Nation Media Group

Media of Africa for Africa

2016 ANNUAL REPORT AND FINANCIAL STATEMENTS

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The Nation Media Group is the largest media house in East and Central Africa with operations in print, broadcast and digital media, which attract and serve unparalleled audiences in Kenya, Uganda, Tanzania and Rwanda.

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CONTENT

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty-Fourth Annual General Meeting of the Shareholders of Nation Media Group Limited will be held in the Amphitheatre at the Kenyatta International Convention Centre (KICC), Nairobi on Friday 23 June 2017 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

1 To receive the financial statements for the year ended 31 December 2016, and the Chairman's, Directors' and Auditor's reports thereon.

2 To confirm the payment of the interim dividend of Shs 2.50 per share (100%) and to approve the payment of the final dividend of Shs 7.50 per share (300%) on the ordinary share capital in respect of the year ended 31 December 2016.

3 To confirm that PricewaterhouseCoopers continue in office as the Company's Auditors in accordance with section 721 (2) of the Companies Act 2015 and to authorise the directors to fix their remuneration.

4 To elect and re-elect the following directors:

a) In accordance with Article 96 of the Company's Articles of Association, Mr. T. Mshindi, a director appointed on 1st July 2016, retires and being eligible offers himself for election.

b) In accordance with Article 110 of the Company's Articles of Association, Prof. O. Mugenda and Mr. F. O. Okello, retire by rotation and being eligible, offer themselves for re-election.

5 To authorize the Board to fix the remuneration of the Non-Executive Directors.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Special Resolutions:

6 "That Dr. W. Kiboro, a director who retires in accordance with Article 101 of the Company's Articles of Association and who is over the age of 70 years, shall notwithstanding that fact, be re-elected as a director of the Company for a period of one year."

7 "That Prof. L. Huebner, a director who retires in accordance with Article 101 of the Company's Articles of Association and who is over the age of 70 years, shall not withstanding that fact, be re-elected as a director of the Company for a period of one year."

8 "That Mr. A. Poonawala, a director who retires in accordance with Article 101 of the Company's Articles of Association and who is over the age of 70 years, shall not withstanding that fact, be re-elected as a director of the Company for a period of one year."

9 "That pursuant to section 53 of the Companies Act 2015, the name of the Company be changed by deleting the word "Limited" and replacing it with the letters "PLC" (Public Listed Company)".

By order of the Board

J. C. Kinyua
Secretary

31 March 2017

Note: A member entitled to attend and vote may appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company. To be valid, proxy forms must be deposited at the Company's registered office not less than 48 hours before the appointed time of the meeting.

ILANI YA MKUTANO MKUU WA MWAKA

Ilani inatolewa hapa kuwa Mkutano Mkuu wa Hamsini na Nne wa Kila Mwaka, wa Wenye hisa wa Nation Media Group Limited utakaofanyika katika ukumbi wa Amphitheatre kwenye Jumba la Mikutano ya Kimataifa la Kenyatta (KICC), Nairobi hapo Ijumaa tarehe 23 Juni 2017 kuanzia saa nane mchana kwa madhumuni yafuatayo:

SHUGHULI ZA KAWAIDA

1 Kupokea ripoti za kifedha za mwaka uliokamilika 31 Desemba 2016, pamoja na ripoti za mwenyekiti, mkurugenzi mkuu na mkaguzi wa mahesabu ya kifedha.

2 Kuthibitisha malipo ya mgao wa awali ya Shs 2.50 kwa kila hisa (100%) na kuidhinisha mgao wa mwisho wa Shs 7.50 kwa kila hisa (300%) kwenye mtaji wa hisa za kawaida katika mwaka uliokamilika 31 Desemba 2016.

3 Kuthibitisha kuwa PricewaterhouseCoopers inaendelea kushikilia afisi kama Mkaguzi wa Fedha za Kampuni kulingana na sehemu ya 721 (2) ya Sheria ya Kampuni nchini Kenya, ya mwaka 2015 na kuwaidhinisha wakurugenzi kutenga malipo yao.

4 Kuchagua na kuchagua tena wakurugenzi wafuatao:

a) Kulingana na Kifungu cha 96 cha Mwafaka wa Ushirika wa Kampuni, Bw. T. Mshindi, mkurugenzi aliyeteuliwa tarehe 1 Julai 2016, anastaafu na anafuzu kujitokeza ili achaguliwe.

b) Kulingana na Kifungu cha 110 cha Mwafaka wa Ushirikiano wa Kampuni, Prof. O. Mugenda na Bw. F.O. Okello, wanastaafu kwa mzunguko na kwa kuwa wanafuzu, wanajitokeza ili kuchaguliwa tena.

5 Kuidhinisha Bodi kuratibu mishahara ya Wakurugenzi wasiokuwa Watendaji.

SHUGHULI MAALUM

Kuzingatia, na iwapo itadhaniwa kufaa, kupitisha maamuzi yafuatayo kama Maamuzi Maalum.

6. "Kwamba Dkt. W. Kiboro, kama mkurugenzi anayestaafu kulingana na Kifungu cha 101 cha Mwafaka wa Ushirikiano wa Kampuni na aliyezidi umri wa miaka 70, bila kuzingatia hali hiyo, achaguliwe tena kama mkurugenzi wa Kampuni kwa kipindi cha mwaka mmoja."

7 "Kwamba Prof. L. Huebner, kama mkurugenzi anayestaafu kulingana na Kifungu cha 101 cha Mwafaka wa Ushirikiano wa Kampuni na aliyezidi umri wa miaka 70, bila kuzingatia hali hiyo, achaguliwe tena kama mkurugenzi wa Kampuni kwa kipindi cha mwaka mmoja."

8 "Kwamba Bw. A. Poonawala, kama mkurugenzi anayestaafu kulingana na Kifungu cha 101 cha Mwafaka wa Ushirikiano wa Kampuni na aliyezidi umri wa miaka 70, bila kuzingatia hali hiyo, achaguliwe tena kama mkurugenzi wa Kampuni kwa kipindi cha mwaka mmoja."

9 "Kwamba kwa kuzingatia sehemu ya 53 ya Sheria ya Kampuni 2015, jina la Kampuni litabadilishwa kwa kufuta jina 'Limited' na badala yake herufi 'PLC' (Public Listed Company) kutumiwa".

Kwa amri ya Bodi

J. C. Kinyua
Katibu

Tarehe 31 Machi 2017

Fahamu: Mwananchi anayestahili kuhudhuria na kupiga kura anaweza kuteua mwakilishi ambaye anaweza kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi huyo sio lazima awe mwanachama wa Kampuni. Ili kukubalika, fomu za uwakilishi lazima ziwasilishwe kwa afisi iliyosajiliwa ya Kampuni katika muda usiopungua saa 48 kabla ya mkutano kuanza.

CORPORATE GOVERNANCE

The Company is committed to upholding the best international standards of good corporate governance.

The role of the Board is to determine the Company's policies and strategies, to monitor the attainment of the business objectives and to ensure that the Company meets its obligations to the shareholders. The Directors are also responsible for overseeing the Group's internal control systems. These controls are designed both to safeguard the Group's assets and to ensure the reliability of the financial information used within the business.

The Board has the following standing Board Committees:-

1. **Nominations and Governance Committee,** which is responsible for executive and non-executive board appointments and for oversighting the Group's adherence to good corporate governance principles. Prof. L. Huebner chairs the committee which has Dr. W. D. Kiboro, Mr. A. Poonawala and Mr. J. Muganda as members. The members of the Committee with the exception of the Group Chief Executive Officer, are non-executive directors.

2. **Audit, Risk and Compliance Committee,** whose mandate is to oversee the effective administration of the Group's systems of internal controls, management of risk and compliance with applicable regulatory requirements as well as review of the Group's financial plans and reports. Mr. D. Aluanga chairs the committee which has Mr. A. Poonawala, Dr. S. Kagugube and Mr. L. Mususa as members. The members of the committee are independent non-executive directors.

3. **Strategy and Investments Committee,** which reviews the Group's medium and long term strategic options and investment proposals. Mr. J. Montgomery chairs the committee which has Dr. Y. Jetha, Mr. R. Dowden, Mr. J. Muganda, Mr. S. Gitagama and Mr. T. Mshindi as members.

4. **Editorial Committee,** which considers and advises on the Group's editorial policy, the journalistic code of ethics and legal responsibilities. Mr. F. O. Okello chairs the committee which has Mr. D. Aluanga, Prof. O. Mugenda, Mr. R. Dowden, Mr. J. Muganda and Mr. T. Mshindi as members.

5. **Human Resources and Remuneration Committee,** whose primary objective is to assist the Group to achieve its goal of adhering to the best practices in Human Resources Management and Development. Dr. Y. Jetha chairs the committee, which has Mr. A. Poonawala , Prof. O. Mugenda and Mr. L. Mususa as members. The members of the committee are independent non-executive directors.

The Chairman of the Board is a non-executive director and is elected by the Board of Directors to hold office after every three years.

There is a clearly defined organisational structure within which individual responsibilities and authority limits are set out. The structure is complemented by policies and management operates the business in compliance with these policies.

The Group Chief Executive Officer chairs the Executive Team, which comprises the executive directors and the senior executives of the Group. The team deals with operational matters and co-ordinates activities across the Group's various subsidiary companies and divisions.

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NMG Corporate Values

CONTINUOUS IMPROVEMENT & INNOVATION

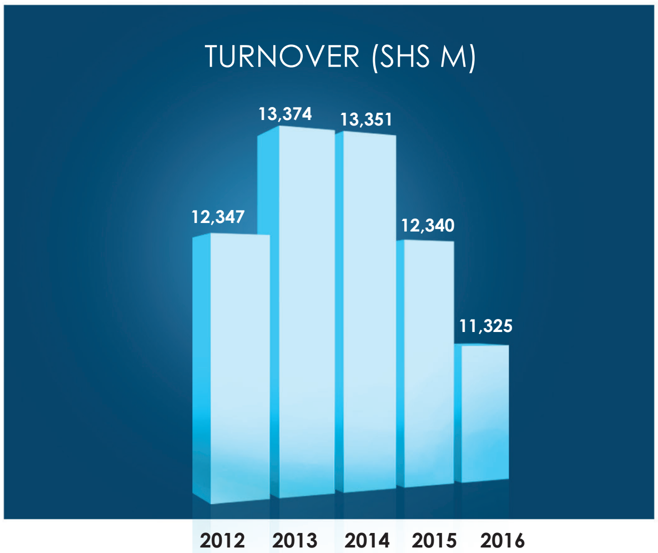
CONSUMER FOCUS

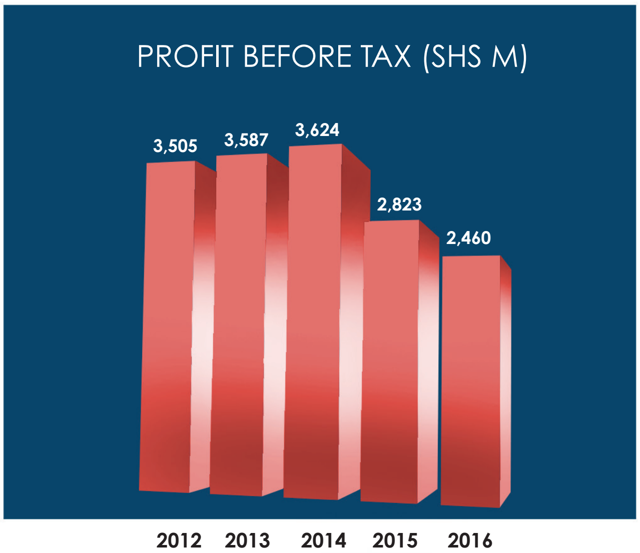
NMG YOUR EMPLOYER OF CHOICE

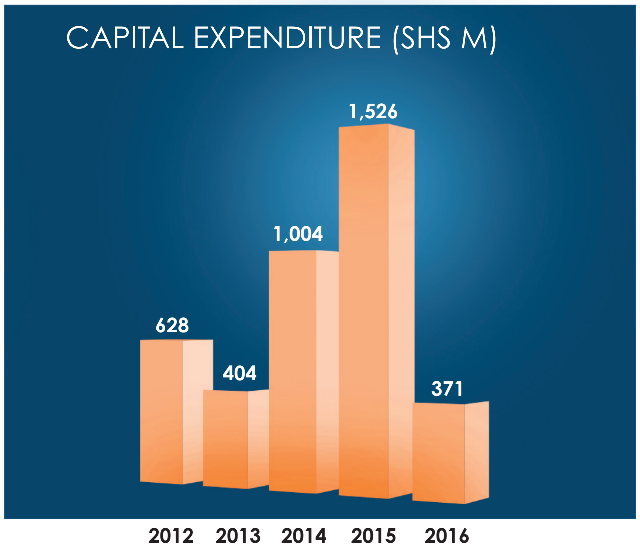
INTEGRITY AND TRUST

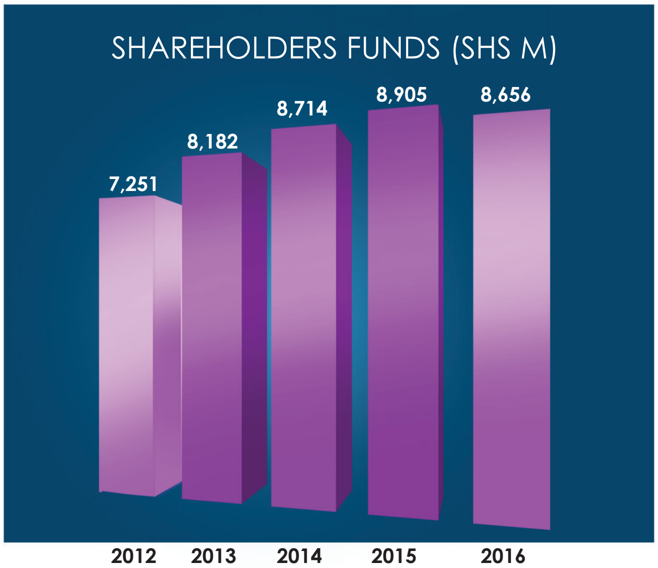
DRIVE FOR PERFORMANCE

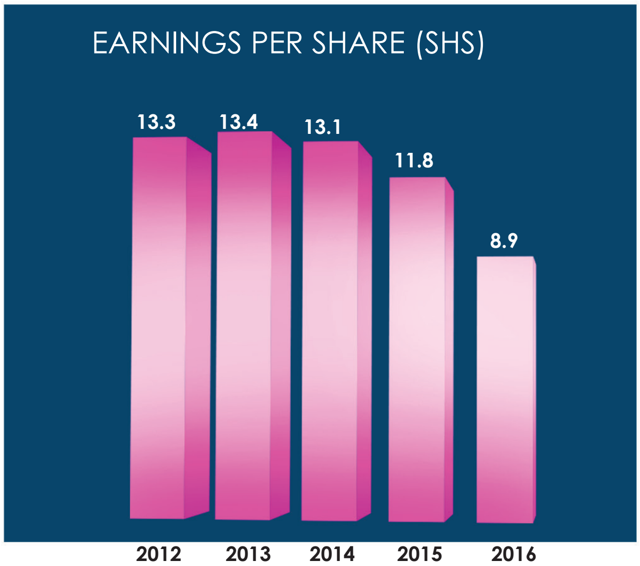
PERFORMANCE HIGHLIGHTS











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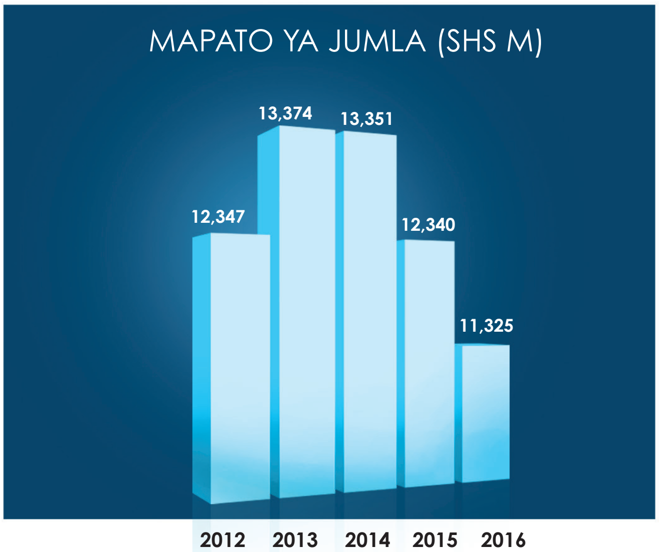

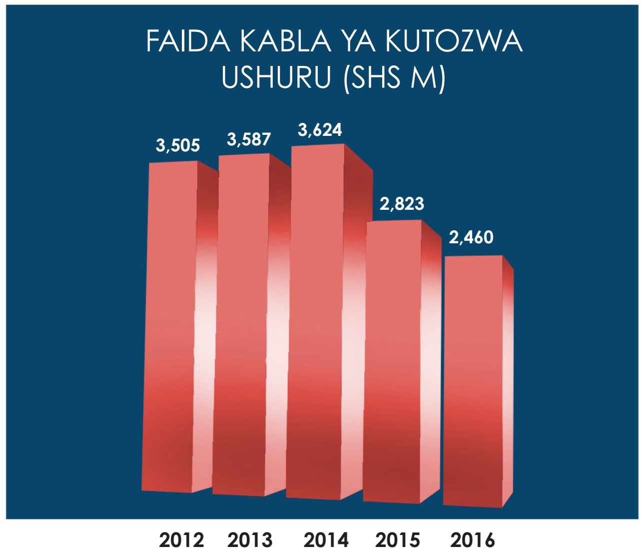

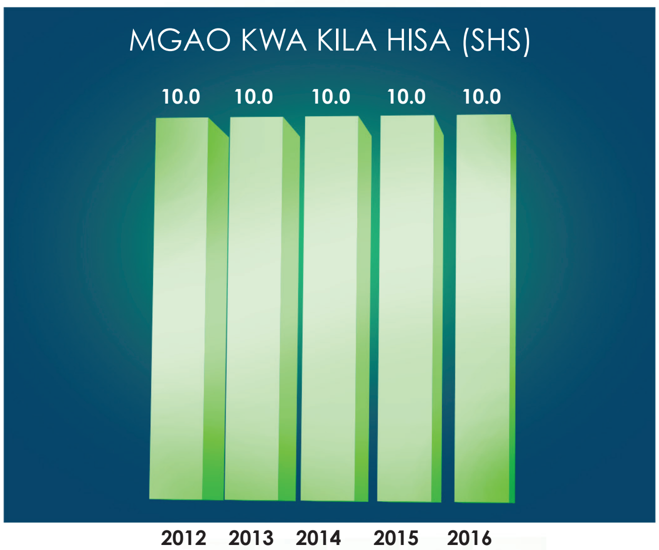

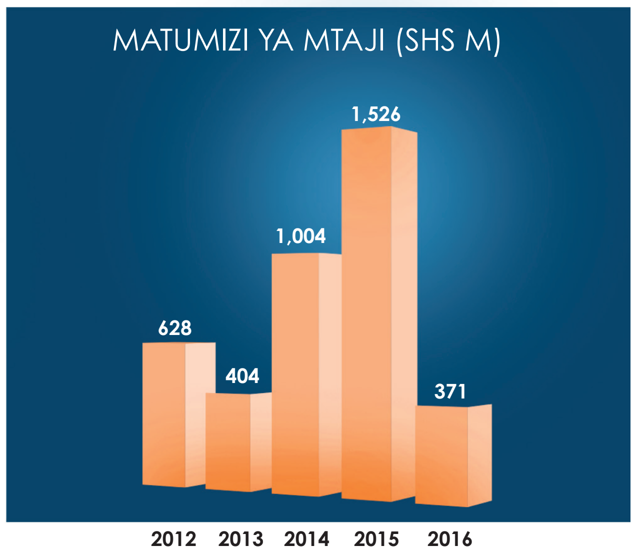

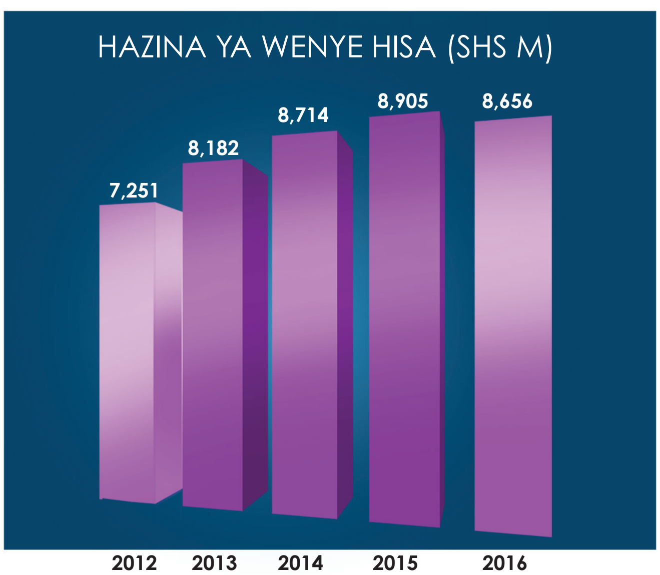

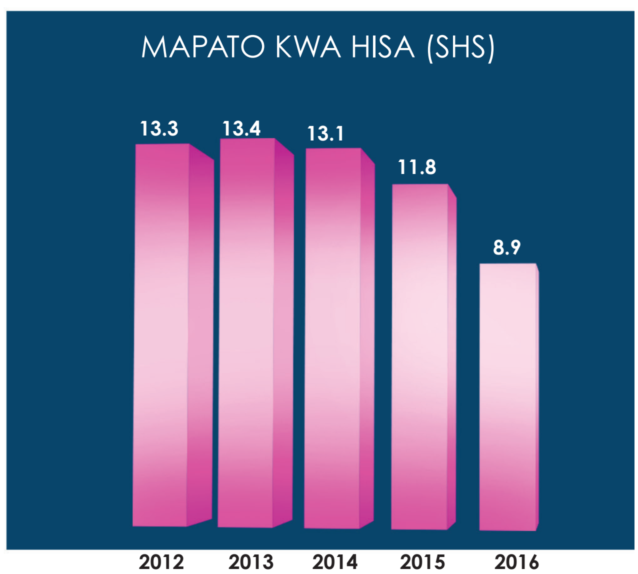

Dr. Wilfred D. Kiboro
Chairman

The Company will continue to implement the new strategy, enter into partnerships in the digital space and make strategic acquisitions.

CHAIRMAN'S **STATEMENT**

Dear Stakeholders,
It is my pleasure to present to you the Group's financial performance for the year ended 31 December 2016.

Economic and Political Environment
The regional economy remained relatively stable. Kenya's and Tanzania's GDPs improved marginally from 5.6% to 5.8% and 7.0% to 7.2% respectively. Uganda's and Rwanda's GDPs declined from 5.0% to 4.8% and 6.9% to 6.4% respectively. The East African economies were vulnerable to external and domestic conditions, such as adverse weather conditions and insecurity that had a negative impact and pushed up inflation.

The year was difficult for most businesses in the region with a number of institutions closing down, whilst several others went through re-organisations as a cost saving measure.

Financial Performance
Despite a very difficult operating environment in the region, the Group posted a decent profit of Shs 2.5 billion, but which was 12.9% below the previous year.

The decline in profit was largely due to lower revenues which dropped by 8.2% to Shs 11.3 billion, from Shs 12.3 billion realised in 2015.

Dividends
The directors have recommended a final dividend of Shs 7.50 (300%) per share on the issued share capital as at 31 December 2016, which, together with the interim dividend of Shs 2.50 (100%) per share paid out on 30 September 2016, makes a total dividend payout for the year of Shs 10.00 per share (400%) (2015 Shs 10.00) The dividend will be paid less withholding tax where applicable on or about 31 July 2017 to shareholders registered on the register of members at the close of business on 9 June 2017.

Share Price and Market Capitalisation
The NMG share price declined from Shs 191 per share as at 31 December 2015 to Shs 93 per share at the close of 2016, which was a market capitalisation of Shs 17.5 billion. The Nairobi Securities Exchange (NSE) 20 share index was generally subdued across the board with a 21.15% decline from 2015. The drop in the share price was therefore as a result of the reduced demand for shares at the NSE, with investors choosing alternative investments.

Business Environment
I am pleased to inform you that *NTV Kenya* posted a growth of its revenues by 7%. The Group partnered with regional media stations to expand its reach and to attract viewers. We are confident that the broadcasting strategy with appealing programming will generate traction with the public and attract advertising revenues.

The Group's print and broadcasting platforms in Uganda gave balanced elections coverage without any adverse disruptions to the businesses. In Tanzania, the enactment of the Media Services Act that restricts foreign ownership in a print media enterprise to 49%, poses a challenge to the Group's ownership of Mwananchi Communications Limited, which is currently a wholly owned subsidiary. The Group has engaged the authorities to identify a mutually acceptable solution.

In Kenya, the latest affront on press freedom was witnessed by attempts by the Kenya Film Classification Board to regulate broadcasting content in respect of live interviews, features and advertisements without legal mandate. The Group has taken a proactive role to engage the government to safeguard media freedoms and uphold the public's right to information.

The number of persons with access to the internet has been increasing, which is the rationale behind the digital first strategy that will open up new opportunities in the digital sphere. The Group is making substantial investments to play in this space. We have seen immense growth, with the digital division reporting a 14% increase in revenues over 2015. We believe that this will be a key source of revenue for the Group in the future.

Corporate Social Responsibility
Our commitment to our community across the region was steadfast, with a focus on four key pillars; Education, Health, Environment and Community Sponsorships.

In Kenya, the commitment to education was manifest through the provision of text books to various underprivileged schools across the country in a number of counties such as Kitui, Kakamega, Trans Nzoia and Nakuru.

In Uganda, health related initiatives created awareness and educated the society on preventative measures. This was achieved through a cancer awareness campaign that was published and aired on the media platforms.

Mwananchi's donation to victims following the Kagera Earthquake was a manifestation of our speedy response to assist those facing difficulties around us.

The Group is committed to ensuring that its Corporate Social Responsibility initiatives are geared to enhancing the livelihoods of the people and the environment around the region.

Editorial Policy and Guidelines
We are committed to promoting the democratic space, while adhering to our editorial policy by presenting balanced, objective and accurate reports. We are mindful of the impact that information in the public space plays in shaping opinions on important matters. We have invested resources in training our journalists on elections coverage to ensure balanced reporting across our platforms. The board continues to work closely with the management to ensure that reporting is fair and adheres to the editorial policies.

We urge all eligible citizens to exercise their democratic rights by participating in the general election and voting for candidates of their choice. The elections are an event and Kenya as a country must move forward. We must desist any lawless behaviour.

Board Changes
Ms. Njeri Karago retired from the Board on 24 June 2016 and Mr. Gerard Wilkinson retired on 31 March 2017. We are very grateful to them for their dedicated service to the company and wish them all the best in their future endeavours.

Our People
NMG is committed to developing and enhancing the skills of the staff and has invested in the human capital, through trainings both locally and internationally. We have seen the impact of this in the improved quality of our reporting and the innovations in our content offerings.

The Group underwent a reorganization that necessitated the convergence of our operations and the scaling down of our radio and television business which has contributed to improved efficiencies.

Looking Ahead
The Board is optimistic and has confidence that management will develop and deliver products that are relevant for consumers who are at the core of all our products. We are satisfied with the implementation of the digital first strategy and the measures taken to reduce costs and grow revenues, whose benefits have started being realised. The company will continue to implement the new strategy, enter into partnerships in the digital space and make strategic acquisitions of businesses such as KenyaBuzz. These actions will expand our offering, while simultaneously enhancing our appeal to a wider audience, to create new avenues of revenue and grow our business.

The Board reassures our shareholders that we are committed to deliver on our broad strategic objectives of being the leading media house in this region.

I take this opportunity to sincerely extend my gratitude to my fellow directors, the management and staff of the Group, our business partners and customers for the support and dedication given over the year. Asante sana.

Dr. Wilfred D. Kiboro
Chairman

Dr. Wilfred D. Kiboro
Mwenyekiti

TAARIFA YA MWENYEKITI

Shirika litaendelea kutekeleza mkakati wake mpya, ingia mikataba ya ubia katika sekta ya kidijitali na kununua biashara nyinginezo.

Wapendwa Wenyehisa,
Ni furaha kwangu kuwasilisha kwenu matokeo ya kifedha ya Shirika ya mwaka uliokamilikia tarehe 31 Desemba 2016.

Mazingira ya Kiuchumi na Kisiasa

Hata hivyo, uchumi wa ukanda huu ulibakia kuwa thabiti. Ukuaji wa Mapato ya Mataifa ya Kenya na Tanzania yaliimarika kiasi kutoka 5.6% hadi 5.8% na kutoka 7.0% hadi 7.2%, huku mapato ya Uganda na Rwanda yakipungua kutoka 5.0% hadi 4.8% na 6.9% hadi 6.4% mtawalia. Chumi za Afrika Mashariki ziliathirika kutokana na mazingira ya nje na ndani, kama vile hali mbaya ya hewa pamoja kuzorota kwa usalama ambako kulisababisha athari kubwa na kadhalika kuwepo kwa mfumko wa bei za bidhaa mbali mbali.

Mwaka huo ulikuwa ni mwaka mgumu kwa biashara mbali mbali katika ukanda mzima ambao ulisababisha biashara nyingi kufungwa, huku nyingine nyingi zikipitia magumu na hata kubadilisha mifumo ya kiusimamizi kama njia mojawapo ya kupunguza gharama ya kufanyia biashara.

Matokeo ya Kifedha

Licha ya kuwepo kwa mazingira magumu ya kufanyia biashara katika ukanda huu, Shirika hili lilipata faida japo kiduchu ya Bilioni Shs 2.5, ambayo ilikuwa 12.9% chini ya faida ya mwaka uliotangulia.

Upungufu huo wa faida ulitokana na mapato ya chini yaliyopungua kwa 8.2% hadi Shs 11.3 billion, kutoka Shs 12.3 billion zilizopatikana katika mwaka wa 2015.

Migao

Wakurugenzi wamependekeza mgao wa mwisho wa Shs 7.50 (300%) kwa kila hisa katika mtaji wa hisa uliotolewa kufikia tarehe 31 Desemba 2016, ambao, pamoja na mgao wa muda wa Shs 2.50 (100%) kwa kila hisa uliolipwa mnamo tarehe 30, Septemba 2016, inafanya mgao wa jumla uliolipwa kwa mwaka wa Shs 10.00 kwa hisa (400%) (2015 Shs 10.00) Mgao utalipwa baada ya kutoa ushuru wa kina itakapofaa ama kufikia tarehe 31 July 2017 kwa wenyehisa waliosajiliwa katika sajili ya wanachama kufikia mwisho wa biashara za siku mnamo tarehe 9 Juni 2017.

Bei ya Hisa na Mtaji wa Soko

Bei ya Hisa ya NMG ilipungua kutoka Shs 191 kwa kila hisa kufikia 31 Desemba 2015 hadi kufikia Shs 93 kwa kila hisa kufikia mwisho wa mwaka wa 2016 ambapo mtaji wake wa soko ulikuwa wa Shs 17.5 Billion. Soko la Ubadilishanaji wa Hisa la Nairobi (NSE) la viwango vya hisa vya mfumo wa 20, liliselelea katika sehemu zote kwa kupungua kwa 21.15% kutoka mwaka wa 2015. Hivyo basi, kupungua kwa bei ya hisa kulisababishwa na kupungua kwa mahitaji ya hisa kwenye soko la NSE, huku wawekezaji wakichagua njia mbadala za uwekezaji.

Mazingira ya Kibiashara

Nina furaha kuwafahamisha kwamba Kitengo chetu cha televisheni, *NTV Kenya*, kimetoa matokeo yakuridhisha iliyo na mapato ya 7%. Shirika hili liliingia ubia na mashirika mengine ya habari kwenye ukanda huu ili kuimarisha upatikanaji wa matangazo yake na pia kuwavutia watazamaji wake. Tuna hakika kwamba mikakati yetu ya matangazo kutokana na vipindi vyetu vya kuvutia italeta manufaa yanayohitajika kwa umma na kusababisha kupatikana kwa matangazo mengi ya kibiashara.

Vitengo vya Shirika vya Utangazaji na Magazeti katika taifa la Uganda vilitoa matangazo ya kukubalika wakati wa Uchaguzi Mkuu wa nchi hiyo hapo mwaka jana bila ya kusababisha vizuizi vyovyote katika biashara yetu. Nchini Tanzania, kupitishwa kwa Sheria ya Huduma za Vyombo vya Habari ambavyo vinazuia umiliki wa nje katika magazeti hadi kwa kiwango cha 49%, kulisababisha changamoto kubwa katika umiliki wa Kampuni ya Shirika hili ya Mwananchi Communications Limited, ambayo iko chini ya umiliki wa shirika hili. Shirika hili inazungumza na halmashauri husika ili kutafuta suluhu la kudumu kwa tatizo hilo.

Hapa nchini Kenya, jitihada za hivi punde za kunyiama vyombo vya habari uhuru wa kiutendakazi zilishuhudiwa kutoka kwa Bodi Inayosimamia Vipindi ya Kenya (Kenya Film Classification Board) iliyotaka kubatilisha matini ya Vipindi vinavyoenda hewani hasa katika vipindi mbashara, makala na matangazo hata bila ya kuzingatia sharia zilizopo. Shirika hili limechukua hatua za kiuhakika ili kujadili na Serikali katika hali hali ya kulinda uhuru wa vyombo vya habari na kulingania haki ya umma ya kupata habari.

Idadi ya watu wanaosoma mitandao inaongezeka kila uchao, hii ikiwa ndio sababu muafaka ya kuwepo kwa mikakati ya kukuza sekta ya Dijitali ambayo hatimaye itafungua nafasi mpaya katika sekta hiyo. Shirika hili lina mipango kabambe ya kuwekeza katika sekta hii ya Dijitali. Tumeona ukuaji wa kuridhisha, huku Kitengo cha Dijitali kukikua kwa 14%, likiwa ni ongezeko kwenye mapato ukilinganisha na mwaka wa 2015. Tuna Imani ya kwamba biashara hii ya Dijitali ndio itakayokuwa kiungo kikuu cha uchumi wa shirika hili katika siku za usoni.

Majukumu ya Shirika kwa Wanajamii

Jukumu letu kuu kwa jamii yetu ya Afrika Mashariki liliimarika vyema, likizingatia nguzo nne kuu; Elimu, Afya, Mazingiara na Udhamini kwa Wanajamii.
Hapa nchini Kenya, kujitolea kwetu katika elimu kulitokana na hamu kuu ya utoaji wa vitabu vya kiada kwa shule za nyanjani katika taifa zima na hususan katika baadhi ya Kaunti kama vile Kitui, Kakamega, Trans Nzoia na Nakuru.

Huko Uganda, miradi ya kiafya ilitoa ufahamu na kuwaelimisha wanajamii kuhusu mbinu za kujikinga kiafya. Hii ilifanikishwa kupitia kwa kampeini ya Saratani iliyokuwa imechapishwa na kutangazwa katika vyombo vyetu vyote vya habari.

Mchango wa Kampuni ya Mwananchi kufuatia waathiriwa wa Mtetemeko wa Ardhi wa Kagera, ilikuwa ni wito wetu wa haraka wa kuwafaa wanajamii waliopatwa na mikasa mbali mbali.
Shirika hili limejitolea ili kuhakikisha kwamba Jukumu lake la Miradi ya Kuwashughulikia Wanajamii, inaimarishwa ili kuyaboresha maisha ya watu na mazingiara yao katika maeneo wanayotoka.

Miongozo ya Sera za Uhariri

Tumejitolea ili kuhakikisha kwamba tunawezesha kuwepo kwa uhuru wa kidemokrasia, huku tukilingania kanuni na sera zetu za uhariri kwa kutoa habari zisizoegemea upande wowote, bora na kutoa ripoti sahihi. Tunaelewa umuhimu wa kutoa taarifa sahihi ambazo zinalengwa kuwafikia wasomaji wetu ili kuwaelekeza kimaoni hasa kuhusu masuala muhimu. Tumewekeza pakubwa katika kuwafunza wanahabari wetu kuhusu masuala ya uchaguzi ili kuwawezesha kutoa habari faafu zisizoegemea upande wowote katika vyombo vyetu vyote vya habari. Bodi yetu inaendelea kufanya kazi kwa ukaribu sana na mameneja wasimamizi ili kuhakikisha kwamba tunatoa taarifa faafu na zinazolingania sera za uhariri.

Tunawahimiza wananchi wote kuzingatia haki yao ya kupiga kura katika uchaguzi ujao na kuwapigia kura viongozi wanaowapenda. Uchaguzi ni tukio la siku moja tu na Kenya kama Taifa lazima lisonge mbele. Ni lazima tukatae vishawishi vyote ambavyo vitakuwa nje ya sharia za nchi.

Mabadiliko ya Bodi

Bi. Njeri Karago alistaafu kutoka kwa Bodi mnamo tarehe 24 Juni 2016 na Bw. Gerard Wilkinson alistaafu mnamo 31 Machi 2017. Tunawahongera sana kwa kujitolea kwao kwa huduma kwa kampuni hii na tunawatakia mema katika shughuli zao za siku za usoni.

Watu wetu

NMG imejitolea kuimarisha na kuboresha maarifa ya wafanyikazi wake na wameweekeza pakubwa katika wafanyikazi hao, kupitia kwa kuwapatia mafunzo ya humu nchini na hata nje ya nchi. Matokeo ya uwekezaji huu ni kwamba pamekuwa na matokeo mazuri ya kiutendakazi hasa katika kuripoti na kwenye ubunifu katika baadhi ya huduma tunazotoa.

Shirika lilifanya mabadiliko mengi ambayo yalioanisha vitengo mbali mbali pamoja na kupunguza biashara za redio na runinga, hatua ambayo hatimaye imeleta ufanisi mkubwa wa kibiashara.

Mustakabali wa Kibiashara

Bodi ina Imani na hakika kwamba usimamizi wa shirika utafanya kazi nzuri na kuleta ufanisi wa ukuzaji wa bidhaa mbali mbali ambazo zitawafaa wateja ambao ndio kiungo kikuu kwa bidhaa zetu. Tumeridhika kwa utekelezwaji wa mkakati wa shughuli zetu za kidijitali na hatua zilizochukuliwa ili kupunguza gharama pamoja na kuboresha mapato, ambayo hatimaye manufaa yake yamezaa matunda. Shirika litaendelea kutekeleza mkakati wake mpya, ingia mikataba ya ubia katika sekta ya kidijitali na kununua biashara nyinginezo kama KenyaBuzz. Matukio haya yatapanua biashara yetu, huku yakiwafikia wateja wetu wengi kwa lengo la kupanua njia za kukuza mapato na kuimarisha biashara yetu.

Bodi ya Wakurugenzi inawahakikishia wenyehisa wetu kwamba tumejitolea kutimiza mikakati yetu mikubwa ya kuwa shirika la kutajika katika ukanda huu.

Nachukua fursa hii kuwashukuru wakurugenzi wenzangu kwa dhati ya moyo wangu, mameneja wasimamizi na wafanyikazi wote wa Shirika, washirika wetu wa kibiashara na wateja wetu kwa ushirikiano na kujitolea kwao katika kipindi cha mwaka uliopita.

Asante sana.

Dkt. Wilfred D. Kiboro
Mwenyekiti

GROUP CHIEF EXECUTIVE OFFICER'S **REPORT**

Joe Muganda
Group Chief Executive Officer

Digital Division experienced

14% GROWTH

in line with the Group's strategy to drive revenue

I am pleased to present the Group's audited financial results for the year ended 31 December 2016.

The business environment in East Africa was challenging, as a result of a diverse range of external and domestic factors. These ranged from adverse weather conditions that curtailed agricultural production, uncertainties around the General Elections in Uganda, hesitant investor confidence, to reduced tourist inflows that subdued foreign exchange earnings. The regulatory environment remains unpredictable and could adversely interfere with press freedoms. The tough operating environment led to a number of companies closing down, while several others restructured resulting in job losses. The media industry was no exception and it effected operational re-organisations as cost saving measures.

In line with the new 21st century consumer trends, the Group continued implementing a new strategic direction that ensures we secure our current business and position ourselves to win in the future. This resulted in the re-organisation of our operations with the objective of matching consumption habits. The re-organisation enabled us prioritise our resources and make investments in content development and innovation with the aim of generating new revenue streams. The actions are beginning to deliver on the intended results.

The Nation Media Group family has remained steadfast throughout this period of change, with the organization and its staff being feted with 14 journalism awards in Kenya, 7 in Tanzania, 1 in Rwanda and 9 in Uganda. We are confident that the future is sustainable for the Group and are continuously striving to ensure that we deliver on our promise to be the Media of Africa, for Africa.

Financial Performance
The Group's profit after tax declined compared with the previous year. The adverse performance was caused by a revenue shortfall due to a drop in advertising volumes. However, this was mitigated by higher interest income and cost management measures. The Group's turnover declined by 8.2% to Shs 11.3 billion, while the net earnings, at Shs 1.6 billion, were 21% lower than the prior year.

Mwananchi Communications Limited revenue was 23% below last year as a result of the slow growth in the economy, coupled with the austerity measures put in place by the government.

NTV Uganda's performance also declined reporting a 29% decrease in revenue as a result of a depressed economy. **Monitor Publications Limited** registered better performance than prior year due to the reduced cost of doing business.

The *Business Daily* and *NTV Kenya* brands recorded a 1% and 7% increment in revenue respectively, while the Digital Division experienced growth of 14% in line with the Group's strategy to drive revenue from the division to 10% of the Group's turnover in the next three years. In 2016, the division contributed 2.2% of the Group revenue, up from 1.9% in 2015.

2016 Strategic Highlights
We have begun the implementation of our new business strategy to be a digital first company and have achieved the following milestones to date:

Convergence: In embedding the online first news digital opportunity, we converged our print and broadcasting newsroom operations. This entailed the setting up of a video hub and multi-platform business, international and sports desks.

Print Media: There was increased uptake of the unique print advertising formats by various clients, owing to the capabilities of the new printing press. In addition, the quality of our print products greatly improved delivering a better reader experience. The new press has enabled us to increase our region specific newspaper editions to six, to ensure that we deliver according to our consumers' priority issues. The speed of the press strengthened our route to market strategy, ensuring on time delivery of the newspapers around the country, while simultaneously reducing our carbon footprint by the use of sustainable energy.

Broadcasting: We re-organised our broadcasting division by improving the programming of the television stations and scaled down on radio operations in Kenya and Rwanda. Further, we redefined the broadcasting landscape and for the first time in the region's history, entered into strategic partnerships with regional media stations, allowing us to reach a wider audience through content sharing.

New Revenue Streams and Innovations: The foundations were put in place to explore and unlock new digital verticals and other revenue streams. These verticals include cross platform content, video, entertainment, music, agriculture, business & economic data, fashion & lifestyle. The focus is to generate new business ideas to enable us to tap into these new opportunities.

The Group acquired a majority stake in *KenyaBuzz*, an online entertainment directory with a strong events, lifestyle content and social brand, to grow the Group's digital footprint. It enjoys significant reach in Kenya and Uganda, and has high engagement with younger consumers. This acquisition underscores the Group's determination to expand its revenue base by tapping into new digital opportunities. We believe these properties will grow at an even faster rate with impetus from the Group's superior technical infrastructure and editorial excellence that saw its flagship *nation.co.ke* emerge winner as Africa's best news website in 2016.

Culture Change: To ensure that our people are prepared to deliver the new strategy, we rolled out a cultural change programme to embed a digital/mobile first culture in the Group. This comprised the launch of new corporate values to guide the company into the new era and ensure a clear line of sight throughout the organization on the deliverables. The programme will be rolled out in 2017.

Marketing

Daily Nation launched a 'Believe the Truth' thematic campaign in Q1 and *My Network*, a pullout targeting millennials, was launched in Q2. Reader experiential events were activated through *Seeds of Gold* farming clinics, a motor clinic and Saturday magazine master class on relationships that were aimed at growing readership and loyalty. *Young Nation* continued to promote literacy and reading through essay competitions and a reading camp.

Business Daily differentiated itself as a leader in corporate and enterprise business, through its Top 100 mid-sized companies and the Top 40 men and Top 40 women under 40 years awards.

The EastAfrican's in-depth regional coverage was reinforced in the brand's thematic campaign 'Know no borders' launched in October. *Taifa Leo* continued to recruit young readers through the 'Newspapers in Education' (NiE) programme and activations in schools, while *MwanaSpoti* recruited new readers through increased ground activations across the country. In Tanzania, a Lake Zone Campaign dubbed 'Gazeti ni Mwananchi' was launched to promote *Mwananchi* and reaffirm its position as the number one Swahili newspaper in the country.

NTV focused on online engagement through various activations as well as on-ground engagements, including events sponsorships. *NTV's* target market and strategy were revised to make it more competitive and to recruit more viewers.

NTV-U and *Spark* television in Uganda launched 'My World', a mentorship reality show, as well as six new shows. *NTV-U's* website revamp greatly improved the digital offering for advertising, and enabled access on different devices. Two brand campaigns were launched; *NTV* entertainment tagged 'Turning on your world', and a revamp of 'I Move Uganda'.

Daily Monitor's 360-degree content promotion strategy was rolled out on *KFM* and *Dembe* radio stations and partner radio stations across the country. *KFM* and *Dembe FM* focused on client engagement mainly to drive audience growth.

2017 Strategic Priorities

In light of the structural changes effected within the organisation and the rapidly changing external environment and consumer habits and preferences, 2017 will be a year to consolidate the gains and continue to implement the new strategy by fully entrenching the digital/mobile first business model. This will involve exploring new revenue streams, protecting the current print and broadcasting business, growing revenues and audiences across platforms, and embedding the digital culture in the organisation. We will continue with cost and debt management initiatives, with a focus to improve our gross margins.

We will protect our current business by maximising the value of our assets in the region. Our focus is on developing or acquiring unique, relevant content, strengthening regional print editions, improving our investigation and in-depth reporting, diversifying niche content, creating a strong online regional presence and expanding the business reporting in print, television and online. We shall continue strengthening our broadcasting division with unique programming to attract more viewers and grow revenues. The converged 24-hour newsroom will ensure that we persistently have our ear to the ground to break news, first on our digital and online platforms, followed by our broadcast and finally on our print platforms. At the centre of everything will be the consumer, ensuring we meet them at their point of need and cater for their different media consumption habits.

Kenya will hold its General Elections on 8 August 2017. This is usually a challenging period and we have already witnessed increased political activity, a polarised environment and heightened sensitivity to media coverage. As a responsible media house, we are committed to accurate, independent, and objective election reporting in line with our editorial policy.

In an ever changing regulatory environment, we are committed to ensuring our media freedom is not infringed upon. The Group has collaborated with other media players to ensure we have a 'seat at the table' with the various governments and all other relevant stakeholders to safeguard a vibrant, free press.

At the core of every successful organization is its human capital; without the right people and the fit-for-purpose culture in place, we will not deliver on the company's promise. We will embed the new culture and ensure that employees place the consumer at the centre of everything that we do. We will invest in our people through training and international exposure. We will ensure that employees have the right infrastructure needed to take us to the future.

I wish to sincerely thank the Board of Directors, the Executive Team and the staff members, for rallying behind common objectives and working tirelessly to ensure that we deliver today as we reposition the Group for tomorrow. I also thank our shareholders and stakeholders for their continued support. I look forward to your partnership and confidence in the Group as a sustainable partner of choice, as we seek to achieve our performance objectives for the year ahead.

J. Muganda
Group Chief Executive Officer

TAARIFA *YA AFISA MKUU MTENDAJI WA SHIRIKA*

Joe Muganda
Afisa Mkuu Mtendaji wa Shirika

Nina fahari kuwasilisha matokeo ya kifedha yaliyokaguliwa, ya Kampuni hii, katika kipindi kilichokamilika tarehe 31 Desemba 2016.

Mazingira ya kibiashara katika eneo la Afrika yalikuwa na changamoto nyingi, kutokana na hali mbalimbali katika eneo hili na nyingine za nje. Hii inahusisha matukio kama hali mbaya ya hewa ambayo ilitatiza mazao ya kilimo, suitafahamu kuhusu Uchaguzi Mkuu nchini Uganda, wawekezaji kukosa imani ya kutosha, na kupungua kwa watalii ambako kuliathiri pakubwa mapato yanayotokana na fedha za kigeni. Mazingira ya kiusimamizi wa serikali hayawezi kubashirika na huenda yakaathiri vibaya uhuru wa vyombo vya habari. Mazingira magumu ya kuendeshea biashara yalichangia pia kufungwa kwa kampuni kadhaa, huku baadhi zikiwafuta wafanyakazi wengi. Hata hivyo, sekta ya vyombo vya habari haikusazwa katika hilo, kwani ilibidi itumie utaratibu mpya wa kikazi kama njia ya kupunguza gharama.

Kwa kuambatana na mielekeo ya wateja katika karne ya 21, Kampuni hii iliendelea kutekeleza mikakati elekezi ambao unahakikisha kuwa tunalinda biashara yetu ya sasa na kujiweka katika nafasi nzuri ya kuibuka washindi siku zijazo. Hili lilisababisha kuufanyia utendakazi wetu utaratibu mpya ili uendane na mienendo ya wateja. Utaratibu huo mpya ulituwezesha kuzipa umuhimu rasilmali zetu na kuwekeza zaidi katika ukuzaji na ubunifu zaidi wa matukio ya habari kwa dhamira ya kufungua njia mpya za kuleta mapato. Hatua hizo zimeanza kuzaa matunda yaliyotarajiwa.

Kikoa cha Nation Media Group kimeendelea kukaa ange katika kipindi hiki chote cha mabadiliko, ambapo kampuni yenyewe pamoja na wafanyakazi wake wamefanikiwa kutunukiwa tuzo 14 za uanahabari nchini Kenya, 7 nchini Tanzania, 1 nchini Rwanda na 9 nchini Uganda. Tuna imani katika mustakabali mzuri wa Kampuni hii na tunaendelea kujitahidi kuhakikisha kwamba tunatimiza ahadi yetu ya kuwa Shirika la Habari la Afrika kwa Manufaa ya Afrika.

Matokeo ya Kifedha

Faida ya Shirika hili baada ya kutozwa ushuru ilipungua ikilinganishwa na mwaka uliotangulia. Matokeo hayo yalitokana hasa na kupungua kwa mapato ya jumla kutokana na kupungua kwa kiwango cha matangazo ya biashara. Hata hivyo, hali hiyo ilikabiliwa na mapato yenye riba ya juu pamoja na hatua za kupunguza gharama. Mapato ya jumla ya kampuni yalipungua kwa 8.2% hadi Sh11.3 bilioni, huku mapato baada ya kutoa gharama na ada nyinginezo yakiwa Shs 1.6 bilioni, sawa na punguo la 21% ukilinganisha na mwaka uliotangulia.

Matokeo ya kampuni tanzu ya **Mwananchi Communications Limited** yalishuka kwa 23% ikilinganishwa na mwaka uliopita hasa hilo likitokana na ukuaji wa polepole wa uchumi pamoja na hatua za kukata gharama zilizochukuliwa na serikali.

Matokeo ya *NTV Uganda* pia yalishuka ambapo mapato yalipungua kwa 29% hasa kutokana na hali iliyokwaza uchumi. Kampuni ya **Monitor Publications Limited** ilirekodi matokeo bora kuliko mwaka uliotangulia kutokana na gharama ya chini ya kufanya biashara.

Gazeti la *Business Daily* na runinga ya *NTV Kenya* zilirekodi ongezeko la 1% na 7% kwenye mapato yake mtawalia huku kitengo cha Dijitali kikishuhudia ukuaji wa 14% ikiingiliana vyema na mkakati wa Kampuni wa kuzidisha mapato kutokana na idara hiyo hadi kufikia 10% ya mapato ya jumla ya Kampuni katika muda wa miaka mitatu ijayo. Mnamo 2016, kitengo hicho kilichangia 2.2% ya mapato ya Kampuni kutoka 1.9% katika mwaka wa 2015.

Mikakati muhimu ya kuangazia katika mwaka 2016

Tumeanza na utekelezaji wa mkakati wetu mpya wa kibiashara unaolenga kujenga kampuni nambari moja ya kidijitali na hadi sasa tumepiga hatua zifuatazo:

Umahuluti wa bidhaa: Katika kukitisha fursa ya habari za kidijitali kwanza, tuliunganisha utendakazi wa vitengo vya habari vya magazeti na runinga. Hii ilihitaji kubuni vitengo maarufu vya video hub na kitengo mseto cha biashara, pia kitengo cha kimataifa na spoti.

Magazeti: Tulikumbatia mitindo ya kipekee ya matangazo ya biashara miongoni mwa wateja hasa kutokana na uwezo mkuu wa mtambo mpya wa kuchapisha magazeti. Aidha, ubora wa machapisho yetu uliimarika kwa kiwango kikubwa, hali iliyowezesha wepesi katika kusoma machapisho hayo. Mtambo huo mpya umetuwezesha kuongeza matoleo ya kimaeneo hadi kufikia sita, hatua ambayo imesaidia kuwapa wateja wetu mada wanazopenda. Kasi ya mtambo wetu iliimarisha mkakati wetu wa kufika sokoni ambapo magazeti yanasambazwa mapema kote nchini mbali na mtambo wenyewe kupunguza kiwango cha gesi ya kabondioksaidi kutokana na matumizi yake ya nishati endelevu.

Utangazaji: Tuliratibisha upya kitengo chetu cha utangazaji na kuleta vipindi maalum na kupunguza shughuli za redio nchini Kenya na Rwanda. Kadhalika, tulileta mageuzi katika wanda la utangazaji ambapo kwa mara ya kwanza katika historia ukanda huu, tuliingia ushirikiano wa kimkakati na vituo vya runinga vyenye upeo wa kimaeneo hali iliyotuwezesha kufikia watazamaji wengi, yote haya yakiwezekana kupitia ubadilishanaji wa matukio.

Njia mpya za Mapato na Ubunifu: Misingi ilibuniwa ili kufungua njia mpya za kidijitali pamoja na njia nyinginezo za kujipa mapato. Njia hizi zinajumuisha habari za pamoja kwa vitengo vyote, video, burudani, muziki, kilimo, biashara, data za kiuchumi, fasheni na mitindo ya maisha. Lengo hasa ni kubuni mawazo mapya ya kibiashara ili kutuwezesha kunasa nafasi hizi mpya.

Kampuni hii pia ilinunua hisa za kampuni ya *KenyaBuzz*, ambalo ni jarida la mtandaoni linalohusika na mambo ya burudani na hafla kuu, habari za mitindo ya maisha na mambo ya kijamii kwa lengo la kukuza kitengo chetu cha dijitali. Jarida hilo lina ufuasi kiasi cha haja nchini Kenya na Uganda na huangazia na kuvutia sana vijana. Ununuzi huo unashadidia kujitolea kwa Kampuni kuhakikisha inapanua njia zake za mapato kwa kukumbatia fursa mpya za kidijitali. Tunaamini kuwa bidhaa hizi mpya zitakua hata kwa kasi zaidi kwa msaada wa miundomsingi madhubuti ya Kampuni pamoja na utaalamu katika uanahabari ambao uliwezesha wavuti-mama wa nation.co.ke kuibuka mshindi wa wavuti nambari moja Afrika kwa habari katika mwaka wa 2016.

Mabadiliko ya Tamaduni zetu: Ili kuhakikisha kuwa watu wetu wamejiandaa kufanikisha mkakati huu mpya, tulizindua mpango wa mabadiliko ya kidesturi ili kukitisha utamaduni wa dijitali/simu ya rununu kwanza katika Kampuni. Hii ilijumuisha uzinduzi wa thamani mpya za shirika ili kuelekeza kampuni katika enzi mpya na kuhakikisha upo mkondo sahili wa umakinifu katika kampuni kwa ajili ya kufanikisha hayo. Mpango huo utazidishwa mwaka wa 2017.

Mauzo/Masoko

Gazeti la *Daily Nation* lilizindua kampeni yenye kauli mbiu ya 'Believe the Truth' katika robo ya kwanza (Q1) na jarida la *My Network*, likiwa ni jarida linalolenga vijana, ambalo lilizinduliwa katika robo ya pili (Q2). Hafla za kuwahusisha wasomaji moja kwa moja zilizinduliwa kupitia vikao vya mafunzo ya kilimo kwa udhamini wa jarida la *Seeds of Gold*, pia pakawa na mafunzo kuhusu magari pamoja na masuala ya mahusiano katika jarida la Jumamosi, yote kwa lengo la kupanua idadi ya wasomaji wetu na uaminifu wao kwetu. *Young Nation* iliendelea kukuza viwango vya elimu hasa kupitia mashindano ya kusoma Insha pamoja na maandalizi ya kambi ya kusoma.

Business Daily ilijibainisha kama gazeti nambari moja katika masuala ya biashara na ujasiriamali kupitia kwa tuzo zake za kampuni za kiwango cha wastani maarufu kama Top 100 kampuni pamoja na ile ya wanaume na wanawake wasiozidi miaka 40 maarufu kama Top 40 Men and Top 40 Women Under 40. Habari za kina kutoka kila pembe ya ukanda huu za *The EastAfrican* zilitiwa nguvu kupitia kampeni ya gazeti hilo almaarufu 'Know no borders' iliyozinduliwa mnamo Oktoba. *Taifa Leo* iliendelea kusajili wasomaji wachanga kupitia kwa mpango wa 'Newspapers in Education' (NiE) pamoja na kutembelea shule, huku *Mwanaspoti* ikisajili wasomaji wapya kupitia kampeni ya kuhamasisha wasomaji mashinani kote nchini. Nchini Tanzania, kampeni ya eneo la Ziwa inayoitwa 'Gazeti ni Mwananchi' ilizinduliwa ili kupigia debe Mwananchi na kujihakikishia nafasi yake kama gazeti nambari moja la Kiswahili nchini.

NTV ilikoleza hasa uwepo wake katika mtandao kupitia kampeni mbalimbali pamoja na maingiliano ya moja kwa moja nyanjani, ikiwemo kufadhili shughuli mbalimbali. Soko na mkakati lengwa wa *NTV* pia vilifanyiwa marekebisho kwa lengo la kuifanya iwe na ushindani zaidi pamoja na kusajili watazamaji wapya zaidi.

Runinga za *NTV-U* pamoja na *Spark* nchini Uganda zilizindua kipindi cha 'My World' ambacho ni kipindi kielelezi cha runinga, pamoja na vipindi vingine sita vipya. Uboreshaji wa wavuti ya *NTV-U* uliimarisha pakubwa nafasi ya matangazo ya biashara ya kimtandao, na kuwezesha ufikiaji vifaa mbalimbali. Kampeni mbili za kisampuli zilizunduliwa; *NTV* ya burudani iliyoitwa 'Turning on your World', na uboreshaji wa kipindi cha 'I Move Uganda'.

Mkakati mpana wa kuvumisha habari katika gazeti la *Daily Monitor* ulizinduliwa katika vituo vya redio vya *KFM* na *Dembe* pamoja na vituo vishirika vya redio kote nchini. *KFM* na *Dembe FM* zililenga hasa kwa kuwashirikisha wateja/wasikilizaji kwa madhumuni ya kukuza idadi ya wasikilizaji.

Kipaumbele cha Mikakati ya 2017

Kutokana na mabadiliko ya kiuajiri yaliyotekelezwa katika shirika pamoja na mazingira ya nje yanayobadilika kila mara mbali na mienendo na wanayopenda wateja, mwaka wa 2017 utakuwa mwaka wa kuleta pamoja mafanikio na kuendelea kutekeleza mkakati mpya kwa kukitisha mtindo wa kibiashara wa dijitali/simu ya rununu kwanza. Hii itajumuisha kujaribu njia mpya za kuleta mapato, kulinda biashara ya sasa ya magazeti na runinga, kuuza mapato na hadhira za vyombo vyetu vyote vya habari, pamoja na kuzoesha utamaduni wa kidijitali katika shirika. Pia tutaendelea na mipango yetu ya kupunguza gharama na madeni; ambapo uzingativu utakuwa kwa mapato ya jumla.

Tutailinda biashara yetu ya sasa kwa kutumia vyema zaidi thamani ya mali zetu katika ukanda huu. Macho yetu hasa yataelekezwa kwa ubunaji na upataji wa habari za kipekee na zinazofaa, kuimarisha matoleo ya magazeti kimaeneo, kuimarisha habari zetu za upelelezi na uzamaji kwa kina katika kutafuta habari, kupanua vyanzo vya kupata habari, uzidishaji uwepo wetu kwenye mtandao na kupanua njia ya kuripoti habari za biashara katika magazeti na mtandaoni. Tutaendelea kuimarisha kitengo chetu cha utangazaji kwa kuanzisha njia za kipekee za kuandaa vipindi ili kuvutia watazamaji wengi na kukuza mapato. Chumba mseto cha habari kinachofanya kazi kwa saa 24 kitahakikisha kuwa sikio letu liko nyanjani kwa lengo la kuwa wa kwanza kuibuka na habari, kwanza kwenye dijitali na mtandaoni kisha runinga/redio na mwishowe kwenye magazeti. Haya yote yatafanyika kwa kuzingatia hasa mteja, kwa kuhakikisha tunatosheleza haja yake pamoja na kushughulikia matakwa yake mbalimbali.

Kenya itafanya Uchaguzi wake Mkuu tarehe 8 Agosti 2017. Hiki ni kipindi ambacho kwa kawaida huwa na changamoto nyingi na hata tayari tumeshuhudia shughuli nyingi za kisiasa, mazingira yenye mgawanyiko na hisia kali kuhusu habari. Kama chombo cha habari kinachowajibika, tumejitolea kuhakikisha habari zetu zinakuwa sahihi, huru, na zisizoegemea upande wowote, kulingana na sera yetu ya uanahabari.

Katika mazingira haya ya kiusimamizi yanayobadilika kila mara, tumejitolea kuhakikisha uhuru wetu wa habari hauvurugwi. Shirika letu limeingia kwenye ushirikiano na wadau wengine katika uanahabari ili kuhakikisha kuwa tumepata 'kiti kwenye meza' pamoja na serikali na wadau wengine wahusika ili kuhakikisha kuna uhuru tosha kwa vyombo vya habari.

Ufanisi wa shirika lolote lile hutegemea sana wafanyakazi wake; bila wafanyakazi wanaostahili na wenye uwezo wa kusukuma gurudumu la utamaduni ufaao, hatuwezi kutimiza ahadi za kampuni. Tutazidi kuimarisha tamaduni yetu mpya na kuhakikisha kwamba wafanyakazi wanamweka mteja mawazoni kwanza katika shughuli wafanyayo. Tutaendelea kuwekeza katika wafanyakazi wetu kupitia mafunzo na kuwatuma mataifa ya nje kujipa mapya. Pia tutahakikisha kuwa wafanyakazi wana miundomsingi inayohitajika kutuwezesha kuvuka hadi siku za baadaye.

Ningependa kuwashukuru kwa dhati Wakurugenzi Wakuu wa Bodi, Kikosi cha Maafisa Watendaji na wafanyakazi wote kwa kuniunga mkono kufanikisha dhamira kuu na kujitolea bila kuchoka kuhakikisha kuwa tunatimiza yanayotupasa leo huku tukijiweka katika nafasi nzuri kwa ajili ya kesho. Ninatazamia ushirikiano pamoja na imani yenu kwa Kampuni hii kama mshirika nambari moja, huku tukifanya juhudi za kutimiza malengo yetu ya kikazi katika mwaka ulio mbele yetu.

J. Muganda
Afisa Mkuu Mtendaji wa Shirika.

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SUSTAINABILITY REPORT

Nation Media Group is committed to sustainability, and this means operating responsibly in a way that creates lasting shared value by balancing the Group's needs in the present day with the needs of future generations. By so doing, we seek to continuously create lasting benefits to our shareholders, employees, consumers, business partners, stakeholders and the communities we operate in. Our objective is to entrench the Group as a strategic and sustainable partner of choice. Our sustainability approaches have had the following impact:

EDUCATION

Nation Media Group has been steadfast in ensuring that the content across its multi-platforms in the region serves the purpose of disseminating information and educating a wide variety of audiences. This ranges from financial literacy, health and wellness, agriculture, social issues and entertainment in our print daily opinion pieces, weekly inserts and broadcasting programmes that cater to various age groups in society. Examples of these are; *Seeds of Gold* a weekly pullout in the *Daily Nation* (Kenya) dedicated to informing new and seasoned farmers across the country on the best practices and current trends in the sector; *Your Health*, an insert in *The Citizen* (Tanzania) that shares facts and tips on all things involving health; *Full Woman*, published in the *Daily Monitor* (Uganda) that addresses matters on women from health to finances and relationships; *Smart Company*, a business insert in the *Daily Nation* (Kenya) targeted at corporates and entrepreneurs.

ENVIRONMENT

The design of the new printing press enhances sustainable use of energy and contributes to the overall reduction of the carbon footprint in the operations of the Group. A blend of solar day lighting technology has been employed in and around the plant to provide lighting for up to 10 hours in a day. This significantly reduces the amount of electric energy consumed. NMG is dedicated to responsible waste management and has engaged NEMA compliant organisations as suppliers to ensure all waste from its production processes is disposed in a manner that does not negatively impact the environment.

These initiatives contribute a combined ballpark reduction of 30.7 Metric tons of carbon dioxide (CO_2) per annum at NMG's printing press.

Nation Media Group staff launch new corporate values at an event held at Safari Park Hotel.

HUMAN CAPITAL

Leadership and Management Development

The changing media landscape requires employees to undergo continuous training to enhance skills, particularly digital and management capabilities. For this reason, NMG has been collaborating with various learning institutions to train employees.

Last year, two senior managers were sponsored to pursue the Senior Management Leadership Program (SMLP) at the Strathmore Business School, which exposed them to new management practices. Some ten management staff went through training in 'Speed of Trust' facilitated by Mr. Stephen Covey, a world renown author and speaker, in partnership with Raiser Training Group.

Inter-company talent exchange continues to play a key role in capacity building for the Group. In 2016, there were nine employees working away from their home countries under a programme that enhances business capabilities and awareness within East Africa, in line with our vision to be the Media of Africa for Africa. We had five members of staff from the Finance department in Kenya on the programme - three were seconded to Uganda and two to Tanzania. Three staff members from Uganda were seconded to Kenya in the Commercial, Finance and Editorial departments, while one member of staff from the Commercial department in Kenya was seconded to Rwanda as General Manager.

Excellence in Journalism Awards Tanzania (EJAT) Overall Winner Florence Majani (R) poses with her trophy with (L-R) Kelvin Matandiko, Peter Nyanje, Mussa Juma and Saul Gilliard.

Nation Media Group CEO Joe Muganda (L), Head of Digital Rashmi Chugh (centre) and NTV reporter Smriti Vidyarthi cut a cake to celebrate the WAN-IFRA African Digital Media Awards 2016 win.

Talent Management

NMG firmly believes in attracting and developing talent and promoting top performing employees to various positions that periodically arise within the organisation.

1. Media Lab programme

This programme was introduced in 2007 with the objective of developing talent for the Print and Broadcasting units. The training has been refocused to incorporate digital and produce employees who can work across all the media platforms. Eleven trainees graduated from the programme in 2016: six from Kenya, three from Uganda and two from Tanzania. The programme was conducted in collaboration with the Aga Khan University Graduate School of Media and Communication.

Training

1. External Training

During the year, twenty four reporters attended a digital journalism course at the Aga Khan University Graduate School of Media and Communications. Sixteen online and print sub-editors were taken through training on online news production while another team of eight producers trained on online video production. Four employees in the broadcast division were also trained on documentary and long form features production. In addition, three journalists were trained under the Bloomberg fellowship in collaboration with Strathmore University Business School.

2. Inhouse Training

The Group organised a digital sales training for Commercial department staff, while convergence training was conducted at Monitor Publications Limited (MPL) to enhance the new digital/mobile first information dissemination strategy.

3. International Training and Work Exposure

International exposure has proven beneficial to our newsrooms. The Group is committed to ensuring its employees receive world class training to enable them to perform their roles to global standards. In the past year, four employees were awarded scholarships and fellowships abroad. Two of the employees won Chevening Scholarships, one went to study at Columbia University and another was awarded a Wincott scholarship to study at the University of Oxford (UK).

4. Awards and Recognition

In recognition of the exemplary work done by the organisation, Nation Media Group and its journalists received a total of thirty one awards (fourteen in Kenya, nine in Uganda, seven in Tanzania and one in Rwanda) from internationally recognized institutions as follows:

Kenya
- World Association of Newspapers and News Publishers (WAN-IFRA) Best News Website in Africa
- Kenya Library of the Year Award
- Global Cancer Journalism Award
- Nine Media Council Awards in various categories
- Forum for African Women Educationalists (FAWE) Nia Yangu Media Award
- Kenya Open Data Social Impact Category Award

Uganda
- Uganda Water Sanitation Hygiene (WASH) Media Awards in various categories
- Uganda National Council for Science and Technology (UNCST) and Uganda Biotechnology and Biosafety Consortium (UBBC)
- Uganda Photo Press Photo Awards in various categories

Tanzania
- Excellence in Journalism Awards in various categories

Rwanda
- Rwanda Governance Board (RGB) together with Rwanda Association of Journalists (RAJ)

Corporate Values

The Group launched its corporate values in 2008 and they have served the business well. However, the company re-evaluated the values in 2016 with a view to align them to the new business strategy. We engaged staff to give feedback on the usefulness and impact of the values and held forums to develop new corporate values to align with the changing media landscape. The following are the new values that were agreed upon and ratified by the Board:

1. Continuous Improvement and Innovation
2. Consumer Focus
3. NMG Your Employer of Choice
4. Integrity and Trust
5. Drive for Performance

Each of the values has underpinning behaviours that define and guide employees in enforcing them. The management is in the process of embedding the values in the organisation.

I BELIEVE
THAT FARMING
IS SHADY
LIES HAVE THE POWER TO CHANGE YOU
SCAN THE WHOLE PAGE FOR VIDEO
layar
BELIEVE THE TRUTH
DAILY NATION
www.nation.co.ke
#believethetruth

CORPORATE SOCIAL RESPONSIBILITY

KENYA

NMG initiated the following activities to improve lives in our communities:

Education: The Group donated school textbooks worth Shs 770,000 to schools through its education programme: Mangina Primary School in Kitui County, Burundu Primary School in Malava-Kakamega County, Goseta Primary School in Kitale-Trans Nzoia County and Ndimu Primary School in Elburgon - Nakuru County.

In addition to this, our 'Get on the Bus' Excellence and Mentorship Programme, provided up to Shs 2 million in scholarships to excellent students who would otherwise have been unable to pursue their secondary education. The programme, started in 2010, has benefitted 84 students in Kenya to date.

The Group's 'Newspapers in Education' programme continued to deliver on its mandate to support education through the development of a reading culture among young students, the promotion of equitable access to affordable supplementary reading materials and the use of current events in education. In 2016, 108 schools were enrolled in the programme through sponsorships and over 15,000 newspapers were distributed through the initiative.

The NMG team donates text books at the Mangina Primary

Health: The Group supports initiatives aimed at improving the lives of citizens, such as the Standard Chartered Marathon. A team of employees from NMG participated by running to raise funds for the 'Seeing is Believing' campaign that strives to fight avoidable blindness. In Kenya, the initiative has sponsored cataract, glaucoma and trauma related surgeries for needy children across the country. The NMG family also participated in the 'Beyond Zero' campaign, an initiative led by the First Lady, Her Excellency Mrs. Margaret Kenyatta, that aims to secure improved maternal health service delivery to mothers and children. By September 2016, a mobile clinic had been delivered to each of the 47 counties in Kenya through the funds raised at the run.

Environment: We partnered with the Lewa Wildlife Conservancy in their quest for community conservation and sustainable development by participation in the Lewa Marathon. The objectives resonate well with the Group's focus to protect and preserve the environment. We are proud of the milestones that have been achieved with over Shs 629 million raised to date. These funds have benefitted over 10,000 school children, funded projects that provide safe water for over 15,000 people living in the Lewa community and enabled the purchase of equipment in 8 hospitals and clinics

Community Sponsorships: NMG donated mattresses and beddings to St. Stephen's Children's Home, a child and family centered organisation that cares for struggling families and children in Timau, Meru County and Port Reitz School in Changamwe, Mombasa County, with 305 handicapped and socially disadvantaged students of whom 184 are boarders. The donations went a long way in easing the financial burden of the school, which is dependent on donors. In addition to this, members of staff joined hands to donate a 6,000 litre water tank and mosquito nets at the Mji wa Huruma, which ensured that the home had access to clean, safe water and reduced the children's risk of contracting malaria through the provision of the nets.

St. Stephen's Home Director Bishop Esther Mwiti (second right) receives mattresses and beddings from the NMG team

CORPORATE SOCIAL RESPONSIBILITY *(CONTINUED)*

TANZANIA

Mwananchi Communications Limited (MCL)

The following were the community sponsorships undertaken in 2016:

Community Sponsorships

Ndondo Cup Tournament Sponsorship: MCL partnered with Clouds FM - a popular media house in Tanzania - to sponsor a street football tournament to the tune of Shs 924,000. The tournament dubbed "Ndondo Cup" attracted eight football teams and was aimed at nurturing youth talent.

President Manufacturer of the Year Award Sponsorship: MCL sponsored PMAYA, an event organised by the Confederation of Tanzania Industries, that seeks to recognise the role of the industrial sector's contribution to the national economy, raise business standards and promote sound corporate governance in the country.

Mwananchi Ltd MD Francis Nanai (R) during the President Manufacturer of the Year Awards (PMAYA)

Kagera Earthquake Donations 2016: In September 2016, MCL donated Shs 460,000 towards the victims of Kagera earthquake through the National Assembly Fund, which was established to collect donations to assist the victims. On the 10 September 2016, Kagera Region was hit by a 5.7 magnitude earthquake which killed at least 19 people, injured hundreds and displaced many people.

UGANDA

Monitor Publications Limited (MPL)

The CSR focus areas were in health, education and environment.

Health

Uganda American Sickle Cell Conference: MPL sponsored a conference held in Gulu during the World Sickle Cell day to create awareness about the disease which affects up to 13% of Ugandans. Free sickle cell screening and testing was conducted and free medication offered to people living with the disease.

Rotary Cancer Run: The run aimed to raise funds towards the construction of a bunker and the purchase of a linear accelerator (LINAC) for the cancer unit at Nsambya Hospital. MPL supported the cause through editorial content and staff participation in the run.

The 7th Annual Full Woman Health Camp: This camp, held on 22 October 2016, at the Kampala Serena aimed to give back to the readers of the *Full Woman* magazine. The event whose theme was 'Sexuality and Fertility - Take Control' attracted over 1,000 guests from different parts of the country and consisted of health talks and advice from doctors in line with the theme.

The 7th annual full woman health camp held in October 2016 at the Kampala Serena Hotel

The Cancer Awareness Campaign: The campaign was supported by editorial content that highlighted features of cancer survivors as well as expert advice from oncologists. The articles were published throughout the month of October. MPL partnered with various organisations such as The International Hospital Kampala, AAR Health Care and St. Catherine's Hospital, who provided free screening and testing. MPL also participated in a golf tournament organised by the Women's Cancer Association.

CORPORATE SOCIAL RESPONSIBILITY *(CONTINUED)*

Education

Kids on the Run Charity Fundraiser: MPL sponsored a run organised by Support to Children, Inc. (SUTCHI), a non-profit organisation that supports HIV/AIDS orphans and children with special needs. The proceeds from the run went towards keeping vulnerable children in school. So far 300 underprivileged children have benefitted from this initiative.

Refurbishment of the Kaleke Kasome Children's Centre: The centre is an initiative by a local artiste that aims to educate members of the community on the rights of the children, especially the girl child. MPL provided media support through radio mentions, guest appearances and offered free Newspapers in Education (NiE) copies for three months

Environment

Afrika Mashariki Marathon: The marathon seeks to promote the conservation of Lake Victoria through sports. Last year's marathon attracted runners from East Africa and culminated in a gala dinner. MPL supported the Marathon through print advertisements and radio mentions.

NSSF Seven Hills Run: MPL was a media sponsor for this run aimed at raising funds for the construction of water tanks at KCCA schools to improve sanitation and access to clean water.

Bamboo Tree Planting: As a way of conserving and preserving the bamboo tree, Divine Bamboo organised a tree planting activity in Kayunga District. The event attracted more than 500 participants and was overseen by the Guinness World Book of Records and government stakeholders. MPL provided print advertisements and merchandise.

MPL Staff participate in the bamboo planting activity

NTV Uganda

Community Sponsorship

Twedeko Road Safety Campaign: NTV Uganda partnered with Vivo Energy Uganda to launch a road safety campaign to educate and change road behaviour. The campaign, aimed at all road users, is scheduled to run for a period of one year, with the message being driven on television and social media.

Representatives from NTVU, Vivo Energy, Uganda Police and the National Road Safety Council launch the Twedeko Road Safety Campaign

The Umuganda Cleaning Exercise - Kampala Goes Green: This activity was aimed at helping communities, especially in urban areas, to improve sanitation. MPL and NTVU were the media sponsors and participated in the clean-up exercise.

(L-R) Kawempe Division Mayor Emmanuel Sserunjoji, NTVU MD Aggie Konde Asiimwe and Monitor Publications Limited MD Tony Glencross at the Umugunda cleaning exercise


NTV ANCHORS
We are committed to ensuring you receive high quality, objective and accurate news and features on a daily basis.

BOARD OF DIRECTORS
HALMASHAURI YA WAKURUGENZI

W D Kiboro	Chairman (Kenyan)	Mwenyekiti (Mkenya)
J Muganda	Group Chief Executive Officer (Kenyan)	Afisa Mkuu Mtendaji (Mkenya)
D Aluanga	(Kenyan)	(Mkenya)
R Dowden	(British)	(Mwingereza)
S Gitagama	(Kenyan)	(Mkenya)
L Huebner	(American)	(Muamerikani)
Y Jetha	(British)	(Mwingereza)
N Karago	(Kenyan) Resigned 24 June 2016	(Mkenya) Alijiuzulu 24 Juni 2016
S Kagugube	(Ugandan)	(Muganda)
J Montgomery	(British)	(Mwingereza)
O Mugenda	(Kenyan)	(Mkenya)
T Mshindi	(Kenyan) Appointed 1 July 2016	(Mkenya) Aliteuliwa 1 Julai 2016
L Mususa	(Tanzanian)	(Mtanzania)
F O Okello	(Kenyan)	(Mkenya)
A Poonawala	(Swiss)	(Muswiss)
G M Wilkinson	(Irish) Resigned 31 March 2017	(Mu-Irish) Alijiuzulu 31 Machi 2017
J C Kinyua	Secretary	Katibu

OTHER COMPANY INFORMATION

Nation Centre Kimathi Street P O Box 49010 00100 Nairobi	Registered Office	Afisi ilioandikishwa
Hamilton Harrison & Mathews Delta Suites Waiyaki Way, Nairobi	Advocates	Wakili
PricewaterhouseCoopers PWC Tower,Waiyaki Way/ Chiromo Road Westlands, Nairobi	Auditors	Wakaguzi wa Hesabu
Standard Chartered Bank of Kenya Limited, Chiromo No. 48 Westlands Road, Nairobi	Bankers	Benki

BOARD OF DIRECTORS

STANDING FROM LEFT TO RIGHT: Mr. J. Kinyua, Mr. R. Dowden, Mr. T. Mshindi, Mr. J. Montgomery, Mr. L. Mususa, Mr. F. O. Okello, Dr. S. Kagugube, Mr. J. Muganda, Prof. L. Huebner, Mr. S. Gitagama, and Mr. A. Poonawala

SEATED FROM LEFT TO RIGHT: Mr. D. Aluanga, Dr. Y. Jetha, Dr. W. D. Kiboro and Prof. O. Mugenda

BOARD OF DIRECTORS' PROFILES

Dr. Wilfred Kiboro

Dr. Wilfred Kiboro (72) holds a Bachelor of Science (Civil Engineering) from the University of Nairobi. He retired from NMG as the Group Chief Executive Officer on 31st October 2006 after working for the Company for thirteen years. He was appointed a non-executive director in December 2006 and was elected the Chairman of the Board in September 2009. Dr. Kiboro was awarded an honorary Doctor of Philosophy degree by Kenyatta University in December 2015. He is a non-executive director and is a member of the Nominations and Governance Committee. Dr. Kiboro is the Chancellor of Riara University and the Chairman of Family Bank Limited and Wilfay Investments Limited, a family owned enterprise.

Mr. Joe Muganda

Mr. Joe Muganda (51) holds an MBA from Leicester University (United Kingdom) and a Bachelor of Science (Economics, Accounting and Financial Management) from the University of Buckingham (United Kingdom). He is the Group Chief Executive Officer and joined the board in July 2015. He has previously worked as the Managing Director of Kenya Breweries Limited and has held senior positions at British American Tobacco, Unilever and Barclays Bank. He is a director of the International Press Institute, the Africa Media Initiative, the Group's subsidiary companies and PDM Holdings Limited, an associate Company. Mr. Muganda is an executive director and is a member of the Nominations and Governance, the Editorial and the Strategy and Investments Committees.

Mr. Dennis Aluanga

Mr. Dennis Aluanga, (49) holds an MBA from the University of Edinburgh (United Kingdom) and is a Certified Public Accountant of Kenya. He was appointed to the board in March 2009. He is a Partner at Helios Investment Partners, an Africa focused private equity firm. He was previously the Chief Operating Officer at Industrial Promotion Services (East Africa) and has also worked at NMG as the Group Finance Director and the Chief Operating Officer. He is also a non-executive director of Telkom Kenya Limited and Vivo Energy Kenya Limited. Mr. Aluanga is a non-executive director and chairs the Audit, Risk and Compliance Committee and is a member of the Editorial Committee.

Mr. Stephen Gitagama

Mr. Stephen Gitagama, (50) holds an MBA and a Bachelor of Commerce (Accounting) from the University of Nairobi and is a Certified Public Accountant of Kenya. He is the Group Finance Director and was appointed to the Board in March 2008. He previously worked as a Finance Director with East African Breweries Limited. Mr. Gitagama is an executive director and is a director of the Group's Subsidiary Companies and is a member of the Strategy and Investments Committee.

Mr. Richard Dowden

Mr. Richard Dowen, (67) holds a Bachelor of Arts (History) from London University (United Kingdom). He began his career in journalism as the Editor of the Catholic Herald in 1976, before joining The Times foreign desk in 1980 reporting from the Middle East and Africa. He joined The Independent in 1986 as the Africa Editor, moving to the Economist in 1995 as Africa Director until 2001, when he resigned to become a freelance journalist and writer. He was appointed the director of the Royal African Society in 2002. Mr. Dowden has produced several television documentaries on Africa which have been aired on the BBC and Channel 4 television stations in the UK and is the author of the book Africa: Altered States, Ordinary Miracles, which was published in 2008. He joined the board as an independent non-executive director in March 2010 and is a member of the Editorial and the Strategy and Investments Committees.

Dr. Yasmin Jetha

Dr. Yasmin Jetha, (64) holds a Master of Science in Management Science from Imperial College (London) and a Bachelor of Science in Mathematics from London University (United Kingdom). She is a Fellow of the Chartered Institute of Management Accountants, was awarded an honorary Doctor of Laws degree by the University of Leicester (United Kingdom) in 2005 and was made an honorary Fellow of the University of Bedfordshire (United Kingdom) in 2011. She was the Chief Information Officer prior to her retirement in 2014 at Bupa, a leading health care company and was previously the Chief Operating Officer at the Financial Times (United Kingdom). Dr. Jetha joined the board as an independent non-executive director in September 2009 and is the Chairperson of the Human Resources and Remuneration Committee and a member of the Strategy and Investments Committee.

Prof. Lee Huebner

Prof. Lee Huebner, (76) holds a Ph.D and an MA from Harvard University and a BA from Northwestern University (USA) and is a Professor of the School of Media and Public Affairs at The George Washington University in Washington, D.C. (USA). He was formerly a professor at Northwestern University and has also served as the Chief Executive Officer of the International Herald Tribune in Paris for fourteen years. He joined the board in December 1995. Prof. Huebner is a non-executive director and is the Chairman of the Nominations and Governance Committee and is a member of the Strategy and Investments Committee.

Mr. James Montgomery

Mr. James Montgomery (51) holds a Bachelor of Arts in Politics and Philosophy (Hons) from the University of Durham (United Kingdom). He is the director of digital development at BBC News which publishes one of the world's leading English language websites as well as digital news and features in 29 other languages. He previously worked as an Assistant Editor for the Financial Times. Mr. Montgomery joined the Board as an independent non-executive director in September 2012 and is the chairman of the Strategy and Investments Committee.

Dr. Simon Kagugube

Dr. Simon Kagugube, (61) holds a Ph.D in International Humanitarian Law, a Doctor of Science of Law in Immigration, Refugees and Asylum Law and a Masters of Laws in Corporation Law, Taxation and International Trade Systems, all from Yale University (USA) and a Bachelor of Laws from Makerere University (Uganda). He is the Executive Director of Centenary Rural Development Bank Limited in Uganda. He joined the Board as an independent non-executive director in September 2011 and is the Chairman of the Board of Monitor Publications Limited in Uganda. Dr. Kagugube is a member of the Audit, Risk and Compliance Committee.

Prof. Olive Mugenda

Prof. Olive Mugenda, (62) holds a Ph.D and an M.Sc in Family Studies, Education, Consumer Sciences and Research Methods from Iowa State University (USA), an MBA from the Eastern and Southern Africa Management Institute and a B.Ed from the University of Nairobi. She was the Vice-Chancellor of Kenyatta University from 2006 until her retirement in March 2016, and also held various senior lecturing positions at the University from 1984. Prof. Mugenda joined the board as an independent non-executive director in September 2010 and is a member of the Editorial and the Human Resources and Remuneration Committees.

Mr. Tom Mshindi

Mr. Tom Mshindi, (56) is a graduate of the University of Nairobi School of Journalism and holds an AMP certificate from Strathmore Business School and another from IESE, New York. He worked for the Nation Media Group as a journalist rising to the position of Managing Editor of the Daily Nation before joining UNICEF as an editor in New York. He also served as UNICEF's chief of communications in its Nigeria programme. He worked as the Chief Executive Officer of the Standard Group before taking up appointment as the Managing Director of Monitor Publications Limited and subsequently at Nation Newspapers division. Mr Mshindi was appointed the Editor-In Chief on 5 June 2015 and appointed to the Board as an executive director in July 2016. He is a member of the Editorial and the Strategy and Investments Committees.

Mr. Leonard Mususa

Mr. Leonard Mususa, (63) is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and the Certified Public Accountants of Tanzania. He was the Country Senior Partner of PricewaterhouseCoopers in Tanzania until his retirement in June 2014 and also served as Regional Head of Risk and Quality of the PwC Assurance business covering the East African Market area. He was appointed to the NMG board as an independent non-executive director in March 2015. He is a member of the Audit, Risk and Compliance as well as the Human Resources and Remuneration Committees. He is the Chairman of Mwananchi Communications Limited in Tanzania. He is also a director of ARM Cement Limited and Chairman of its subsidiaries in Tanzania, a director of National Microfinance Bank Plc (Tanzania), Tanzania Breweries Limited and Reliance Insurance Company (Tanzania) Limited .

Mr. Francis Okomo Okello

Mr. Francis Okomo Okello, (67) holds a Bachelor of Laws Degree from the University of Dar es Salaam (Tanzania) and is an Advocate of the High Court of Kenya. He is an Albert Parvin Fellow of Princeton University, Woodrow Wilson School of Public and International Affairs (USA) as well as a Fellow of the Kenya Institute of Bankers (FKIB). He joined the board in December 1995. Mr. Okello is an Independent Non-Executive Director of Barclays Africa Group Limited and the immediate former Chairman of Barclays Bank of Kenya. He is the Chairman of TPS Eastern Africa Limited (Serena Group of hotels and lodges). He is a member of the Advisory Board of the Strathmore Business School, Strathmore University and is also a member of the Advisory Committee of the Aga Khan University, Faculty of Arts and Sciences- East Africa. He is the Executive Director in charge of Legal and Corporate Affairs at Industrial Promotion Services (East Africa). Mr. Okello is a non-executive director and is the Chairman of the Editorial Committee.

Mr. Anwar Poonawala

Mr. Anwar Poonawala, (70) holds a Master of Science (Industrial Engineering) and an MBA from the University of Iowa (USA). He joined the board as a non-executive director in June 1989. He has been associated with the Aga Khan Development Network for over thirty years and retired in 2006 as the director of Industrial Promotion Services based in Paris, France. Mr Poonawala is a director of AKFED. He is a member of the Audit, Risk and Compliance, the Nominations and Governance and the Human Resources and Remuneration Committees.

Mr. James Kinyua

Mr. James Kinyua, (53) (Group Company Secretary) holds a Bachelor of Laws (Hons.) from the University of Sheffield (United Kingdom) and a Bachelor of Arts (Political Science) from York University (Canada). He is an Advocate of the High Court of Kenya and is also a Certified Public Secretary of Kenya (CPS K) and a member of the Institute of Directors (Kenya). He is an alumni of the Cambridge University Advanced Leadership Programme. He was appointed the Company Secretary in July 1998 and is the head of the Legal and Administration department. He is a director of the Group's subsidiary companies.

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of Nation Media Group Limited (the Company) and its subsidiaries (together the Group).

PRINCIPAL ACTIVITIES

The principal activities of the Group are the publication, printing and distribution of newspapers and magazines, radio and television broadcasting and digital online products, in the East African countries of Kenya, Uganda, Rwanda and Tanzania.

GROUP RESULTS

The results of the Group for the year are set out in the Group statement of comprehensive income on page 51.

DIVIDENDS

The directors recommend the payment of a final dividend of Shs 7.50 per share (300%) on the issued share capital as at 31 December 2016, which together with the interim dividend of Shs 2.50 per share (100%) paid on 30 September 2016, makes a total of Shs 10.00 per share (400%) in respect of the year ended 31 December 2016 (2015: Shs 10.00 per share). The dividend will be paid less withholding tax where applicable on or about 31 July 2017 to shareholders registered on the register of members at the close of business on 9 June 2017. The register of members will be closed from 12 to 16 June 2017, both dates inclusive.

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 30.

Mr. T. Mshindi was appointed to the Board on 1 July 2016 and in accordance with Article 96 of the Company's Articles of Association, he retires and being eligible offers himself for election.

Prof. O. Mugenda and Mr. F. O. Okello are directors who retire by rotation in accordance with Article 110 of the Company's Articles of Association and being eligible, offer themselves for re-election.

Dr. W. Kiboro, Prof. L. Huebner and Mr. A. Poonawala are directors who being over the age of 70 years retire in accordance with Article 101 of the Company's Articles of Association and offer themselves for election as directors of the Company for a further period of one year.

Ms. Njeri Karago and Mr. Gerard Wilkinson retired from the Board on 24th June 2016 and 31st March 2017 respectively.

AUDITOR

The Company's auditor PricewaterhouseCoopers has expressed willingness to continue in office in accordance with section 721 (2) of the Companies Act 2015.

CHANGE OF COMPANY NAME

In accordance with Section 53 of the Companies Act 2015, the board proposes that the name of the Company be changed by deleting the word 'Limited' and replacing it with the letters 'PLC' (Public Listed Company).

BOARD REMUNERATION

The remuneration paid to the non-executive directors is benchmarked against a bi-annual independent board remuneration survey commissioned by the Human Resources and Remuneration Committee.

INSIDER DEALINGS

The board has a documented policy on insider dealings in the Company's shares.

CORPORATE GOVERNANCE

Nation Media Group Limited is in compliance with the provisions of the Capital Markets Act- Code of Corporate Governance Practices For Issuers of Securities to the Public 2015. Over one third of the Board of Directors are independent and non-executive directors. The membership of the various board committees is listed on page 8.

By order of the Board

J. C. Kinyua
Secretary

31 March 2017

RIPOTI YA WAKURUGENZI WAKUU

Wakurugenzi wakuu wanaona fahari kuwasilisha ripoti yao pamoja na matangazo ya kifedha yaliyokaguliwa, katika mwaka uliokamilikia tarehe 31 Desemba 2016, ripoti ambayo inafichua hali ya mambo katika Nation Media Group Limited (Kampuni) pamoja na tanzu zake (kwa pamoja Shirika).

SHUGHULI KUU

Shughuli kuu ya Shirika hili ni kuchapisha, kupiga chapa na kusambaza magazeti na majarida, matangazo ya redio na runinga pamoja na huduma za kimtandao, katika mataifa ya Afrika Mashariki ya Kenya, Uganda, Rwanda na Tanzania.

MATOKEO YA SHIRIKA

Matokeo ya Shirika katika mwaka huo yanapatikana katika tangazo la Shirika kuhusu mapato kamilifu katika ukurasa wa hamsini na moja.

MIGAO

Wakurugenzi wakuu wanapendekeza malipo ya mgao wa mwisho wa Shs 7.50 kwa kila hisa (300%) kwa kila mtaji wa hisa uliotolewa kufikia tarehe 31 Desemba 2016, ambao kwa pamoja na mgao wa awali wa Shs 2.50 kwa kila hisa (100%) uliolipwa kufikia 30 Septemba 2016, unafikisha Shs10.00 kwa kila hisa (400%) kwa kurejelea mwaka uliokamilika 31 Desemba 2016 (2015: Shs 10.00 kwa kila hisa). Mgao huu utalipwa baada ya kutoa ushuru wa kushikilia pale panapostahili mnamo au karibu na tarehe 31 Julai 2017 kwa wenyehisa waliosajiliwa kwenye sajili ya wanachama kufikia saa ya kufunga kazi tarehe 9 Juni 2017. Sajili ya wanachama itafungwa kuanzia tarehe 12 hadi 16 Juni 2017, tarehe zote zinajumuishwa.

WAKURUGENZI

Wakurugenzi walioshikilia nyadhifa hizo afisini katika mwaka unaorejelewa hadi kutolewa kwa ripoti hii wanapatikana katika ukurasa wa thelathini.

Bw. T. Mshindi aliteuliwa kwenye Bodi tarehe 1 Julai 2016 na kulingana na Kifungu cha 96 cha Mkataba wa Ushirikiano wa Kampuni, anastaafu ila kwa kuwa anafuzu, anajitokeza ili achaguliwe.

Prof. O. Mugenda na Bw. F. O. Okello ni wakurugenzi ambao wanastaafu kwa mzunguko kulingana na Kifungu cha 110 cha Mkataba wa Ushirikiano wa Kampuni na kwa kuwa wanafuzu, wanajitokeza ili wachaguliwe tena.

Dkt. W. Kiboro, Prof. L. Huebner na Bw. A. Poonawala ni wakurugenzi ambao kwa kuwa wametimu umri wa miaka 70 wanastaafu kulingana na Kifungu cha 101 cha Mkataba wa Ushirikiano wa Kampuni na wanajitokeza ili kuchaguliwa kama wakurugenzi wa Kampuni kwa kipindi cha mwaka mmoja zaidi.

Bi Njeri Karago na Bw. Gerard Wilkinson walistaafu kutoka Bodi tarehe 24 Juni 2016 na 31 Machi 2017 mtawalia.

MKAGUZI WA HESABU ZA FEDHA

Mkaguzi wa mahesabu ya fedha PricewaterhouseCoopers ameeleza nia ya kuendelea kushikilia afisi hiyo kulingana na kifungu cha 721 (2) cha Sheria ya Kampuni ya mwaka 2015.

KUBADILISHA JINA LA KAMPUNI

Kulingana na Sehemu ya 53 ya Sheria ya Kampuni 2015, wakurugenzi wakuu wanapendekeza kuwa jina la Kampuni libadilishwe kwa kufuta jina 'Limited' na badala yake kutumia 'PLC' (Public Listed Company).

MALIPO YA WAKURUGENZI

Malipo yaliyotolewa kwa wakurugenzi wakuu wasiokuwa watendaji unaegemezwa kwa utafiti wa kila baada ya miaka miwili unaofanywa na bodi huru ambayo iliidhinishwa kufanya hivyo na Kamati ya Uajiri na Mishahara.

SHUGHULI ZA NDANI ZA HISA

Bodi hii imebuni sera kuhusu shughuli za ubadilishanaji wa ndani wa hisa za Kampuni.

USIMAMIZI WA SHIRIKA

Kampuni ya Nation Media Group Limited inatii mahitaji ya Sheria ya Masoko ya Mtaji – Maadili ya Utendakazi katika Usimamizi wa Shirika kwa Wauzaji wa Hisa kwa Umma 2015. Zaidi ya thuluthi ya wanachama wa Bodi ya Wakurugenzi Wakuu ni huru na wasiokuwa watendaji. Uanachama wa kamati mbalimbali za bodi umeorodheshwa katika ukurasa wa nane.

Kwa amri ya Bodi

J. C. Kinyua
Katibu

Tarehe 31 Machi 2017

EXECUTIVE TEAM

Mr. Joe Muganda

Group Chief Executive Officer

Mr. Tom Mshindi

Editor-in-Chief

Mr. Stephen Gitagama

Group Finance Director

Mrs. Elizabeth Kyengo

Head of Procurement

Mr. Linus Kaikai

General Manager Television

Mrs. Agnes Asiimwe-Konde

Managing Director NTV Uganda

Mr. James Kinyua

Group Company Secretary

Mr. David Kiambi

Group Human Resources Director

Mr. Michael Ngugi

Group Advertising Director

Mr. Gideon Aswani

Head of Operations

Mr. Gabriel Chege

Group IT Director

Mrs. Rashmi Chugh

Head Of Digital

Mr. Clifford Machoka

Head of Corporate & Regulatory Affairs

Mrs. Rose Lutta

Group Marketing Director

Mr. Michael Walekwa

General Manager Circulation & Distribution

Mr. Japhet Mucheke

Group Financial Controller

Mr. Anthony C. Glencross

Managing Director Monitor Publications Ltd.

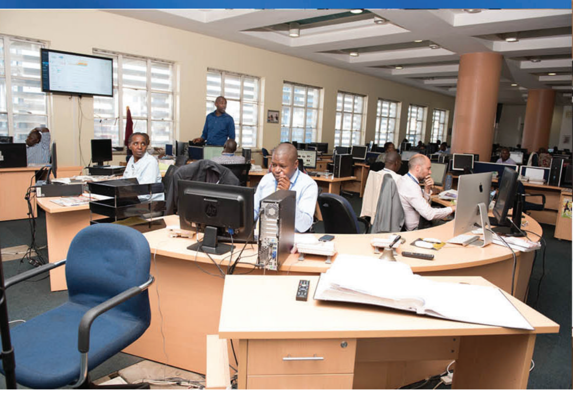
Mr. George Ambatta

Group Head of Internal Audit

Mr. Francis Nanai

Managing Director Mwananchi Communications Ltd.

A DAY AT NATION



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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of the Group's and Company's financial performance for the year then ended. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enable them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Companies Act. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 2015. They also accept responsibility for:

(i) Designing, implementing and maintaining internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
(ii) Selecting and applying appropriate accounting policies;
(iii) Making accounting estimates and judgements that are reasonable in the circumstances.

In preparing the financial statements, the directors have assessed the Group's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the directors to indicate that the Group will not remain a going concern for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 31 March 2017 and signed on its behalf by:

Dr. W. D. Kiboro

Mr. S. Gitagama

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NATION MEDIA GROUP LIMITED

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Report on the audit of the consolidated financial statements

Our opinion

We have audited the accompanying consolidated financial statements of Nation Media Group Limited (the Company) and its subsidiaries (together, the Group) set out on pages 51 to 84 which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended, together with the separate statement of financial position of the Company as at 31 December 2016 and the statement of changes in equity of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NATION MEDIA GROUP LIMITED

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Key audit matter	How our audit addressed the key audit matter
Adequacy and completeness of provision for Libel The group faces exposure to civil claims through the electronic and print media, broadcasts and publications. There is uncertainty as to how present and future claims will be resolved and therefore significant judgement is required in assessing the likely outcome and the potential liability for such matters. The group has taken measures to train and sensitise editorial staff to ensure compliance with the editorial policy. The group also maintains a register of claims which is reviewed by senior management for reasonableness, completeness and compliance with the libel policy.	Our procedures in relation to adequacy and completeness of the libel provision included: • Evaluating and testing management's controls over libel provisioning; • Testing a sample of documentation for significant legal cases filed against the Group to develop an independent assessment of the potential exposure; • We challenged judgements taken by management in determining amounts to be provided for; • Assessed the reasonableness of prior year management estimates with the benefit of hindsight; • Checked for completeness of the register of claims against confirmations received from the Group's external legal counsel.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NATION MEDIA GROUP LIMITED

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Key audit matter	How our audit addressed the key audit matter
Goodwill Impairment assessment Included in note 16 "Intangible assets" to the financial statements is goodwill with a carrying value of Shs158.9 million. The goodwill arose from the historical acquisition of various entities and is allocated to the newspaper and broadcasting segments. The group assesses goodwill for impairment using value-in-use calculations which are based on a discounted cash flow model over a 5 year budget forecast at the cash generating unit level. The projected performance has been adjusted to take into account recent actual performance of the respective cash generating units. Management has recognised an impairment provision amounting to Shs 29 million. We focused on the goodwill impairment assessment because of the magnitude of the balance and also because the estimation of future cash flows and the level to which they are developed is inherently uncertain and requires significant judgement. The future cashflows are also prone to bias because they are based on management's assessment of the future profitability of the Cash Generating Units (CGUs).	We evaluated and challenged the composition of management's future cash flow forecasts and the process by which they were prepared. In particular, we focused on whether they had identified the relevant cash flows and cash generating unit. We found that management had followed their process for preparing future cash flow forecast, which was subject to timely oversight from the Audit, Risk and Compliance Committee and was consistent with the Board approved budgets. We independently assessed the reasonableness of the five year forecast cash flows based on recent actual performance and the financial approved budgets of the cash generating units. We also tested management's assumptions in the forecast as follows: • Long term growth rates, by comparing them to economic and industry forecasts; and • The pre-tax discount rates, by assessing the cost of capital for the company and comparable organisations, as well as considering country specific factors. We performed sensitivity analysis to identify any CGU with a risk of impairment to assess the reasonableness of management's assumptions and projections. We also assessed the appropriateness of the financial statements disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NATION MEDIA GROUP LIMITED

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Other information

The directors are responsible for the other information. The other information comprises the chairman's statement, the group chief executive officer's report, corporate social responsibility report, human resource report, board of director's profile, executive team profiles, directors report, statement of directors responsibilities and notice of annual general meeting included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NATION MEDIA GROUP LIMITED

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal requirements

As required by the Kenyan Companies Act 2015 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 purposes 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;

iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Peter Ngahu - P/No.1458.

PricewaterhouseCoopers

Certified Public Accountants
Nairobi

31 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Note	2016 Shs m	2015 Shs m
Revenue	5	11,324.8	12,339.5
Cost of sales		(2,000.0)	(2,451.5)
Gross profit		9,324.8	9,888.0
Distribution costs		(341.3)	(352.3)
Administrative expenses		(1,143.4)	(1,052.1)
Other expenses		(5,808.2)	(6,101.3)
Operating profit	**6**	**2,031.9**	**2,382.3**
Finance income	8(a)	308.3	324.6
Finance costs	8(b)	(2.1)	(8.3)
Share of profit after income tax of associate	18	121.9	124.6
Profit before income tax		**2,460.0**	**2,823.2**
Income tax expense	9	(771.1)	(600.5)
Profit for the year (of which Shs 1,506.1 million has been dealt within the accounts of the Company)		**1,688.9**	**2,222.7**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(30.8)	(118.8)
Other comprehensive income from associate	18	(23.4)	(32.8)
		(54.2)	**(151.6)**
Total comprehensive income for the year		**1,634.7**	**2,071.1**
Profit for the year attributable to:			
Owners of the parent		1,685.6	2,222.5
Non-controlling interest		3.3	0.2
		1,688.9	**2,222.7**
Total comprehensive income attributable to:			
Owners of the parent		1,636.1	2,076.6
Non-controlling interest		(1.4)	(5.5)
		1,634.7	**2,071.1**
Basic and diluted earnings per share (Shs)	**10**	**8.9**	**11.8**

The notes on page 57 to 84 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

		Group		Company	
	Note	**2016 Shs m**	**2015 Shs m**	**2016 Shs m**	**2015 Shs m**
CAPITAL EMPLOYED					
Attributable to the Company's equity holders					
Share capital	11	471.4	471.4	471.4	471.4
Other reserves	12	(89.1)	(56.4)	121.5	124.7
Retained earnings		6,859.5	7,076.2	5,444.8	5,821.0
Proposed dividends	26	1,414.1	1,414.1	1,414.1	1,414.1
		8,655.9	**8,905.3**	**7,451.8**	**7,831.2**
Non-controlling interest		47.0	48.4	-	-
Total equity		**8,702.9**	**8,953.7**	**7,451.8**	**7,831.2**
Non-current liabilities					
Deferred income tax	14	15.2	151.9	-	136.6
Total equity and non-current liabilities		**8,718.1**	**9,105.6**	**7,451.8**	**7,967.8**
Non-current assets					
Property, plant and equipment	15	3,195.1	3,479.2	2,566.2	2,803.2
Intangible assets	16	268.5	305.6	100.9	99.2
Prepaid operating lease rentals	17	74.5	76.1	45.0	45.8
Investment in associate	18	1,208.4	1,115.4	94.6	94.6
Investment in subsidiaries	19	-	-	1,012.6	1,131.4
Deferred income tax	14	81.3	93.1	6.7	-
Long-term deposits	20	183.0	102.4	183.0	102.4
		5,010.8	**5,171.8**	**4,009.0**	**4,276.6**
Current assets					
Inventories	21	1,235.3	893.8	1,020.2	538.7
Receivables and prepayments	22	2,480.7	2,938.5	2,184.2	2,566.6
Cash and cash equivalents	23	3,447.3	3,063.3	3,176.7	2,792.0
Current income tax		-	629.3	-	577.7
		7,163.3	**7,524.9**	**6,381.1**	**6,475.0**
Current liabilities					
Payables and accrued expenses	24	3,015.5	3,286.2	2,420.2	2,517.0
Post employment benefit obligation	25	265.1	266.8	265.1	266.8
Borrowings	13	-	38.1	-	-
Current income tax		175.4	-	253.0	-
		3,456.0	**3,591.1**	**2,938.3**	**2,783.8**
Net current assets		**3,707.3**	**3,933.8**	**3,442.8**	**3,691.2**
Total assets less current liabilities		**8,718.1**	**9,105.6**	**7,451.8**	**7,967.8**

The notes on page 57 to 84 are an integral part of these financial statements

The financial statements from pages 51 to 84 have been approved for issue by the board of directors on 31 March 2017 and signed on its behalf by:

Dr. W. D. Kiboro
Chairman

S. Gitagama
Group Finance Director

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

	Note	Attribute to equity holders of the Company					Non- controlling interest	Total equity
		Share capital Shs m	**Other reserves Shs m**	**Retained Earnings Shs m**	**Proposed dividends Shs m**	**Total Shs m**	**Shs m**	**Shs m**
Year ended 31 December 2015								
At start of year		471.4	63.3	6,765.4	1,414.1	8,714.2	53.9	8,768.1
Total comprehensive income								
Profit for the year		-	-	2,222.5	-	2,222.5	0.2	2,222.7
Other comprehensive income, net of tax								
Transfer of excess depreciation		-	(9.4)	9.4	-	-	-	-
Deferred tax on transfer		-	2.8	(2.8)	-	-	-	-
		-	(6.6)	6.6	-	-	-	-
Currency translation differences		-	(113.1)	-	-	(113.1)	(5.7)	(118.8)
Share of comprehensive income in associate		-	-	(32.8)	-	(32.8)	-	(32.8)
Total other comprehensive income		**-**	**(119.7)**	**(26.2)**	**-**	**(145.9)**	**(5.7)**	**(151.6)**
Total comprehensive income for the year		**-**	**(119.7)**	**2,196.3**	**-**	**2,076.6**	**(5.5)**	**2,071.1**
Transactions with owners recognized directly in equity								
Dividends:								
- final for 2014		-	-	-	(1,414.1)	(1,414.1)	-	(1,414.1)
- interim for 2015 paid	26	-	-	(471.4)	-	(471.4)	-	(471.4)
- Proposed final for 2015	26	-	-	(1,414.1)	1,414.1	-	-	-
Total transactions with owners		**-**	**-**	**(1,885.5)**	**-**	**(1,885.5)**	**-**	**(1,885.5)**
At end of year		**471.4**	**(56.4)**	**7,076.2**	**1,414.1**	**8,905.3**	**48.4**	**8,953.7**

The notes on page 57 to 84 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER (CONTINUED)

		Attribute to equity holders of the Company					Non- controlling interest	Total equity
	Note	Share capital Shs m	Other reserves Shs m	Retained Earnings Shs m	Proposed dividends Shs m	Total Shs m	Shs m	Shs m
Year ended 31 December 2016								
At start of year		471.4	(56.4)	7,076.2	1,414.1	8,905.3	48.4	8,953.7
Total comprehensive income								
Profit for the year		-	-	1,685.6	-	1,685.6	3.3	1,688.9
Other comprehensive income, net of tax								
Transfer of excess depreciation		-	(9.4)	9.4	-	-	-	-
Deferred tax on transfer		-	2.8	(2.8)	-	-	-	-
		-	(6.6)	6.6	-	-	-	-
Currency translation differences		-	(26.1)	-	-	(26.1)	(4.7)	(30.8)
Share of comprehensive income in associate		-	-	(23.4)	-	(23.4)	-	(23.4)
Total other comprehensive income		**-**	**(26.1)**	**(23.4)**	**-**	**(49.5)**	**(4.7)**	**(54.2)**
Total comprehensive income for the year		**-**	**(32.7)**	**1,668.8**	**-**	**1,636.1**	**(1.4)**	**1,634.7**
Transactions with owners recognized directly in equity								
Dividends:								
- Final for 2015	26	-	-	-	(1,414.1)	(1,414.1)	-	(1,414.1)
- Interim for 2016 paid	26	-	-	(471.4)	-	(471.4)	-	(471.4)
- Proposed final for 2016	26	-	-	(1,414.1)	1,414.1	-	-	-
Total transactions with owners		**-**	**-**	**(1,885.5)**	**-**	**(1,885.5)**	**-**	**(1,885.5)**
At end of year		**471.4**	**(89.1)**	**6,859.5**	**1,414.1**	**8,655.9**	**47.0**	**8,702.9**

The notes on page 57 to 84 are an integral part of these financial statements

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

	Note	Share capital Shs m	Other reserves Shs m	Retained earnings Shs m	Proposed dividends Shs m	Total Shs m
Year ended 31 December 2015						
At start of year		471.4	127.9	5,485.0	1,414.1	7,498.4
Total comprehensive income						
Profit for the year		-	-	2,218.3	-	2,218.3
Other comprehensive income, net of tax						
Transfer of excess depreciation		-	(4.6)	4.6	-	-
Deferred income tax on transfer		-	1.4	(1.4)	-	-
Total other comprehensive income		**-**	**(3.2)**	**3.2**	**-**	**-**
Total comprehensive income for the year		**-**	**(3.2)**	**2,221.5**	**-**	**2,218.3**
Transactions with owners						
Dividends:						
- final for 2014 paid		-	-	-	(1,414.1)	(1,414.1)
- interim for 2015 paid	26	-	-	(471.4)	-	(471.4)
- proposed final for 2015	26	-	-	(1,414.1)	1,414.1	-
Total transactions with owners		-	-	(1,885.5)	-	(1,885.5)
At end of year		**471.4**	**124.7**	**5,821.0**	**1,414.1**	**7,831.2**
Year ended 31 December 2016						
At start of year		471.4	124.7	5,821.0	1,414.1	7,831.2
Total comprehensive income						
Profit for the year		-	-	1,506.1	-	1,506.1
Other comprehensive income, net of tax						
Transfer of excess depreciation		-	(4.6)	4.6	-	-
Deferred income tax on transfer		-	1.4	(1.4)	-	-
Total other comprehensive income		**-**	**(3.2)**	**3.2**	**-**	**-**
Total comprehensive income for the year		**-**	**(3.2)**	**1,509.3**	**-**	**1,506.1**
Transactions with owners						
Dividends:						
- final for 2015 paid	26	-	-	-	(1,414.1)	(1,414.1)
- interim for 2016 paid	26	-	-	(471.4)	-	(471.4)
- proposed final for 2016	26	-	-	(1,414.1)	1,414.1	-
Total transactions with owners		**-**	**-**	**(1,885.5)**	**-**	**(1,885.5)**
At end of year		**471.4**	**121.5**	**5,444.8**	**1,414.1**	**7,451.8**

The notes on page 57 to 84 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Note	2016 Shs m	2015 Shs m
Operating activities			
Cash generated from operations	28	2,525.9	3,376.6
Interest received	8 (a)	308.3	324.6
Interest paid	8 (b)	(2.1)	(8.3)
Income tax paid		(93.4)	(767.4)
Net cash generated from operating activities		**2,738.7**	**2,925.5**
Investing activities			
Purchase of property, plant and equipment	15	(340.7)	(1,488.0)
Purchase of intangible assets	16	(30.1)	(37.9)
Proceeds from sale of property, plant and equipment		17.2	14.8
Dividends received from associate	18	5.5	11.0
Long-term deposit		(80.6)	160.3
Net cash used in investing activities		**(428.7)**	**(1,339.8)**
Financing activities			
Repayment of borrowings		(38.1)	(30.4)
Dividends paid		(1,885.5)	(1,885.5)
Net cash used in financing activities		**(1,923.6)**	**(1,915.9)**
Net increase/(decrease) in cash and cash equivalents		**386.4**	**(330.2)**
Movement in cash and cash equivalents			
At start of year		3,063.3	3,451.7
Increase/(decrease)		386.4	(330.2)
Exchange losses on cash and cash equivalents		(2.4)	(58.2)
At end of year	**23**	**3,447.3**	**3,063.3**

The notes on page 57 to 84 are an integral part of these financial statements

1 General information

Nation Media Group Limited (the "Company") is incorporated in Kenya under the Kenya Companies Act as a public limited liability Company, and is domiciled in Kenya. The address of its registered office is:

Nation Media Group Limited
Nation Centre
Kimathi Street P O Box 49010 00100
Nairobi

The Company's shares are listed on the Nairobi, Kampala, Dar es Salaam and Kigali Stock Exchanges.

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

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings. The financial statements are presented in Kenyan Shillings (Shs m), rounded to the nearest one tenth of a million.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2016:

(i) New and amended standards adopted by the Group

Amendments to IAS 1, Presentation of financial statements disclosure initiative. In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to IAS 27, Separate financial statements' on equity accounting. In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

Amendment to IFRS 11, Joint arrangements' on acquisition of an interest in a joint operation. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets. (Postponed, initially 1 January 2016). The effective date has been postponed. The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

(ii) New standards and interpretations that are not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendment to IAS 12 – Income taxes. The amendments were issued to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Application of this standard is required for financial years commencing on or after 1 January 2017.

Amendment to IAS 7 – Cash flow statements. In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. Application of this standard is required for financial years commencing on or after 1 January 2017.

IFRS 15 Revenue from Contracts with Customers - Mandatory for financial years commencing on or after 1 January 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. Management is currently assessing the impact of the new rules.

(b)Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to,variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

(a) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss as appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising from investments in associates are recognised in profit or loss.

(c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Buildings are subsequently shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment is stated at historical cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss and depreciation based on the asset's original cost) is transferred from the revaluation reserve to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated on the straight line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful life. The annual rates used for this purpose are as follows:

Buildings	40 years
Plant and equipment	5 – 15 years
Computers and software	3 – 5 years
Motor Vehicles	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each statement of financial position date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are taken into account in determining the profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The Executive Management team, who is responsible for allocating resources and
assessing performance of the operating segments, have been identified as the executive management team that makes strategic decisions.

All transactions between business segments are conducted on an arm length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses associated with each segment as included in determining
business segment performance.

(e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for sales of goods and services, and is stated net of value-added tax (VAT), rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.
Revenue is recognised as follows:

(i) Sales of goods are recognised in the period in which the Group delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
(ii) Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
(iii) Interest income is recognised using the effective interest method.

(iv) Dividends are recognised as income in the period the right to receive payment is established.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average principle. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Goods in transit are stated at cost. Provision is made for obsolete, slow moving and defective inventories.

(g) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group or Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Leases of land that are for a period of 99 years and below are classified as operating leases.

(i) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax
regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for purposes of impairment testing. The allocation is made to those cash generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose is identified according to operating segment.

(ii) Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The costs are amortised over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software programmes are recognised as an expense incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Acquired computer software and computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

(iii) Transmission frequencies
Acquired transmission frequencies are capitalised on the basis of the costs incurred to acquire and to bring them to use. Transmision frequencies are tested annually for impairment and carried at cost less accumulated impairment losses.

(k) Employee benefits

(i) Post employment benefit obligations

The Group operates a defined contribution retirement benefit scheme for its employees. For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Company's contribution to the defined contribution schemes are charged to profit or loss in the year to which they relate. The Company has no further obligation once the contributions have been paid.

In addition the group operates a gratuity scheme where the group makes contributions to a special purpose vehicle that is administered independently. The employees are entitled to specified benefits as per the scheme's rules. The gratuity scheme is a defined benefit scheme. The liability or asset recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated every five years by independent actuaries.

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iv) Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation

(l) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kenyan Shillings (Shs), which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance and income costs. All other foreign exchange gains and losses are presented in the profit or loss within 'other income' or 'other expenses' - net.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
(ii) income and expenses for each income statement amount are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates

prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed off or sold, exchange differences that are recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(m) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(n) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(o) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Share capital

Ordinary shares are classified as equity.

(q) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(s) Provision for liabilities

Provisions for legal claims are recognized when (1) the Group has a present legal or constructive obligation as a result of past events; (2) it is probable that an outflow of resources will be required to settle the obligation; and 3) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to passage of time is recognised as an expense.

(t) Comparatives

Where necessary, comparatives have been adjusted to conform with changes in presentation in the current year.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

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

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The carrying amount of the goodwill and the key assumptions made are set out in Note 16.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on projected product lifecycles for its assets. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group 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.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining the classification of financial assets and leases; and whether assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS
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4 Financial risk management

The Group and the Company's activity expose it to a variety of financial risks, market risk (including foreign exchange risks fair value interest rate risk, cash flow interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects on its financial performance within the options available in East Africa to hedge against such risks.

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

(a) Market risk

(i) Foreign exchange risk

The Group and the Company make significant purchases of raw materials in foreign currency, principally newsprint, inks and plates used in newspaper production, and TV programming used in broadcasting. This exposes the Group and the Company to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations.

At 31 December 2016 if the shilling had weakened/strengthened against the US dollar and Euro by 10%, with all other variables held constant, the consolidated post tax profit for the year and equity would have been Shs 9.9 million for the US dollar whereas the Euro effect would have been Shs 1.7 million. (2015: Shs 6.7 million for the US dollar and Shs 23.2 million for the Euro) higher/ lower mainly as a result of foreign exchange gains/losses on translation of US$ and Euro-denominated trade receivables,trade payables and bank balances.

(ii) Price risk

The Group and the Company do not hold any investments subject to price risk.

(iii) Cashflow and fair value interest rate risk

The Group has borrowings at variable rates. The Group regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2016 and at 31 December 2015, an increase/decrease of interest rates would not have resulted in any material increase/decrease in consolidated post tax profits for the year and equity.

(b) Credit risk

Credit risk arises from cash and cash equivalents as well as trade and other receivables. Neither the Group nor Company has significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. Credit risk is managed on a Group basis. The Group credit controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. For banks and financial institutions, only reputable well established financial institutions are accepted. For trade receivables, the credit controllers assess the credit quality of each customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.
The amounts that represent the Group's maximum exposure to credit risk is equal to the carrying amount of financial assets in the statement of financial position. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated. All receivables past due by more than 90 days are considered to be impaired, and are carried at their estimated value.

Trade and other receivables

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Past due but not impaired				
- Up to 60 days	703.1	905.9	570.4	710.8
- By 61 to 90 days	780.4	948.4	488.5	582.1
Total past due but not impaired	**1,483.5**	**1,854.3**	**1,058.9**	**1,292.9**
Impaired	**2,750.1**	**2,501.4**	**1,852.4**	**1,645.1**

Of the total debt Shs 182.9 million was held as collateral.

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Cash and cash equivalents				
Cash and bank balances	3,447.3	3,063.3	3,176.7	2,792.0
Long-term deposits	183.0	102.4	183.0	102.4

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

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

	Less than 1 year Shs m	Between 1 and 2 years Shs m	Between 2 and 5 years Shs m	Total Shs m
Group				
At December 2016				
Liabilities				
- Payables and accrued expenses	3,015.5	-	-	3,015.5
- Post employment benefit obligation	265.1	-	-	265.1
Total financial liabilities	**3,280.6**	**-**	**-**	**3,280.6**

4 Financial risk management (continued)

Group (continued) Assets	Less than 1 year Shs m	Between 1 and 2 years Shs m	Between 2 and 5 years Shs m	Over 5 years Shs m	Total Shs m
- Cash and cash equivalents	3,447.3	-	-	-	3,447.3
- Receivables	1,961.5	-	-	-	1,961.5
- Long-term deposits	-	-	-	217.3	217.3
Total financial assets	**5,408.8**	**-**	**-**	**217.3**	**5,626.1**
At December 2015					
Liabilities					
- Borrowings	38.1	-	-	-	38.1
- Payables and accrued expenses	3,286.2	-	-	-	3,286.2
- Post employment benefit obligation	266.8	-	-	-	266.8
Total financial liabilities	**3,591.1**	**-**	**-**	**-**	**3,591.1**
Assets					
- Cash and cash equivalents	3,063.3	-	-	-	3,063.3
- Receivables	2,349.8	-	-	-	2,349.8
- Long-term deposits	-	-	-	121.6	121.6
Total financial assets	**5,413.1**	**-**	**-**	**121.6**	**5,534.7**
Company					
At December 2016					
Liabilities					
- Payables and accrued expenses	2,420.2	-	-	-	2,420.2
- Post employment benefit obligation	265.1	-	-	-	265.1
Total financial liabilities	**2,685.3**	**-**	**-**	**-**	**2,685.3**
Assets					
- Cash and cash equivalents	3,176.7	-	-	-	3,176.7
- Amount due from related parties	310.6	-	-	-	310.6
- Receivables	1,491.1	-	-	-	1,491.1
- Long-term deposits	-	-	-	217.3	217.3
Total financial assets	**4,978.4**	**-**	**-**	**217.3**	**5,195.7**
At December 2015					
Liabilities					
- Payables and accrued expenses	2,517.0	-	-	-	2,517.0
- Post employment benefit obligation	266.8	-	-	-	266.8
Total financial liabilities	**2,783.8**	**-**	**-**	**-**	**2,783.8**
Assets					
- Cash and cash equivalents	2,792.0	-	-	-	2,792.0
- Amount due from related parties	337.9	-	-	-	337.9
- Receivables	1,765.1	-	-	-	1,765.1
- Long-term deposits	-	-	-	121.6	121.6
Total financial assets	**4,895.0**	**-**	**-**	**121.6**	**5,016.6**

4 Financial risk management (continued)

(d) Capital risk management

The Group and the Company's objectives when managing capital are to safeguard the Group and the Company'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 and the Company may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

Consistent with others in the industry, the Group and the Company 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. Total capital is calculated as equity plus net debt as shown below:

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Total borrowings	-	38.1	-	-
Less: cash and cash equivalents	(3,447.3)	(3,063.3)	(3,176.7)	(2,792.0)
Net debt	-	-	-	-
Total equity	8,702.9	8,953.7	7,451.8	7,831.2
Total capital	**8,702.9**	**8,953.7**	**7,451.8**	**7,831.2**

As the cash balances held by the Group are in excess of the borrowings, computation of the gearing ratios would be inappropriate.

(e) Fair value estimation

The Group and the Company do not have any financial assets or financial liabilities subject to fair value estimation.

5 Segmental information

Management has determined the operating segments based on the reports reviewed by the Executive Management Team that are used to make strategic decisions. The Group considers the business from a product perspective; Newspapers & Magazines and Broadcasting.

The Executive Management team considers the East African countries in which the Group operates as one geographical segment because of similarities in the risks and returns in the four countries.

Other Group operations mainly comprise courier and third party printing services and digital operations. Neither of these constitute a separately reportable segment and have therefore been included as part of Newspapers & Magazines on the basis that the said operations are closely related and have similar economic characteristics.

There are no significant transactions between the two reportable segments.

Entity-wide information
Breakdown of the revenue from all products and services is as follows:

	2016 Shs m	2015 Shs m
Advertising revenue	7,537.7	8,130.1
Circulation revenue	3,365.1	3,638.3
Other	422.0	571.1
Total	**11,324.8**	**12,339.5**

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5 Segmental information (continued)

	Newspapers & Magazines		Broadcasting		Group	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Sales	9,645.2	10,462.4	1,679.6	1,877.1	11,324.8	12,339.5
Allocated costs	(6,852.9)	(7,476.3)	(1,925.3)	(2,002.5)	(8,778.2)	(9,478.8)
Segment results	2,792.3	2,986.1	(245.7)	(125.4)	2,546.6	2,860.7
Unallocated costs					(514.7)	(478.4)
Operating profit					2,031.9	2,382.3
Net finance income					306.2	316.3
Share of results of associate					121.9	124.6
Profit before income tax					**2,460.0**	**2,823.2**

Nation Media Group is domiciled in Kenya. The revenue attributed to local sales was Shs 8,704.2 million (2015:Shs 9,335.8 million) while the revenues attributed to all foreign countries in total from which the entity derives revenues was Shs 2,620.6 million (2015: Shs 3,003.7 million). The Group does not derive revenues in excess of 10% of the total Group's revenue from any individual customer. Other segments included in the statement of financial position are as follows:

Included in the statement of comprehensive income are the following expenses:

	Newspapers & Magazines		Broadcasting		Group	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Depreciation	411.4	403.1	181.6	135.2	593.0	538.3
Amortisation	33.5	32.4	3.9	4.2	37.4	36.6
Provision for impairment of receivables	197.2	371.6	51.5	117.7	248.7	489.3

Segment assets comprise primarily property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred income tax and investments. Segment liabilities comprise operating liabilities. They exclude tax. Capital expenditure comprises additions to property, plant and equipment and intangible assets.

	Newspapers & Magazines		Broadcasting		Group	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Segment assets	9,574.6	9,901.4	1,391.1	1,679.9	10,965.7	11,581.3
Investment in associates	-	-	-	-	1,208.4	1,115.4
					12,174.1	**12,696.7**
Segment liabilities	1,334.3	1,894.9	2,136.9	1,848.1	3,471.2	3,743.0
Capital expenditure	203.5	1,338.2	167.3	187.7	370.8	1,525.9

6 Expenses by nature

The following items have been charged/(credited) in arriving at operating profit:	Group 2016 Shs m	Group 2015 Shs m
Profit on disposal of property, plant and equipment	(10.5)	(10.1)
Operating lease rentals-office buildings	196.3	186.9
Repairs and maintenance expenditure on property, plant and equipment	12.0	12.7
Auditors' remuneration: Group	24.8	23.6
: Company	12.7	12.1
Employee benefits expense (Note 7)	3,862.1	3,829.7
Depreciation of property, plant & equipment	523.9	416.3
Accelerated depreciation on broadcasting equipment	69.1	-
Accelerated depreciation on old printing press	-	122.0
Total depreciation of property, plant & equipment (Note15)	**593.0**	**538.3**
Goodwill impairment	29.0	-
Amortisation of intangible assets	37.4	36.6
Total Amortisation of intangible assets (Note 16)	**66.4**	**36.6**
Operating lease rentals-leasehold land (Note 17)	1.2	1.2
Decrease in provision for spares	(15.0)	80.8
Trade receivables-provision for impairment (Note 22)	248.7	489.3

7 Employee benefits expense

	Group 2016 Shs m	Group 2015 Shs m
Salaries and wages	3,701.6	3,598.0
Defined contribution benefit scheme	102.7	105.2
National Social Security Fund	77.7	74.1
Post employment benefit obligation	(19.9)	52.4
	3,862.1	**3,829.7**

The number of persons employed by the Group at the year end was:	2016 Number	2015 Number
Full time	1,313	1,416
Part time	349	392
	1,662	**1,808**

8 (a) Finance income

	Group 2016 Shs m	Group 2015 Shs m
Interest income	308.3	324.6
(b) Finance costs		
Interest expense	(2.1)	(8.3)

9 Income tax expense

	Group 2016 Shs m	Group 2015 Shs m
Current income tax	896.0	265.7
Deferred income tax (Note 14)	(124.9)	337.5
Underprovision of income tax in prior years	-	(2.7)
	771.1	**600.5**

NOTES TO THE FINANCIAL STATEMENTS
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9 Income tax expense (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country as follows:

	Group	
	2016	**2015**
	Shs m	**Shs m**
Profit before income tax	2,460.0	2,823.2
Tax calculated at the statutory tax rate of 30% (2015:30%)	738.0	847.0
Tax effect of:		
- Income not subject to tax	(9.4)	(291.7)
- Expenses not deductible for tax purposes	54.4	46.3
Under/(over) provision of deferred tax in prior years	(11.0)	1.6
Under provision of income tax in prior years	(0.9)	(2.7)
Income tax expense	**771.1**	**600.5**

10 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year

	Group	
	2016	**2015**
Net profit attributable to shareholders (Shs million)	1,685.6	2,222.5
Weighted average number of ordinary shares in issue (million)	188.5	188.5
Basic earnings per share (Shs)	8.9	11.8

There were no potentially dilutive ordinary shares outstanding as at 31 December 2016 or 2015. Diluted earnings per share is therefore the same as basic earnings per share.

	Group & Company	
11 Share capital	**Number of shares (million)**	**Ordinary shares Shs m**
Authorised (par value of Shs 2.5 per share)	240	600
Issued and fully paid:		
31 December 2015	188.5	471.4
31 December 2016	188.5	471.4

12 Other reserves

Group	Revaluation reserve on buildings Shs m	Transactions with non controlling Interest Shs m	Currency translation Shs m	Total Shs m
As at 1 January 2015	188.3	(35.4)	(89.6)	63.3
Currency translation differences	-	-	(113.1)	(113.1)
Transfer of excess depreciation	(9.4)	-	-	(9.4)
Deferred tax on transfer of depreciation	2.8	-	-	2.8
Balance as at 31 December 2015	**181.7**	**(35.4)**	**(202.7)**	**(56.4)**
As at 1 January 2016	181.7	(35.4)	(202.7)	(56.4)
Currency translation differences	-	-	(26.1)	(26.1)
Transfer of excess depreciation	(9.4)	-	-	(9.4)
Deferred tax on transfer of depreciation	2.8	-	-	2.8
Balance as at 31 December 2016	**175.1**	**(35.4)**	**(228.8)**	**(89.1)**

Company	Revaluation reserve on buildings Shs m	Total Shs m
As at 1 January 2015	127.9	127.9
Transfer of excess depreciation	(4.6)	(4.6)
Deferred tax on transfer of depreciation	1.4	1.4
Balance as at 31 December 2015	**124.7**	**124.7**
As at 1 January 2016	124.7	124.7
Transfer of excess depreciation	(4.6)	(4.6)
Deferred tax on revaluation gains	1.4	1.4
Balance as at 31 December 2016	**121.5**	**121.5**

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

13 Borrowings

	Group	
	2016 Shs m	2015 Shs m
Current		
Bank borrowings	-	38.1
	-	38.1
Non current		
Bank borrowings	-	-
Total borrowings	**-**	**38.1**

In the year 2011 Monitor Publications Ltd obtained a 6 year loan worth Uganda Shillings 5 billion (equivalent to Kenya Shillings 169.4 million) from Citibank Uganda Ltd that financed the purchase of a new printing press. The bank borrowings are secured by a 100% comprehensive corporate guarantee from Nation Media Group Limited. The loan was cleared in 2016.

The weighted average effective interest rates at the statement of financial position date were as follows:

	Group	
	2016	2015
Bank loan	-	17.74%

In the opinion of the directors, the carrying amounts of short-term and long-term borrowings approximate to their fair value. Fair values are based on discounted cashflows using a discount rate based upon the borrowing rate that directors expect should be available to the Group at the statement of financial position date.

14 Deferred income tax

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
At start of year	58.8	(278.7)	136.6	(238.2)
Charge/ (credit) to the statement of comprehensive income (Note 9)	(124.9)	337.5	(143.3)	374.8
At end of year	**(66.1)**	**58.8**	**(6.7)**	**136.6**
Deferred income tax liabilities	15.2	151.9	-	136.6
Deferred income tax assets	(81.3)	(93.1)	(6.7)	-
At end of year	**(66.1)**	**58.8**	**(6.7)**	**136.6**

14 Deferred income tax (continued)

Deferred income tax assets and liabilities are attributable to the following items:

Group	1.1.16 Shs m	Charged/ (credited) to P&L Shs m	31.12.16 Shs m
Year ended 31 December 2016			
Deferred income tax liabilities			
Property, plant and equipment	419.9	(63.3)	356.6
Revaluation	77.9	(2.8)	75.1
Unrealized exchange gains	58.0	(56.8)	1.2
	555.8	**(122.9)**	**432.9**
Deferred income tax assets			
Provisions	(404.1)	(74.0)	(478.1)
Tax losses	(9.9)	1.5	(8.4)
Unrealized exchange losses	(85.9)	67.8	(18.1)
	(499.9)	**(4.7)**	**(504.6)**
Currency Translation Differences	2.9	2.7	5.6
Net deferred income tax (asset)/ liability	**58.8**	**(124.9)**	**(66.1)**

Group	1.1.15 Shs m	Charged/ (credited) to P&L Shs m	31.12.15 Shs m
Year ended 31 December 2015			
Deferred income tax liabilities			
Property, plant and equipment	(37.9)	457.8	419.9
Revaluation	80.7	(2.8)	77.9
Unrealized exchange gains	167.8	(109.8)	58.0
	210.6	**345.2**	**555.8**
Deferred income tax assets			
Provisions	(275.8)	(128.3)	(404.1)
Tax losses	(21.0)	11.1	(9.9)
Unrealized exchange losses	(195.2)	109.3	(85.9)
	(492.0)	**(7.9)**	**(499.9)**
Currency Translation Differences	2.7	0.2	2.9
Net deferred income tax (asset)/ liability	**(278.7)**	**337.5**	**58.8**

14 Deferred income tax (continued)

Company Year ended 31 December 2016	1.1.16 Shs m	Charged/ (credited) to P&L Shs m	31.12.16 Shs m
Deferred income tax liabilities			
Property, plant and equipment	396.5	(61.5)	335.0
Revaluation	53.4	(1.4)	52.0
Unrealized exchange gains	58.7	(58.3)	0.4
	508.6	**(121.2)**	**387.4**
Deferred income tax assets			
Provisions	(309.7)	(86.4)	(396.1)
Unrealised exchange losses	(62.3)	64.3	2.0
	(372.0)	**(22.1)**	**(394.1)**
Net deferred income tax (asset)/ liability	**136.6**	**(143.3)**	**(6.7)**

Company Year ended 31 December 2015	1.1.15 Shs m	Charged/ (credited) to P&L Shs m	31.12.15 Shs m
Deferred income tax liabilities			
Property, plant and equipment	(93.0)	489.5	396.5
Revaluation	54.8	(1.4)	53.4
Unrealized exchange gains	165.9	(107.2)	58.7
	127.7	**380.9**	**508.6**
Deferred income tax assets			
Provisions	(194.4)	(115.3)	(309.7)
Unrealised exchange losses	(171.5)	109.2	(62.3)
	(365.9)	**(6.1)**	**(372.0)**
Net deferred income tax (asset)/ liability	**(238.2)**	**374.8**	**136.6**

15 Property, plant and equipment

Group	Freehold land Shs m	Buildings Shs m	Plant and equipment Shs m	Total Shs m
As at 1 January 2015				
Cost or valuation	7.0	574.8	6,972.7	7,554.5
Accumulated depreciation	-	(106.0)	(4,859.1)	(4,965.1)
Net book value	**7.0**	**468.8**	**2,113.6**	**2,589.4**
Year ended 31 December 2015				
Opening net book value	7.0	468.8	2,113.6	2,589.4
Additions	-	242.2	1,245.8	1,488.0
Disposals	-	-	(4.7)	(4.7)
Depreciation charge	-	(16.8)	(521.5)	(538.3)
Currency translation differences	-	(14.8)	(40.4)	(55.2)
Closing net book value	**7.0**	**679.4**	**2,792.8**	**3,479.2**
Year ended 31 December 2016				
Opening net book value	7.0	679.4	2,792.8	3,479.2
Additions	-	-	340.7	340.7
Disposals	-	-	(6.4)	(6.4)
Depreciation charge	-	(22.3)	(570.7)	(593.0)
Currency translation differences	-	(5.5)	(19.9)	(25.4)
Closing net book value	**7.0**	**651.6**	**2,536.5**	**3,195.1**
As at 31 December 2016				
Cost or valuation	7.0	798.1	8,557.0	9,362.1
Accumulated depreciation	-	(146.5)	(6,020.5)	(6,167.0)
Net book value	**7.0**	**651.6**	**2,536.5**	**3,195.1**

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

15 Property, plant and equipment (continued)

	Freehold land Shs m	Buildings Shs m	Plant and equipment Shs m	Total Shs m
Company				
Year ended 31 December 2015				
Opening net book value	7.0	289.1	1,577.5	1,873.6
Additions	-	242.2	1,105.6	1,347.8
Disposals	-	-	(1.2)	(1.2)
Depreciation charge	-	(14.0)	(403.0)	(417.0)
Closing net book value	**7.0**	**517.3**	**2,278.9**	**2,803.2**
As at 31 December 2015				
Cost or valuation	7.0	596.2	6,475.8	7,079.0
Accumulated depreciation	-	(78.9)	(4,196.9)	(4,275.8)
Net book value	**7.0**	**517.3**	**2,278.9**	**2,803.2**
Year ended 31 December 2016				
Opening net book value	7.0	517.3	2,278.9	2,803.2
Additions	-	-	227.3	227.3
Disposals	-	-	(3.3)	(3.3)
Depreciation charge	-	(19.5)	(441.5)	(461.0)
Closing net book value	**7.0**	**497.8**	**2,061.4**	**2,566.2**
As at 31 December 2016				
Cost or valuation	7.0	596.2	6,683.2	7,286.4
Accumulated depreciation	-	(98.4)	(4,621.8)	(4,720.2)
Net book value	**7.0**	**497.8**	**2,061.4**	**2,566.2**

The Group's buildings on leasehold land were revalued as at 31 August 2012 by independent professional valuers. The basis for the valuation was open market value. The book values of the properties were adjusted to the revalued amounts and the resulting surplus, net of deferred tax, was credited to the revaluation reserve in shareholders' equity. The revaluation reserve is not distributable in accordance with the Kenyan Companies Act. If the buildings were stated on historical cost basis, the amounts would be as follows:

15 Property, plant and equipment (continued)

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Cost	560.6	560.4	411.0	411.0
Accumulated depreciation	(126.0)	(113.1)	(110.3)	(95.4)
Net book value	**434.6**	**447.3**	**300.7**	**315.6**

16 Intangible assets

	Goodwill Shs m	Computer software Shs m	Transmission frequencies Shs m	Total Shs m
Group				
As at 1 January 2015				
Cost	187.9	474.2	27.2	689.3
Accumulated amortisation	-	(355.6)	(27.2)	(382.8)
Net book value	**187.9**	**118.6**	**-**	**306.5**
Year ended 31 December 2015				
Opening net book value	187.9	118.6	-	306.5
Additions	-	37.9	-	37.9
Amortisation	-	(36.6)	-	(36.6)
Currency translation differences	-	(2.2)	-	(2.2)
Closing net book value	**187.9**	**117.7**	**-**	**305.6**
As at 31 December 2015				
Cost	187.9	509.9	27.2	725.0
Accumulated amortisation	-	(392.2)	(27.2)	(419.4)
Net book value	**187.9**	**117.7**	**-**	**305.6**
Year ended 31 December 2016				
Opening net book value	187.9	117.7	-	305.6
Additions	-	30.1	-	30.1
Amortisation	-	(37.4)	-	(37.4)
Impairment	(29.0)	-	-	(29.0)
Currency translation differences	-	(0.8)	-	(0.8)
Closing net book value	**158.9**	**109.6**	**-**	**268.5**
As at 31 December 2016				
Cost	187.9	541.3	27.2	756.4
Accumulated amortisation	(29.0)	(431.7)	(27.2)	(487.9)
Net book value	**158.9**	**109.6**	**-**	**268.5**

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

16 Intangible assets (continued)

Impairment tests for goodwill
The goodwill arose from the historical acquisition of various entities and is allocated to the newspaper and broadcasting segments. The directors monitor goodwill impairment at the level of the acquired entity, being the cash generating unit (CGU). The recoverable amount of the cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the media industry in which the CGUs operates.

A segment-level summary of the goodwill allocated is presented below:

	Operating Segment	2016 Shs m	2015 Shs m
Mwananchi Communications Limited	Newspapers	115.4	128.9
Monitor Publications Limited	Newspapers	23.0	23.0
East Africa Television Network	Broadcasting	-	15.5
Radio Uhuru Limited	Broadcasting	20.5	20.5
		158.9	**187.9**

Movement in goodwill	2016 Shs m	2015 Shs m
At start of year	187.9	187.9
Impairment of goodwill allocated to Mwananchi Communications Limited	(13.5)	-
Impairment of goodwill allocated to East Africa Television Network	(15.5)	-
At end of year	**158.9**	**187.9**

Significant estimates : key assumptions used for value-in-use calculations

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the media industry in which the CGU operates.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them;

	Mwananchi Communications Limited	Monitor Publications Limited
2016		
Pre-tax Discount rate	21.5%	22.0%
Long term growth rate	6%	6%
Gross profit margin	75%	77%
2015		
Pre-tax Discount rate	23.3%	25.7%
Long term growth rate	10%	10%
Gross profit margin	75%	75%

16 Intangible assets (continued)

Management has determined the values assigned to each of the above key assumptions as follows;

•Pre-tax discount rate - reflects the specific risks relating to the relevant segments and the countries in which they operate. The rate is consistent with the investors expected returns (the weighted average cost of capital) bearing in mind the country risk premiums.
•Long term growth rate - is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports eg inflation rate.
•Gross profit margin - is based on past performance and management's expectations for the future.

	Computer software Shs m	Transmission Frequencies Shs m	Total Shs m
Company			
As at 1 January 2015			
Cost	412.1	27.2	439.3
Accumulated amortisation	(324.1)	(27.2)	(351.3)
Net book value	**88.0**	**-**	**88.0**
Year ended 31 December 2015			
Opening net book value	88.0	-	88.0
Additions	37.7	-	37.7
Amortisation	(26.5)	-	(26.5)
Closing net book value	99.2	-	99.2
As at 31 December 2015			
Cost	449.8	27.2	477.0
Accumulated amortisation	(350.6)	(27.2)	(377.8)
Net book value	**99.2**	**-**	**99.2**
Year ended 31 December 2016			
Opening net book value	99.2	-	99.2
Additions	29.1	-	29.1
Amortisation	(27.4)	-	(27.4)
Impairment	-	-	-
Closing net book value	**100.9**	**-**	**100.9**
As at 31 December 2016			
Cost	478.9	27.2	506.1
Accumulated amortisation	(378.0)	(27.2)	(405.2)
Net book value	**100.9**	**-**	**100.9**

17 Prepaid operating lease rentals

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
At start of year	76.1	80.5	45.8	46.6
Amortisation for the year	(1.2)	(1.2)	(0.8)	(0.8)
Currency translation differences	(0.4)	(3.2)	-	-
At end of year	**74.5**	**76.1**	**45.0**	**45.8**

18 Investment in associate

	Group	
	2016 Shs m	2015 Shs m
At start of year	1,115.4	1,034.6
Share of profit before income tax	153.4	162.4
Share of income tax expense	(31.5)	(37.8)
	121.9	**124.6**
Dividends received	(5.5)	(11.0)
Share of other comprehensive income	(23.4)	(32.8)
At end of year	**1,208.4**	**1,115.4**

Investment in associate is carried in the consolidated statement of financial position at amounts that reflect the Group's share of the net assets of the associate and includes goodwill on acquisition.

Key financial information on the associate, which is unlisted, was as follows:

	Country of incorporation	% interest held	Assets Shs'm	Liabilities Shs'm	Revenues Shs'm	Profit/(loss) Shs'm	Other comprehensive income Shs'm
Year 2016 Property Development and Management Limited	Kenya	20%	8,686.9	2,248.7	579.9	609.3	(116.9)
Year 2015 Property Development and Management Limited	Kenya	20%	7,353.7	1,378.2	566.4	623.1	(164.1)

There were no changes in the interest held in the associate during the year. The initial investment in associate carried in the Company statement of financial position is Shs. 94.6 million.

19 Investment in subsidiaries

	Company	
	2016 Shs m	2015 Shs m
At start and end of year	**1,012.6**	**1,131.4**

The Group's interest in its subsidiaries, all of which are unlisted and all of which have the same year end as the Company, were as follows:

	Company country of incorporation	Holding %	2016 Shs m	2015 Shs m
Trading subsidiaries:				
Nation Marketing & Publishing Limited	Kenya	100.0	0.5	0.5
Monitor Publications Limited	Uganda	83.3	75.1	75.1
Mwananchi Communications Limited	Tanzania	100.0	569.3	569.3
Nation Holdings Tanzania Limited	Tanzania	100.0	150.4	150.4
Africa Broadcasting Uganda Limited	Uganda	100.0	347.7	347.7
Nation Holdings Rwanda Limited	Rwanda	100.0	8.3	8.3
			1,151.3	**1,151.3**
Non trading subsidiaries:				
Nation Carriers Limited	Kenya	100.0	3.0	3.0
Nation Infotech Limited	Kenya	100.0	1.5	1.5
East African Television Network Limited	Kenya	100.0	-	-
Africa Broadcasting Limited	Kenya	100.0	-	-
Nation Newspapers Limited	Kenya	100.0	-	-
Nation Carriers Uganda Limited	Uganda	100.0	-	-
Nation Carriers Tanzania Limited	Tanzania	100.0	-	-
Africa Broadcasting Tanzania Limited	Tanzania	100.0	-	-
Nation Printers and Publishers Limited	Kenya	100.0	-	-
Radio Uhuru Limited	Tanzania	100.0	20.5	20.5
Nation Holdings Ghana Limited	Ghana	100.0	-	-
			1,176.3	**1,176.3**
Provision for impairment on investment in:				
Mwanachi Communications Limited			(125.5)	(44.9)
Africa Broadcasting Uganda Limited			(17.5)	-
Nation Holdings Rwanda Limited			(8.3)	-
Nation Holdings Tanzania Limited			(12.4)	-
			(163.7)	**(44.9)**
Net investment in subsidiaries			**1,012.6**	**1,131.4**

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

20 Long-term deposit

	Group & Company	
	2016 Shs m	2015 Shs m
Long-term deposit	183.0	102.4

This represents long-term deposits held as back up funds for staff mortgage scheme with Housing Finance.

21 Inventories

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Raw materials	1,075.9	750.8	886.6	457.8
Engineering spares	205.7	177.0	188.1	158.4
Other stock	137.2	164.6	126.7	114.5
Gross inventory	**1,418.8**	**1,092.4**	**1,201.4**	**730.7**
Less provision for obsolete stock	(183.5)	(198.6)	(181.2)	(192.0)
	1,235.3	**893.8**	**1,020.2**	**538.7**

The cost of inventories recognised as an expense and included in the consolidated 'cost of sales' amounted to Shs 1,461.9 million (2015: Shs 1,742.7 million).

22 Receivables and prepayments

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Trade receivables	4,007.0	4,208.3	2,876.4	2,924.7
Less: provision for impairment	(2,750.1)	(2,501.4)	(1,852.4)	(1,645.1)
	1,256.9	**1,706.9**	**1,024.0**	**1,279.6**
Due from related parties (Note 30)	4.2	4.5	310.6	337.9
Other receivables and prepayments	1,219.6	1,227.1	849.6	949.1
	2,480.7	**2,938.5**	**2,184.2**	**2,566.6**

Movement on the provision for impairment of trade receivables is as follows:

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
At start of year	2,501.4	2,012.1	1,645.1	1,263.4
Provision in the year	248.7	489.3	207.3	381.7
At end of year	**2,750.1**	**2,501.4**	**1,852.4**	**1,645.1**

The carrying amounts of the above receivables and prepayments approximate their fair values.

23 Cash and cash equivalents

For the purposes of cashflow statements, cash and cash equivalents comprise cash in hand, term deposits held with banks and investments in money market instruments. The year end cash and cash equivalent comprise the following:

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Cash and bank balances	282.1	493.9	141.9	292.4
Short term deposits	3,165.2	2,569.4	3,034.8	2,499.6
	3,447.3	**3,063.3**	**3,176.7**	**2,792.0**

The short term deposits include term deposits and short term note investments with related parties. Refer to note 30 (vii) for further details.
The weighted average effective interest rate on the bank deposits during the year was 10.3% (2015 : 12.6%)

24 Payables and accrued expenses	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Trade payables	811.1	1,252.0	474.8	786.3
Due to related parties (Note 30)	7.2	13.3	44.6	75.0
Accrued expenses	1,563.8	1,445.5	1,348.1	1,278.8
Other payables	633.4	575.4	552.7	376.9
	3,015.5	**3,286.2**	**2,420.2**	**2,517.0**

The carrying amounts of the above payables and accrued expenses approximate their fair values.

25 Post employment benefit obligation- Group	Shs m 2016	Shs m 2015
Opening balance	266.8	205.1
Payments in the year	(6.1)	(6.9)
Charge to P&L	(19.9)	52.4
Accrued interest	24.3	16.2
Closing balance	**265.1**	**266.8**

The group maintains a gratuity scheme equal to the sum of two weeks for every year of service completed.

26 Dividends

During the year, an interim dividend of Shs 2.5 per share, amounting to Shs 471.4 million was paid (2015: Shs 471.4 million) . At the annual general meeting to be held on 23rd June 2017, a final dividend in respect of the year ended 31 December 2016 of Shs 7.5 per share amounting to Shs 1,414.1 million (2015: Shs 1,414.1 million) will be proposed. The total dividend for the year is therefore Shs 10.0 per share (2015: Shs 10.0), amounting to Shs 1,885.5 million (2015: Shs 1,885.5 million).

The payment of dividends is subject to withholding tax at the rate of 5% for resident and 10% for non-resident tax payers.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

27 Commitments

Capital expenditure
Commitments for capital expenditure at the statement of financial position date are as follows:

	Group	
	2016	2015
	Shs m	Shs m
Contracted for but not provided for	29.7	248.5

Operating leases

The future minimum lease payments under non-cancellable operating leases are as follows:	2016	2015
	Shs m	Shs m
Not later than 1 year	146.6	141.5
Later than 1 year and not later than 5 years	642.4	619.5
	789.0	**761.0**

28 Cash generated from operations

	2016	2015
	Shs m	Shs m
Reconciliation of profit before tax to cash generated from operations		
Profit before income tax	2,460.0	2,823.2
Adjustment for:		
Depreciation of property, plant and equipment (Note 15)	593.0	538.3
Amortisation/ write off of intangible assets (Note 16)	66.4	36.6
Amortisation of prepaid operating lease rentals (Note 17)	1.2	1.2
Profit on sale of property, plant and equipment	(10.5)	(10.1)
Interest income (Note 8a)	(308.3)	(324.6)
Interest expense (Note 8b)	2.1	8.3
Share of result after tax of associate (Note 18)	(121.9)	(124.6)
Post employment benefit obligation	(1.7)	-
Changes in working capital:		
- Inventories	(341.5)	50.7
- Receivables and prepayments	457.8	(84.6)
- Payables and accrued expenses	(270.7)	462.2
Cash generated from operations	**2,525.9**	**3,376.6**
Translation of net investment in foreign subsidiaries	**(2.4)**	**(58.2)**

29 Contingent liabilities

The group has contingent liabilities in respect of legal claims arising in the ordinary cause of business. The directors have after taking appropriate legal advice, made provisions for contingent liabilities where there is a possible loss to the group. In the directors' opinion after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided for as at 31 December 2016.

30 Related parties

Aga Khan Fund for Economic Development, S.A (AKFED) incorporated in Switzerland is the principal shareholder of the Company. There are various other companies which are related to the Group through common shareholdings and directorships. Transactions with related parties are carried out at normal commercial terms and conditions. The following transactions were carried out with related parties.

30 Related parties (continued)

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
i) Sale of goods and services				
Subsidiaries:				
Monitor Publications Limited	-	-	14.4	16.5
Mwananchi Communications Limited	-	-	28.4	32.0
Other related parties:				
TPS Eastern Africa Limited	16.4	9.6	7.0	2.8
Jubilee Holdings Limited	16.4	9.8	15.1	8.8
	32.8	**19.4**	**64.9**	**60.1**
ii) Purchase of goods and services				
Subsidiaries:				
Monitor Publications Limited	-	-	2.0	12.4
Mwananchi Communications Limited	-	-	43.5	42.8
Other related parties:				
TPS Eastern Africa Limited	37.2	33.9	7.8	6.1
Jubilee Holdings Limited	214.5	221.9	181.9	176.6
	251.7	**255.8**	**235.2**	**237.9**

iii) Outstanding balances from transactions with related parties

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
Amounts due from related parties				
Subsidiaries:				
Mwananchi Communications Limited	-	-	58.2	144.3
Monitor Publications Limited	-	-	17.0	5.9
Nation Infotech Limited	-	-	0.9	0.9
Radio Uhuru Limited	-	-	4.9	4.9
Nation Marketing and Publishing Limited	-	-	21.3	-
Nation Holdings Rwanda Limited	-	-	207.3	180.3
Other related parties:				
TPS Eastern Africa Limited	3.4	4.0	0.3	1.1
Jubilee Holdings Limited	0.8	0.5	0.7	0.5
	4.2	**4.5**	**310.6**	**337.9**
Amounts due to related parties				
Subsidiaries:				
Africa Broadcasting Uganda Limited	-	-	37.3	1.0
Monitor Publications Limited	-	-	-	-
Nation Marketing and Publishing Limited	-	-	-	64.5
Nation Holdings Tanzania Limited	-	-	4.9	4.9
Other related parties:				
Jubilee Insurance	5.0	8.0	1.6	2.5
TPS Eastern Africa Limited	2.2	5.3	0.8	2.1
	7.2	**13.3**	**44.6**	**75.0**

30 Related parties (continued)

iv) Loans to executive directors

	Group		Company	
	2016 Shs m	2015 Shs m	2016 Shs m	2015 Shs m
At start of year	3.5	9.1	3.5	9.1
Loans advanced during the year	1.5	3.9	1.5	3.9
Loans repaid during the year	(4.3)	(9.5)	(4.3)	(9.5)
At end of year	**0.7**	**3.5**	**0.7**	**3.5**

Loans to executive directors are on terms similar to those applicable to other employees and are included in other receivables.

v) Key management compensation

Key management includes executive directors. The compensation paid or payable to key management for employee services is shown below.

	Company	
	2016 Shs m	2015 Shs m
Salaries and other short term employment benefits	111.7	92.5

vi) Directors' remuneration

	2016 Shs m	2015 Shs m
Fees for services as director	28.6	30.3
Salaries and other short term employment benefits	111.7	92.5
	140.3	**122.8**

vii) Other related party transactions

Included as part of cash and cash equivalents in the Company as at 31 December 2016 are the following balances with related parties:

	Company	
	2016 Shs m	2015 Shs m
Term deposit with Diamond Trust Bank Kenya Limited	510.7	690.5
Short term note investment with Industrial Promotion Services (K) Limited	400.0	400.0
	910.7	**1,090.5**

The terms of the above deposit with Diamond Trust Bank Kenya Limited is at arm's length, similar to those entered with other parties by the bank.

The short term note investment with Industrial Promotion Services (K) Limited is for a duration of 3 months each, attracting interest rate of 10.0% per annum for 2016 and 19.9% per annum for 2015.

FIVE YEAR FINANCIAL SUMMARY

	2016 Shs m	2015 Shs m	2014 Shs m	2013 Shs m	2012 Shs m
Results					
Revenue	11,324.8	12,339.5	13,351.3	13,373.7	12,346.8
Profit before income tax	2,460.0	2,823.2	3,624.0	3,587.1	3,504.6
Profit attributable to shareholders	1,636.1	2,076.6	2,418.1	2,615.7	2,612.7
Net assets					
Non-current assets	5,082.3	5,171.8	4,569.3	3,877.9	3,429.2
Net current assets	3,635.7	3,933.8	4,256.7	4,449.9	4,031.5
Non-current liabilities	(15.1)	(151.9)	(57.9)	(84.4)	(137.2)
Non-controlling interest	(47.0)	(48.4)	(53.9)	(61.8)	(72.4)
Shareholders' funds	**8,655.9**	**8,905.3**	**8,714.2**	**8,181.6**	**7,251.1**
Profit before tax as a percentage of turnover (%)	21.72	22.88	27.14	26.82	28.38
Earnings per share (Shs)	8.94	11.79	13.07	13.41	13.28
Dividends per share (Shs) - Normal	10.00	10.00	10.00	10.00	10.00
Total dividend per share (Shs)	10.00	10.00	10.00	10.00	10.00
Dividends cover (times)	0.89	1.18	1.31	1.34	1.33

PRINCIPAL SHAREHOLDERS AND THEIR RESPECTIVE SHAREHOLDING
AS AT 31 DECEMBER 2016

No.	Name of shareholder	No. of shares held	%
1	The Aga Khan Fund for Economic Development (AKFED)	84,198,343	44.66
2	Alpine Investments Limited	19,136,566	10.15
3	Stanbic Nominees Limited	3,382,765	1.79
4	Kimani John Kibunga	3,258,433	1.73
5	The Jubilee Insurance Company of Kenya Limited	2,286,748	1.21
6	Standard Chartered Nominees Resd A/C Ke11450	2,283,828	1.21
7	Kenya Commercial Bank Nominees Limited A/C 915b	2,266,033	1.20
8	Standard Chartered Nominees Resd A/C Ke11401	2,130,717	1.13
9	Kenya Commercial Bank Nominees Limited A/C 915a	1,930,339	1.02
10	Kenya Reinsurance Corporation Limited	958,320	0.51

Distribution of Shareholding as at 31 December 2016

No. of shares	No. of shareholders	No. of shares held	% of shareholding
1 – 500	4,410	832,963	0.44
501 – 5,000	4,596	9,518,270	5.05
5,001 – 10,000	863	6,462,001	3.43
10,001 – 100,000	954	24,301,454	12.89
100,001 – 1,000,000	114	26,553,826	14.08
Over 1,000,000	9	120,873,772	64.11
Total	10,946	188,542,286	100.00

Directors Shareholding

Name	No. of shares held	% of shareholding
Yasmin Jetha	15,175	0.0080
Stephen Gitagama	1,296	0.0007
Gerard Wilkinson	960	0.0005
Tom Mshindi	240	0.0001
Joe Muganda	72	0.0000

Nation Media Group
Media of Africa for Africa

PROXY FORM

I/We____

____________________________________being a member of Nation Media Group Limited, hereby appoint ____of ____and failing him__________ ____________________________________, 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 the 23rd June 2017 and at any adjournment thereof.

As witness my hand this ____

Signature____

IMPORTANT NOTES

1. If you are unable to attend this meeting personally, this form of proxy should be completed and returned to the Secretary, Nation Media Group Limited, P.O. Box 49010– 00100 Nairobi, to reach him not later than 48 hours before the time appointed for holding the meeting.
2. A person appointed to act as a proxy need not be a member of the company.
3. If the appointer is a corporation, this form of proxy must be under seal or under the hand of an officer or attorney duly authorised in writing.

Nation Media Group
Media of Africa for Africa

FOMU YA UWAKILISHI

Mimi/Sisi____

____kama

mwanachama/wanachama wa kampuni ya Nation Media Group Limited, ninamteua/tunamteua ____________

____

_____kwa____na

kumkosa____, mwenyekiti wa mkutano huu kama mwakilishi wangu/wetu, ili anipigie/atupigie kura na kwa niaba yangu/yetu katika Mkutano Mkuu wa Mwaka wa Kampuni hii unaofanyika tarehe 23 Juni 2017 na siku nyingine yoyote ile iwapo utaahirishwa.

Kama shahidi mkono huu ____

Sahihi____

MAELEZO MUHIMU

1. Iwapo hutaweza kuhudhuria mkutano huu kama mtu binafsi, fomu hii ya uwakilishi inafaa ijazwe na kurejeshwa kwa Katibu, Nation Media Group Limited, S.L.P 49010-00100 Nairobi ili imfikie katika muda usiozidi saa 48 kabla ya wakati ulioratibiwa wa kuanza mkutano.
2. Si lazima mtu aliyeteuliwa kuwa mwakilishi awe mwanachama wa kampuni hii.
3. Iwapo anayetaka kuwakilishwa ni shirika, analazimika aitie muhuri fomu yake au iwe na mkono wa afisa ama wakili ili aiidhinishe kwa maandishi.

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