLOYEE SHARE OPTION PLAN

Company

Details of the employee share option plan of the Company

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

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

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

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

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

	Number	Expiry date	Exercise price KShs	Fair value at grant date KShs
Options series				
(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 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

31. EMPLOYEE SHARE OPTION PLAN (CONTINUED)

Movements in share options during the year

The following share options were exercised during year:

	Number exercised	Exercise date	Share price at exercise date KShs
Options series			
(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 2014 and 2013.

38. CONTINGENT LIABILITIES

As at 31 December 2014, the group had outstanding contingent liabilities amounting to KShs 533,350,000 (2013 – KShs 312,982,271) in respect of on-going litigation mainly relating to libel charges arising in the normal course of business. KShs 329 million (2013 - KShs 252 million) of the contingent liabilities have been insured while a total of KShs 67,958,656 (2013 – KShs 60,193,390) 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 director's 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 SNG Holdings Limited and is incorporated in the United Kingdom.

STANDARD GROUP LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS I YEAR ENDED 31ST DECEMBER 2014

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COMPANY SECRETARY
Ronald Lubya (Resigned w.e.f. April 1, 2015)
Certified Public Secretary (Kenya)
Standard Group Centre
Mombasa Road
P.O. Box 30080, 00100, Nairobi
Tel: + 254 020 3222 111

SHAREHOLDERS INFORMATION

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the Ninety Seventh Annual General Meeting of the Company will be held at The Standard Group Centre along Mombasa Road, Nairobi, on Friday, 29th May 2015 at 11.00 a.m. to transact the following business:

1. **ORDINARY BUSINESS**

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

   B. To confirm minutes of the Ninety Sixth Annual General Meeting held on May 23rd, 2014.

   C. To receive, consider and adopt the audited Financial Statements for the year ended 31st December, 2014 together with the Chairman's, Directors' and Auditors' reports thereon.

   D. To approve a first and final dividend of Kshs. 0.50 per share in respect of the financial year ended December 31, 2014 payable on or before 31st August, 2015 to the shareholders on record as at the close of business on July, 29th, 2015.

   E. Re-election of Directors:

      i. In accordance with Article 101 of the company's Articles of Association, **Mr. Robin Sewell** who is a non executive director and the Chairman of the Board, retires by rotation and being eligible, offers himself for re-election.

      ii. In accordance with Article 101 of the company's Articles of Association, **Ms. Zehrabanu Janmohamed** who is a non executive director, retires by rotation and being eligible, offers herself for re-election.

   F. To approve the Directors' remuneration for the year ended 31st December 2014.

   G. 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 in the ensuing financial year.

2. **SPECIAL BUSINESS**

   To consider and if thought fit, to pass the following resolution as a Special Resolution.

   THAT the Articles of Association of the Company be amended by deleting the existing Article 143 and Article 144 inserting the following as Article 143.

   "The Company may, pursuant and in accordance with the provisions of Unclaimed Financial Assets Act, 2011 (as amended or modified from time to time) or any other law, deliver or pay to any prescribed regulatory authority any unclaimed assets including but not limited to shares in the Company presumed to be abandoned or unclaimed in law and any dividends or interest thereon remaining unclaimed beyond prescribed statutory periods. Upon such delivery or payment, the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the owner or holder or his or her estate, for the relevant unclaimed assets."

3. **Any other business which due notice has been given.**

BY ORDER OF THE BOARD

LAWRENCE KIBET
COMPANY SECRETARY
Date: 13th March, 2015

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, 5th Floor, Barclays Plaza, Loita Street P. O. Box 9287-00100 G.P.O Nairobi, no later than 48 hours before the time appointed for holding the meeting.

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

   For further inquiries kindly call 020 3222010 or send an email to ckosgei@standardmedia.co.ke

   Please Note: transport will be offered to shareholders from outside I&M Bank towers, along Kenyatta Avenue, from 9a.m. and back to GPO after the close of the meeting.

PROXY FORM

The Secretary
Standard Group Ltd
P.0 Box 30080-00100
Nairobi

I/WE ....

OF ....

Being a member of the above Company, hereby appoint:

....

OF ....

Or failing whom, the Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 29th May 2015 and at any adjournment thereof.

As witness my/our hand this................................... day of .... 2015.

Signed... Signed ....

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.

2. In the case of a member being a limited Company this form must be completed under its common seal or under the hand of an officer or attorney duly authorized in writing.

3. Proxies must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting. All proxies should be sent by Post to Image Registrars of P.O Box 9287, 00100 Nairobi. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in PDF format, or deposited at their offices at Loita Street, Barclays Plaza, 5th floor.


Radio Maisha
Tuko pamoja!
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Tuko

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